FEDERAL REALTY INVESTMENT TRUST
Form 10-K
February 11, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2013
OR

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

For the transition period from to
Commission file number: 1-07533
FEDERAL REALTY INVESTMENT TRUST
(Exact Name of Registrant as Specified in its Declaration of Trust)

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

(301) 998-8100
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares of Beneficial Interest, $.01 par value per share, with associated Common Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ý Yes ¨ No
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes ý No
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. ý Yes ¨ No
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	ý	Accelerated Filer	¨
Non-Accelerated Filer	o (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes ý No
The aggregate market value of the Registrant's common shares held by non-affiliates of the Registrant, based upon the closing sales price of the Registrant's common shares on June 30, 2013 was $6.8 billion.
The number of Registrant’s common shares outstanding on February 7, 2014 was 66,822,208.

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FEDERAL REALTY INVESTMENT TRUST
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2013

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission for the Registrant's 2013 annual meeting of shareholders to be held in May 2014 will be incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

References to “we,” “us,” “our” or the “Trust” refer to Federal Realty Investment Trust and our business and operations conducted through our directly or indirectly owned subsidiaries.

General

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, as well as in California. As of December 31, 2013, 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 19.5 million square feet. In total, the real estate projects were 95.8% leased and 95.1% occupied at December 31, 2013. 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 December 31, 2013. In total, the joint venture properties in which we own an interest were 84.9% leased and occupied at December 31, 2013. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 46 consecutive years.

We were founded in 1962 as a REIT under the laws of the District of Columbia and re-formed as a REIT in the state of Maryland in 1999. We operate in a manner intended to qualify as a REIT for tax purposes pursuant to provisions of the Internal Revenue Code of 1986, as amended (the “Code”). Our principal executive offices are located at 1626 East Jefferson Street, Rockville, Maryland 20852. Our telephone number is (301) 998-8100. Our website address is www.federalrealty.com. The information contained on our website is not a part of this report and is not incorporated herein by reference.

Business Objectives and Strategies

Our primary business objective is to own, manage, acquire and redevelop a portfolio of high quality retail focused properties that will:

- protect investor capital;
- provide increasing cash flow for distribution to shareholders;
- generate higher internal growth than our peers; and
- provide potential for capital appreciation.

Our portfolio includes, and we continue to acquire and redevelop, high quality retail in many formats ranging from regional community and neighborhood shopping centers that generally are anchored by grocery stores to mixed-use properties that are typically centered around a retail component but may also include office, residential and/or hotel components.

Operating Strategies

Our core operating strategy is to actively manage our properties to maximize rents and maintain occupancy levels by attracting and retaining a strong and diverse base of tenants and replacing less relevant, weaker, underperforming tenants with stronger ones. Our properties are generally located in some of the most densely populated and affluent areas of the country. These strong demographics help our tenants generate higher sales, which has enabled us to maintain higher occupancy rates, charge higher rental rates, and maintain steady rent growth, all of which increase the value of our portfolio. Our operating strategies also include:

- increasing rental rates through the renewal of expiring leases or the leasing of space to new tenants at higher rental rates while limiting vacancy and down-time;
- maintaining a diversified tenant base, thereby limiting exposure to any one tenant’s financial or operating difficulties;
- monitoring the merchandising mix of our tenant base to achieve a balance of strong national and regional tenants with local specialty tenants;

- minimizing overhead and operating costs;
- monitoring the physical appearance of our properties and the construction quality, condition and design of the buildings and other improvements located on our properties to maximize our ability to attract customers and thereby generate higher rents and occupancy rates;
- developing local and regional market expertise in order to capitalize on market and retailing trends;

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- leveraging the contacts and experience of our management team to build and maintain long-term relationships with tenants, investors and financing sources;
- providing exceptional customer service; and
- creating an experience at many of our properties that is identifiable, unique and serves the surrounding communities to help insulate these properties and the tenants at these properties from the impact of on-line retailing.

Investing Strategies

Our investment strategy is to deploy capital at risk-adjusted rates of return that exceed our long-term weighted average cost of capital in projects that have potential for future income growth and increased value. Our investments primarily fall into one of the following four categories:

- renovating, expanding, reconfiguring and/or retenanting our existing properties to take advantage of under-utilized land or existing square footage to increase revenue;
- renovating or expanding tenant spaces for tenants capable of producing higher sales, and therefore, paying higher rents;
- acquiring quality retail and mixed-use properties located in densely populated and/or affluent areas where barriers to entry for further development are high, and that have possibilities for enhancing operating performance and creating value through renovation, expansion, reconfiguration and/or retenanting; and
- developing the retail portions of mixed-use properties and developing or otherwise investing in non-retail portions of mixed-use properties we already own in order to capitalize on the overall value created in these properties.

Investment Criteria

When we evaluate potential redevelopment, retenanting, expansion, acquisition and development opportunities, we consider such factors as:

- the expected returns in relation to our short and long-term cost of capital as well as the anticipated risk we will face in achieving the expected returns;
- the anticipated growth rate of operating income generated by the property;
- the tenant mix at the property, tenant sales performance and the creditworthiness of those tenants;
- the geographic area in which the property is located, including the population density and household incomes, as well as the population and income trends in that geographic area;
- competitive conditions in the vicinity of the property, including competition for tenants and the ability of others to create competing properties through redevelopment, new construction or renovation;
- access to and visibility of the property from existing roadways and the potential for new, widened or realigned, roadways within the property’s trade area, which may affect access and commuting and shopping patterns;
- the level and success of our existing investments in the market area;
- the current market value of the land, buildings and other improvements and the potential for increasing those market values; and
- the physical condition of the land, buildings and other improvements, including the structural and environmental condition.

Financing Strategies

Our financing strategies are designed to enable us to maintain an investment grade balance sheet while retaining sufficient flexibility to fund our operating and investing activities in the most cost-efficient way possible. Our financing strategies include:

- maintaining a prudent level of overall leverage and an appropriate pool of unencumbered properties that is sufficient to support our unsecured borrowings;
- managing our exposure to variable-rate debt;
- maintaining an available line of credit to fund operating and investing needs on a short-term basis;
- taking advantage of market opportunities to refinance existing debt, reduce interest costs and manage our debt maturity schedule so that a significant portion of our debt does not mature in any one year;
- selling properties that have limited growth potential or are not a strategic fit within our overall portfolio and redeploying the proceeds to redevelop, renovate, retenant and/or expand our existing properties, acquire new properties or reduce debt; and

- utilizing the most advantageous long-term source of capital available to us to finance redevelopment and acquisition opportunities, which may include:

the sale of our equity or debt securities through public offerings, including our at the market ("ATM") equity program in which we may from time to time offer and sell common shares, or private placements,

the incurrence of indebtedness through unsecured or secured borrowings,

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the issuance of operating partnership units in a new or existing “downREIT partnership” that is controlled and consolidated by us (generally operating partnership units in a “downREIT” partnership are issued in exchange for a tax deferred contribution of property; these units receive the same distributions as our common shares and the holders of these units have the right to exchange their units for cash or the same number of our common shares, at our option), or the use of joint venture arrangements.

Employees

At February 7, 2014, we had 266 full-time employees and 159 part-time employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Tax Status

We elected to be taxed as a REIT under the federal income tax laws when we filed our 1962 tax return. As a REIT, we are generally not subject to federal income tax on taxable income that we distribute to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income each year. We will be subject to federal income tax on our taxable income (including any applicable alternative minimum tax) at regular corporate rates if we fail to qualify as a REIT for tax purposes in any taxable year, or to the extent we distribute less than 100% of our taxable income. We will also generally not qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on our undistributed taxable income.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Code. A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

Governmental Regulations Affecting Our Properties

We and our properties are subject to a variety of federal, state and local environmental, health, safety and similar laws, including without limitation:

- the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, which we refer to as CERCLA;
- the Resource Conservation & Recovery Act;
- the Federal Clean Water Act;
- the Federal Clean Air Act;
- the Toxic Substances Control Act;
- the Occupational Safety & Health Act; and
- the Americans with Disabilities Act.

The application of these laws to a specific property that we own depends on a variety of property-specific circumstances, including the current and former uses of the property, the building materials used at the property and the physical layout of the property. Under certain environmental laws, principally CERCLA, we, as the owner or operator of properties currently or previously owned, may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at the property. We may also be held liable to a governmental entity or third parties for property damage and for investigation and clean up costs incurred in connection with the contamination, whether or not we knew of, or were responsible for, such contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. As the owner or operator of real estate, we also may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the real estate. Such costs or liabilities could exceed the value of the affected real estate. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral.

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results of operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities

due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future. We have no current plans for substantial capital expenditures with respect to compliance with environmental, health, safety and similar laws and we carry environmental insurance which covers a number of environmental risks for most of our properties.

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Competition

Numerous commercial developers and real estate companies compete with us with respect to the leasing and the acquisition of properties. Some of these competitors may possess greater capital resources than we do, although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market. This competition may:

- reduce the number of properties available for acquisition;
- increase the cost of properties available for acquisition;
- interfere with our ability to attract and retain tenants, leading to increased vacancy rates and/or reduced rents; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs, superstores, and other forms of sales and marketing of goods and services, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) are available free of charge through the Investors section of our website at www.federalrealty.com as soon as reasonably practicable after we electronically file the material with, or furnish the material to, the Securities and Exchange Commission, or the SEC.

Our Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics applicable to our Chief Executive Officer and senior financial officers, Whistleblower Policy, organizational documents and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investors section of our website.

Amendments to the Code of Ethics or Code of Business Conduct or waivers that apply to any of our executive officers or our senior financial officers will be disclosed in that section of our website as well.

You may obtain a printed copy of any of the foregoing materials from us by writing to us at Investor Relations, Federal Realty Investment Trust, 1626 East Jefferson Street, Rockville, Maryland 20852.

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ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Also, documents that we "incorporate by reference" into this Annual Report on Form 10-K, including documents that we subsequently file with the SEC will contain forward-looking statements. When we refer to forward-looking statements or information, sometimes we use words such as "may," "will," "could," "should," "plans," "intends," "expects," "b "estimates," "anticipates" and "continues." In particular, the below risk factors describe forward-looking information. The risk factors describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Many things can happen that can cause actual results to be different from those we describe. These factors include, but are not limited to the following:

Revenue from our properties may be reduced or limited if the retail operations of our tenants are not successful.

Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Some of our leases provide for the payment, in addition to base rent, of additional rent above the base amount according to a specified percentage of the gross sales generated by the tenants and generally provide for reimbursement of real estate taxes and expenses of operating the property. Economic conditions may impact the success of our tenants' retail operations and therefore the amount of rent and expense reimbursements we receive from our tenants. We have 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 few years. However, any reduction in our tenants' abilities to pay base rent, percentage rent or other charges on a timely basis, including the filing by any of our tenants for bankruptcy protection, will adversely affect our financial condition and results of operations. In the event of default by a tenant, we may experience delays and unexpected costs in enforcing our rights as landlord under lease terms, which may also adversely affect our financial condition and results of operations.

Our net income depends on the success and continued presence of our "anchor" tenants.

Our net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases may permit termination or rent reduction in those circumstances or whose own operations may suffer as a result. As a result of the economic conditions over the last few years, we have seen a decrease in the number of tenants available to fill anchor spaces. Therefore, tenant demand for certain of our anchor spaces may decrease and as a result, we may see an increase in vacancy and/or a decrease in rents for those spaces that could have a negative impact to our net income.

We may be unable to collect balances due from tenants that file for bankruptcy protection.

If a tenant or lease guarantor files for bankruptcy, we may not be able to collect all pre-petition amounts owed by that party. In addition, a tenant that files for bankruptcy protection may terminate our lease in which event we would have a general unsecured claim that would likely be for less than the full amount owed to us for the remainder of the lease term, which could adversely affect our financial condition and results of operations.

We may experience difficulty or delay in renewing leases or re-leasing space.

We derive most of our revenue directly or indirectly from rent received from our tenants. We are subject to the risks that, upon expiration or termination of leases, whether by their terms, as a result of a tenant bankruptcy, general economic conditions or otherwise, leases for space in our properties may not be renewed, space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms and may include decreases in rental rates. As a result, our net income could be reduced.

The amount of debt we have and the restrictions imposed by that debt could adversely affect our business and financial condition.

As of December 31, 2013, we had approximately $2.3 billion of debt outstanding. Of that outstanding debt, approximately $567.8 million was secured by all or a portion of 13 of our real estate projects and approximately $71.7 million represented capital lease obligations on four of our properties. In addition, we own a 30% interest in a joint venture that had $56.9 million of debt secured by four properties as of December 31, 2013. Approximately $2.3 billion (99.6%) of our debt as of

December 31, 2013 is fixed rate debt, which includes all of our property secured debt, our capital lease obligations and our $275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements. Our unconsolidated joint venture's debt of $56.9 million is also fixed rate debt. Our organizational documents do not limit the level or amount of debt that we may incur. The amount of our debt outstanding from time to time could have important consequences to our shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, property acquisitions, redevelopments and other appropriate business opportunities that may arise in the future;
- limit our ability to make distributions on our outstanding common shares and preferred shares;
- make it difficult to satisfy our debt service requirements;
- require us to dedicate increased amounts of our cash flow from operations to payments on debt upon refinancing or on our variable rate, unhedged debt, if interest rates rise;
- limit our flexibility in planning for, or reacting to, changes in our business and the factors that affect the profitability of our business;
- limit our ability to obtain any additional debt or equity financing we may need in the future for working capital, debt refinancing, capital expenditures, acquisitions, redevelopments or other general corporate purposes or to obtain such financing on favorable terms; and/or
- limit our flexibility in conducting our business, which may place us at a disadvantage compared to competitors with less debt or debt with less restrictive terms.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness will depend primarily on our future performance, which to a certain extent is subject to economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt or meet our other cash needs. If we are unable to generate this cash flow from our business, we may be required to refinance all or a portion of our existing debt, sell assets or obtain additional financing to meet our debt obligations and other cash needs, including the payment of dividends required to maintain our status as a real estate investment trust. We cannot assure you that any such refinancing, sale of assets or additional financing would be possible on terms that we would find acceptable.

We are obligated to comply with financial and other covenants pursuant to our debt obligations that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate payment under our debt agreements.

Our revolving credit facility, term loan and certain series of notes include financial covenants that may limit our operating activities in the future. We are also required to comply with additional covenants that include, among other things, provisions:

- relating to the maintenance of property securing a mortgage;
- restricting our ability to pledge assets or create liens;
- restricting our ability to incur additional debt;
- restricting our ability to amend or modify existing leases at properties securing a mortgage;
- restricting our ability to enter into transactions with affiliates; and
- restricting our ability to consolidate, merge or sell all or substantially all of our assets.

As of December 31, 2013, we were in compliance with all of our financial covenants. If we were to breach any of our debt covenants, including the covenants listed above, and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes, 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 development activities have inherent risks.

The ground-up development of improvements on real property, as opposed to the renovation and redevelopment of existing improvements, presents substantial risks. We generally do not look to acquire raw land for future development; however, we do intend to complete the development and construction of future phases of projects we already own, such as Santana Row in San Jose, California, Assembly Row in Somerville, Massachusetts, and Pike & Rose (Mid-Pike Plaza) in Rockville, Maryland. We may undertake development of these and other projects on our own or bring in third parties if it is justifiable on a risk-adjusted return basis. We may also choose to delay completion of a project if market conditions do not allow an appropriate return. If conditions arise and we are not able or decide not to complete a project or if the expected cash flows of our project do not

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exceed the book value, an impairment of the project may be required. If additional phases of any of our existing projects or if any new projects are not successful, it may adversely affect our financial condition and results of operations.

During 2013, construction continued on Phase I of Assembly Row, Phase I of Pike & Rose and a new residential building at Santana Row and we anticipate that our total investment in the current phase of these projects will approximate $530 million. There are a number of risks associated with these projects, including the size of the overall aggregate investment in these projects. At Assembly Row, we are dependent on the performance of third parties to deliver significant aspects of the project that are critical to our success. In addition at this project, our projected investment assumes that we will receive public funding which has been committed but has not been entirely funded. At both Assembly Row and Pike & Rose, a substantial amount of our investment is related to infrastructure, the value of which may be negatively impacted if we do not complete subsequent phases. Furthermore, with respect to residential development at Pike & Rose and Santana Row, we will be delivering these units into a residential environment in 2014-2016 that is uncertain.

In addition to the risks associated with real estate investment in general, as described elsewhere and the specific risks above, the risks associated with our remaining development activities include:

- contractor changes may delay the completion of development projects and increase overall costs;
- significant time lag between commencement and stabilization subjects us to greater risks due to fluctuations in the general economy;
- failure or inability to obtain construction or permanent financing on favorable terms;
- failure or inability to obtain public funding from governmental agencies to fund infrastructure projects, including expected public funding in connection with our development at Assembly Row;
- expenditure of money and time on projects that may never be completed;
- the third-party developer of residential buildings may not deliver or may encounter delays in delivering residential space as planned;
- difficulty securing key anchor or other tenants may impact occupancy rates and projected revenue;
- inability to achieve projected rental rates or anticipated pace of lease-up;
- higher than estimated construction or operating costs, including labor and material costs; and
- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of high quality, retail focused properties in densely populated areas with high average household incomes and significant barriers to adding competitive retail supply. The redevelopment and acquisition of properties entail risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- our estimate of the costs to improve, reposition or redevelop a property may prove to be too low, or the time we estimate to complete the improvement, repositioning or redevelopment may be too short. As a result, the property may fail to achieve the returns we have projected, either temporarily or for a longer time;
- we may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- we may not be able to integrate an acquisition into our existing operations successfully;
- properties we redevelop or acquire may fail to achieve the occupancy or rental rates we project, within the time frames we project, at the time we make the decision to invest, which may result in the properties' failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs or decrease cash flow from the property; and
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the

property or increase our acquisition cost.
Our ability to grow will be limited if we cannot obtain additional capital.
Our growth strategy is focused on the redevelopment of properties we already own and the acquisition of additional properties. We believe that it will be difficult to fund our expected growth with cash from operating activities because, in addition to other requirements, we are generally required to distribute to our shareholders at least 90% of our taxable income each year to continue to qualify as a REIT for federal income tax purposes. As a result, we must rely primarily upon the availability of debt or equity capital, which may or may not be available on favorable terms or at all. Debt could include the sale of debt securities

and mortgage loans from third parties. If economic conditions and conditions in the capital markets are not favorable at the time we need to raise capital, we may need to obtain capital on less favorable terms. Additionally, we cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the market's perception of our growth potential and risk profile, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors as well as the impact of the economic environment, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

Rising interest rates could adversely affect our cash flow and the market price of our outstanding debt and preferred shares.

Of our approximately $2.3 billion of debt outstanding as of December 31, 2013, approximately $284.4 million bears interest at variable rates of which $275.0 million is effectively fixed through two interest rate swap agreements. We have a $600.0 million revolving credit facility, on which no balance is outstanding at December 31, 2013, that bears interest at LIBOR plus 90 basis points. We may borrow additional funds at variable interest rates in the future. Increases in interest rates would increase the interest expense on our variable rate debt and reduce our cash flow, which could adversely affect our ability to service our debt and meet our other obligations and also could reduce the amount we are able to distribute to our shareholders. The interest rate on our $275.0 million term loan is currently fixed at 3.02% as a result of two interest rate swap agreements. We may enter into this type of hedging arrangements or other transactions for all or a portion of our variable rate debt to limit our exposure to rising interest rates. However, the amounts we are required to pay under the term loan and any other variable rate debt to which hedging or similar arrangements relate may increase in the event of non-performance by the counterparties to any of our hedging arrangements. In addition, an increase in market interest rates may lead purchasers of our debt securities and preferred shares to demand a higher annual yield, which could adversely affect the market price of our outstanding debt securities and preferred shares and the cost and/or timing of refinancing or issuing additional debt securities or preferred shares.

The market value of our debt and equity securities is subject to various factors that may cause significant fluctuations or volatility.

As with other publicly traded securities, the market price of our debt and equity securities depends on various factors, which may change from time to time and/or may be unrelated to our financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors include, among others:

- general economic and financial market conditions;
- level and trend of interest rates;
- our ability to access the capital markets to raise additional capital;
- the issuance of additional equity or debt securities;
- changes in our funds from operations ("FFO") or earnings estimates;
- changes in our debt or analyst ratings;
- our financial condition and performance;
- market perception of our business compared to other REITs; and
- market perception of REITs, in general, compared to other investment alternatives.

Loss of our key management could adversely affect performance and the value of our common shares.

We are dependent on the efforts of our key management. Although we believe qualified replacements could be found for any departures of key executives, the loss of their services could adversely affect our performance and the value of our common shares.

Our performance and value are subject to general risks associated with the real estate industry.

Our economic performance and the value of our real estate assets, and, consequently, the value of our investments, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. As a real estate company, we are susceptible to the following real estate industry risks:

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- economic downturns in general, or in the areas where our properties are located;
- adverse changes in local real estate market conditions, such as an oversupply or reduction in demand;
- changes in tenant preferences that reduce the attractiveness of our properties to tenants;
- zoning or regulatory restrictions;
- decreases in market rental rates;
- weather conditions that may increase or decrease energy costs and other weather-related expenses;
- costs associated with the need to periodically repair, renovate and re-lease space; and

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- increases in the cost of adequate maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur even when circumstances such as market factors and competition cause a reduction in revenues from one or more properties, although real estate taxes typically do not increase upon a reduction in such revenues.

Each of these risks could result in decreases in market rental rates and increases in vacancy rates, which could adversely affect our financial condition and results of operation.

Many real estate costs are fixed, even if income from our properties decreases.

Our financial results depend primarily on leasing space in our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease, or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent our properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays and may incur substantial legal costs. Additionally, new properties that we may acquire or redevelop may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with such new properties until they are fully occupied.

Competition may limit our ability to purchase new properties and generate sufficient income from tenants.

Numerous commercial developers and real estate companies compete with us in seeking tenants for our existing properties and properties for acquisition. This competition may:

- reduce properties available for acquisition;
- increase the cost of properties available for acquisition;
- reduce rents payable to us;
- interfere with our ability to attract and retain tenants;
- lead to increased vacancy rates at our properties; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs and other forms of sales and marketing of goods, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants. If we are unable to continue to attract appropriate retail tenants to our properties, or to purchase new properties in our geographic markets, it could materially affect our ability to generate net income, service our debt and make distributions to our shareholders.

We may be unable to sell properties when appropriate because real estate investments are illiquid.

Real estate investments generally cannot be sold quickly. In addition, there are some limitations under federal income tax laws applicable to real estate and to REITs in particular that may limit our ability to sell our assets. We may not be able to alter our portfolio promptly in response to changes in economic or other conditions including being unable to sell a property at a return we believe is appropriate due to the economic environment. Our inability to respond quickly to adverse changes in the performance of our investments could have an adverse effect on our ability to meet our obligations and make distributions to our shareholders.

Our insurance coverage on our properties may be inadequate.

We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire, flood, earthquake, environmental matters, rental loss and acts of terrorism. All of these policies contain coverage limitations. We believe these coverages are of the types and amounts customarily obtained for or by an owner of similar types of real property assets located in the areas where our properties are located. We intend to obtain similar insurance coverage on subsequently acquired properties.

The availability of insurance coverage may decrease and the prices for insurance may increase as a consequence of significant losses incurred by the insurance industry and other factors outside our control. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of

insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but still remain obligated for any mortgage debt or other financial obligations

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related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Also, due to inflation, changes in codes and ordinances, environmental considerations and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed. Further, we may be unable to collect insurance proceeds if our insurers are unable to pay or contest a claim. Events such as these could adversely affect our results of operations and our ability to meet our obligations, including distributions to our shareholders.

We may have limited flexibility in dealing with our jointly owned investments.

Our organizational documents do not limit the amount of funds that we may invest in properties and assets owned jointly with other persons or entities. As of December 31, 2013, we held five predominantly retail real estate projects jointly with other persons in addition to our joint venture with affiliates of a discretionary fund created and advised by ING Clarion Partners (“Clarion”) and properties owned in a “downREIT” structure. We may make additional joint investments in the future. Our existing and future joint investments may subject us to special risks, including the possibility that our partners or co-investors might become bankrupt, that those partners or co-investors might have economic or other business interests or goals which are unlike or incompatible with our business interests or goals, that those partners or co-investors might be in a position to take action contrary to our suggestions or instructions, or in opposition to our policies or objectives, and that disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration or some other form of dispute resolution. Although as of December 31, 2013, we held the managing general partnership or membership interest in all of our existing co-investments we generally must obtain the consent of the co-investor or meet defined criteria to sell or to finance these properties. Joint ownership gives a third party the opportunity to influence the return we can achieve on some of our investments and may adversely affect our ability to make distributions to our shareholders. We may also be liable for the actions of our co-investors.

On July 1, 2004, we entered into a joint venture with Clarion for purposes of acquiring properties. Although we are the managing general partner of that entity, we have only a 30% ownership interest in that entity. Our partner’s consent is required to take certain actions with respect to the properties acquired by the venture, and as a result, we may not be able to take actions that we believe are necessary or desirable to protect or increase the value of the property or the property’s income stream. Pursuant to the terms of our partnership, we must obtain our partner’s consent to do the following:

- enter into new anchor tenant leases, modify existing anchor tenant leases or enforce remedies against anchor tenants;
- make certain repairs, renovations or other changes or improvements to properties; and
- sell or finance the property with secured debt.

Our joint venture with Clarion is subject to a buy-sell provision which is customary for real estate joint venture agreements and the industry. Either partner may initiate these provisions 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. Our investment in this joint venture is also subject to the risks described above for jointly owned investments. As of December 31, 2013, this joint venture owned seven properties.

Environmental laws and regulations could reduce the value or profitability of our properties.

All real property and the operations conducted on real property are subject to federal, state and local laws, ordinances and regulations relating to hazardous materials, environmental protection and human health and safety. Under various federal, state and local laws, ordinances and regulations, we and our tenants may be required to investigate and clean up certain hazardous or toxic substances released on or in properties we own or operate, and also may be required to pay other costs relating to hazardous or toxic substances. This liability may be imposed without regard to whether we or our tenants knew about the release of these types of substances or were responsible for their release. The presence of contamination or the failure to properly remediate contamination at any of our properties may adversely affect our ability to sell or lease those properties or to borrow funds by using those properties as collateral. The costs or liabilities could exceed the value of the affected real estate. We are not aware of any environmental condition with respect to any of our properties that management believes would have a material adverse effect on our business, assets or results of operations taken as a whole. The uses of any of our properties prior to our acquisition of the property and

the building materials used at the property are among the property-specific factors that will affect how the environmental laws are applied to our properties. If we are subject to any material environmental liabilities, the liabilities could adversely affect our results of operations and our ability to meet our obligations.

We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist on the properties in the future. Compliance with existing and new laws and regulations may require us or our tenants to spend funds to remedy environmental problems. Our tenants, like many of their competitors, have incurred, and will continue to incur, capital and

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operating expenditures and other costs associated with complying with these laws and regulations, which will adversely affect their potential profitability.

Generally, our tenants must comply with environmental laws and meet remediation requirements. Our leases typically impose obligations on our tenants to indemnify us from any compliance costs we may incur as a result of the environmental conditions on the property caused by the tenant. If a lease does not require compliance or if a tenant fails to or cannot comply, we could be forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future or result in lower sales prices or rent payments.

The Americans with Disabilities Act of 1990 could require us to take remedial steps with respect to existing or newly acquired properties.

Our existing properties, as well as properties we may acquire, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990. Investigation of a property may reveal non-compliance with this Act. The requirements of this Act, or of other federal, state or local laws or regulations, also may change in the future and restrict further renovations of our properties with respect to access for disabled persons. Future compliance with this Act may require expensive changes to the properties.

The revenues generated by our tenants could be negatively affected by various federal, state and local laws to which they are subject.

We and our tenants are subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, consumer protection laws and state and local fire, life-safety and similar requirements that affect the use of the properties. The leases typically require that each tenant comply with all laws and regulations. Failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions on the ability to conduct business on such properties. Non-compliance of this sort could reduce our revenues from a tenant, could require us to pay penalties or fines relating to any non-compliance, and could adversely affect our ability to sell or lease a property.

Failure to qualify as a REIT for federal income tax purposes would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of distributions.

We believe that we are organized and qualified as a REIT for federal income tax purposes and currently intend to operate in a manner that will allow us to continue to qualify as a REIT under the Code. However, we cannot assure you that we will remain qualified as such in the future.

Qualification as a REIT involves the application of highly technical and complex Code provisions and applicable income tax regulations that have been issued under the Code. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying rents and certain other income. Satisfying this requirement could be difficult, for example, if defaults by tenants were to reduce the amount of income from qualifying rents. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income. In addition, new legislation, new regulations, new administrative interpretations or new court decisions may significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. Any modification in the tax treatment of REITs could have a significant adverse impact to our net income.

If we fail to qualify as a REIT:

- we would not be allowed a deduction for distributions to shareholders in computing taxable income;
- we would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax;
- unless we are entitled to relief under specific statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified;
- we could be required to pay significant income taxes, which would substantially reduce the funds available for investment or for distribution to our shareholders for each year in which we failed or were not permitted to qualify; and
- we would no longer be required by law to make any distributions to our shareholders.

We may be required to incur additional debt to qualify as a REIT.

As a REIT, we must generally make annual distributions to shareholders of at least 90% of our taxable income. We are subject to income tax on amounts of undistributed taxable income and net capital gain. In addition, we would be subject to a 4% excise tax if we fail to distribute sufficient income to meet a minimum distribution test based on our ordinary income, capital gain and

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aggregate undistributed income from prior years. We intend to make distributions to shareholders to comply with the Code's distribution provisions and to avoid federal income and excise tax. We may need to borrow funds to meet our distribution requirements because:

- our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and
- non-deductible capital expenditures, creation of reserves, or debt service requirements may reduce available cash but not taxable income.

In these circumstances, we might have to borrow funds on terms we might otherwise find unfavorable and we may have to borrow funds even if our management believes the market conditions make borrowing financially unattractive. Current tax law also allows us to pay a portion of our distributions in shares instead of cash.

To maintain our status as a REIT, we limit the amount of shares any one shareholder can own.

The Code imposes certain limitations on the ownership of the stock of a REIT. For example, not more than 50% in value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of any taxable year. To protect our REIT status, our declaration of trust prohibits any one shareholder from owning (actually or constructively) more than 9.8% in value of the outstanding common shares or of any class or series of outstanding preferred shares. The constructive ownership rules are complex. Shares of our capital stock owned, actually or constructively, by a group of related individuals and/or entities may be treated as constructively owned by one of those individuals or entities. As a result, the acquisition of less than 9.8% in value of the outstanding common shares and/or a class or series of preferred shares (or the acquisition of an interest in an entity that owns common shares or preferred shares) by an individual or entity could cause that individual or entity (or another) to own constructively more than 9.8% in value of the outstanding capital stock. If that happened, either the transfer or ownership would be void or the shares would be transferred to a charitable trust and then sold to someone who can own those shares without violating the 9.8% ownership limit.

The Board of Trustees may waive these restrictions on a case-by-case basis. In addition, the Board of Trustees and two-thirds of our shareholders eligible to vote at a shareholder meeting may remove these restrictions if they determine it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The 9.8% ownership restrictions may delay, defer or prevent a transaction or a change of our control that might involve a premium price for the common shares or otherwise be in the shareholders' best interest.

We cannot assure you we will continue to pay dividends at historical rates.

Our ability to continue to pay dividends on our common shares at historical rates or to increase our common share dividend rate, and our ability to pay preferred share dividends and service our debt securities, will depend on a number of factors, including, among others, the following:

- our financial condition and results of future operations;
- the performance of lease terms by tenants;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or increase the dividend on our common shares, it could have an adverse effect on the market price of our common shares and other securities. Any preferred shares we may offer in the future may have a fixed dividend rate that would not increase with any increases in the dividend rate of our common shares. Conversely, payment of dividends on our common shares may be subject to payment in full of the dividends on any preferred shares and payment of interest on any debt securities we may offer.

Certain tax and anti-takeover provisions of our declaration of trust and bylaws may inhibit a change of our control.

Certain provisions contained in our declaration of trust and bylaws and the Maryland General Corporation Law, as applicable to Maryland REITs, may discourage a third party from making a tender offer or acquisition proposal to us. If this were to happen, it could delay, deter or prevent a change in control or the removal of existing management. These provisions also may delay or prevent the shareholders from receiving a premium for their common shares over then-prevailing market prices. These provisions include:

- the REIT ownership limit described above;
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authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by the Board of Trustees;

- special meetings of our shareholders may be called only by the chairman of the board, the chief executive officer, the president, by one-third of the trustees or by shareholders possessing no less than 25% of all the votes entitled to be cast at the meeting;

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- the Board of Trustees, without a shareholder vote, can classify or reclassify unissued shares of beneficial interest, including the reclassification of common shares into preferred shares and vice-versa;
- a two-thirds shareholder vote is required to approve some amendments to the declaration of trust; and
- advance-notice requirements for proposals to be presented at shareholder meetings.

In addition, if we elect to be governed by it in the future, the Maryland Control Share Acquisition Law could delay or prevent a change in control. Under Maryland law, unless a REIT elects not to be subject to this law, “control shares” acquired in a “control share acquisition” have no voting rights except to the extent approved by shareholders by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquirer and by officers or trustees who are employees of the REIT. “Control shares” are voting shares that would entitle the acquirer to exercise voting power in electing trustees within specified ranges of voting power. A “control share acquisition” means the acquisition of control shares, with some exceptions.

Our bylaws state that the Maryland control share acquisition law will not apply to any acquisition by any person of our common shares. This bylaw provision may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares, by a vote of a majority of the shareholders entitled to vote, and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

We may amend or revise our business policies without your approval.

Our Board of Trustees may amend or revise our operating policies without shareholder approval. Our investment, financing and borrowing policies and policies with respect to all other activities, such as growth, debt, capitalization and operations, are determined by the Board of Trustees. The Board of Trustees may amend or revise these policies at any time and from time to time at its discretion. A change in these policies could adversely affect our financial condition and results of operations, and the market price of our securities.

The current business plan adopted by our Board of Trustees focuses on our investment in high quality retail based properties that are typically neighborhood and community shopping centers or mixed-use properties, principally through redevelopments and acquisitions. If this business plan is not successful, it could have a material adverse effect on our financial condition and results of operations.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Annual Report on Form 10-K. 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 above risks and the risk factors.

Natural disasters and severe weather conditions could have an adverse impact on our cash flow and operating results.

Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters and severe weather conditions and created additional uncertainty as to future trends and exposures. Our operations are located in areas that are subject to natural disasters and severe weather conditions such as hurricanes, earthquakes, droughts, snow storms, floods and fires. The occurrence of natural disasters or severe weather conditions can delay new development projects, increase investment costs to repair or replace damaged properties, increase operation costs, increase future property insurance costs, and negatively impact the tenant demand for lease space. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from these events, our earnings, liquidity or capital resources could be adversely affected.

Changes in accounting standards may adversely impact our financial results.

The Financial Accounting Standards Board ("FASB"), in conjunction with the SEC, has several key projects on their agenda that could impact how we currently account for our material transactions, including lease accounting and other convergence projects with the International Accounting Standards Board. At this time, we are unable to predict with certainty which, if any, proposals may be passed or what level of impact any such proposal could have on the presentation of our consolidated financial statements, our results of operations and our financial ratios required by our debt covenants.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

General

As of December 31, 2013, we owned or had a majority ownership interest in community and neighborhood shopping centers and mixed-used properties which are operated as 87 predominantly retail real estate projects comprising approximately 19.5 million square feet. These properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as California. No single property accounted for over 10% of our 2013 total revenue. We believe that our properties are adequately covered by commercial general liability, fire, flood, earthquake, terrorism and business interruption insurance provided by reputable companies, with commercially reasonable exclusions, deductibles and limits.

Tenant Diversification

As of December 31, 2013, we had approximately 2,500 leases, with tenants ranging from sole proprietors to major national and international retailers. No one tenant or affiliated group of tenants accounted for more than 3.5% of our annualized base rent as of December 31, 2013. As a result of our tenant diversification, we believe our exposure to any one bankruptcy filing in the retail sector has not been and will not be significant, however, multiple filings by a number of retailers could have a significant impact.

Geographic Diversification

Our 87 real estate projects are located in 13 states and the District of Columbia. The following table shows the number of projects, the gross leasable area ("GLA") of commercial space and the percentage of total portfolio gross leasable area of commercial space in each state as of December 31, 2013.

State	Number of Projects	Gross Leasable Area	Percentage of Gross Leasable Area	
	(In square feet)			
Maryland	18	3,834,000	19.6	%
Virginia	15	3,593,000	18.4	%
California	13	3,363,000	17.2	%
Pennsylvania(1)	10	2,295,000	11.8	%
New Jersey	4	1,392,000	7.1	%
Massachusetts	7	1,390,000	7.1	%
New York	5	1,139,000	5.8	%
Illinois	4	750,000	3.8	%
Florida	3	678,000	3.5	%
Connecticut(1)	3	397,000	2.0	%
Michigan	1	217,000	1.1	%
Texas	1	175,000	0.9	%
District of Columbia	2	168,000	0.9	%
North Carolina	1	153,000	0.8	%
Total	87	19,544,000	100.0	%

(1) Additionally, we own two participating mortgages totaling approximately $29.5 million secured by multiple buildings in Manayunk, Pennsylvania, and an $11.7 million mortgage secured by a shopping center in Norwalk, Connecticut.

Leases, Lease Terms and Lease Expirations

Our leases are classified as operating leases and typically are structured to require the monthly payment of minimum rents in advance, subject to periodic increases during the term of the lease, percentage rents based on the level of sales achieved by tenants, and reimbursement of a majority of on-site operating expenses and real estate taxes. These features in our leases generally reduce our exposure to higher costs and allow us to participate in improved tenant

sales.

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Commercial property leases generally range from three to ten years; however, certain leases, primarily with anchor tenants, may be longer. Many of our leases contain tenant options that enable the tenant to extend the term of the lease at expiration at pre-established rental rates that often include fixed rent increases, consumer price index adjustments or other market rate adjustments from the prior base rent. Leases on residential units are generally for a period of one year or less and, in 2013, represented approximately 4.7% of total rental income.
The following table sets forth the schedule of lease expirations for our commercial leases in place as of December 31, 2013 for each of the 10 years beginning with 2014 and after 2023 in the aggregate assuming that none of the tenants exercise future renewal options. Annualized base rents reflect in-place contractual rents as of December 31, 2013.

Year of Lease Expiration	Leased Square Footage Expiring	Percentage of Leased Square Footage Expiring	Annualized Base Rent Represented by Expiring Leases	Percentage of Annualized Base Rent Represented by Expiring Leases
2014	1,190,000	6 %	$31,629,000	7 %
2015	1,796,000	10 %	44,496,000	10 %
2016	1,997,000	11 %	53,437,000	12 %
2017	2,550,000	14 %	63,720,000	14 %
2018	2,405,000	13 %	56,833,000	12 %
2019	2,196,000	12 %	46,554,000	10 %
2020	924,000	5 %	22,964,000	5 %
2021	1,104,000	6 %	29,997,000	7 %
2022	1,232,000	6 %	30,740,000	7 %
2023	914,000	5 %	27,082,000	6 %
Thereafter	2,236,000	12 %	47,642,000	10 %
Total	18,544,000	100 %	$455,094,000	100 %

Lease Rollovers
For 2013, we signed leases for a total of 1,629,000 square feet of retail space including 1,370,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 20% on a cash basis and 33% on a straight-line basis. New leases for comparable spaces were signed for 586,000 square feet at an average rental increase of 35% on a cash basis and 51% on a straight-line basis. Renewals for comparable spaces were signed for 784,000 square feet at an average rental increase of 10% on a cash basis and 21% on a straight-line basis.
For 2012, we signed leases for a total of 1,965,000 square feet of retail space including 1,800,000 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 23% on a straight-line basis. New leases for comparable spaces were signed for 882,000 square feet at an average rental increase of 23% on a cash basis and 32% on a straight-line basis. Renewals for comparable spaces were signed for 918,000 square feet at an average rental increase of 4% on a cash basis and 14% on a straight-line basis.
Tenant improvements and incentives for comparable spaces were $45.83 per square foot for new leases and $1.70 per square foot for renewals in 2013. Tenant improvements and incentives for comparable spaces were $36.20 per square foot for new leases and $2.78 for renewal leases in 2012. In 2013, tenant improvements and incentives increased for new leases relative to our historical experience primarily due to one grocery anchor lease at Ellisburg Shopping Center and an anchor tenant at Westgate Center which is currently being redeveloped. In future periods, we expect tenant improvements and incentives to return to levels more in line with our historical experience; however, our historical experience has also shown that costs have generally increased over time even absent specific tenant circumstances as noted above.
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 atypical circumstances, management may exercise 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.

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The leases signed in 2013 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.
Historically, we have executed comparable space leases for 1.2 to 1.5 million square feet of retail space each year. We believe our leasing volume for 2014 will be inline with our historical averages 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.

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Retail and Residential Properties

The following table sets forth information concerning all real estate projects in which we owned an equity interest, had a leasehold interest, or otherwise controlled and are consolidated as of December 31, 2013. Except as otherwise noted, we are the sole owner of our retail real estate projects. Principal tenants are the largest tenants in the project based on square feet leased or are tenants important to a project's success due to their ability to attract retail customers.

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
California						
150 Post Street San Francisco, CA 94108	1908, 1965	1997	103,000	$43.60	93%	Brooks Brothers H & M
Colorado Blvd Pasadena, CA 91103(4)	1905-1988	1996/1998	69,000	$38.51	100%	Pottery Barn Banana Republic
Crow Canyon Commons San Ramon, CA 94583	1980-2006	2005/2007	242,000	$20.37	95%	Lucky Loehmann's Dress Shop Rite Aid
East Bay Bridge Emeryville & Oakland, CA 94608 (11)	1994-1995, 2010, 2012	2012	438,000	$15.56	100%	Home Depot Michaels Pak-N-Save Target
Escondido Promenade Escondido, CA 92029(5)	1987	1996/2010	297,000	$23.13	98%	TJ Maxx Toys R Us Dick's Sporting Goods Ross Dress For Less
Hermosa Avenue Hermosa Beach, CA 90254	1922	1997	22,000	$36.32	100%	
Hollywood Blvd Hollywood, CA 90028(6)	1929, 1991	1999	140,000	$28.87	99%	DSW L.A. Fitness Fresh & Easy
Kings Court Los Gatos, CA 95032(4)(7)	1960	1998	80,000	$29.32	99%	Lunardi's Supermarket CVS
Old Town Center Los Gatos, CA 95030	1962, 1998	1997	96,000	$35.07	94%	Gap Banana Republic Anthropologie
Plaza El Segundo El Segundo, CA 90245 (5)(11)	2006-2007	2011	381,000	$37.35	100%	H&M Anthropologie Best Buy HomeGoods Whole Foods Dick's Sporting Goods Container Store
Santana Row—Retail San Jose, CA 95128	2002, 2009	1997	650,000	$48.72	96%	H&M Crate & Barrel Container Store Best Buy CineArts Theatre Hotel Valencia

Santana Row—Residential San Jose, CA 95128	1999-2009, 2011	1997, 2012	505 units	N/A	95%	
Third Street Promenade Santa Monica, CA 90401	1888-2000	1996-2000	209,000	$64.88	97%	Abercrombie & Fitch J. Crew Old Navy Banana Republic
Westgate Center San Jose, CA 95129	1960-1966	2004	636,000	$14.11	94%	Target Walmart Neighborhood Market Burlington Coat Factory Ross Dress For Less Michaels Nordstrom Rack
Connecticut						
Bristol Bristol, CT 06010	1959	1995	267,000	$12.52	94%	Stop & Shop TJ Maxx
Darien, CT Darien, CT 06820	1920-2009	2013	95,000	$27.39	97%	Stop & Shop Equinox
Greenwich Avenue Greenwich Avenue, CT 06830	1968	1995	35,000	$61.00	100%	Saks Fifth Avenue

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
District of Columbia						
Friendship Center Washington, DC 20015	1998	2001	119,000	$29.50	100%	DSW Maggiano's Nordstrom Rack
Sam's Park & Shop Washington, DC 20008	1930	1995	49,000	$39.31	97%	Petco
Florida						
Courtyard Shops Wellington, FL 33414	1990, 1998	2008	130,000	$20.32	94%	Publix
Del Mar Village Boca Raton, FL 33433	1982, 1994 & 2007	2008	179,000	$15.34	79%	Winn Dixie CVS
Tower Shops Davie, FL 33324	1989	2011	369,000	$17.55	98%	Ulta Best Buy DSW Old Navy Ross Dress For Les TJ Maxx
Illinois						
Crossroads Highland Park, IL 60035	1959	1993	168,000	$21.26	93%	Golfsmith Guitar Center L.A. Fitness
Finley Square Downers Grove, IL 60515	1974	1995	313,000	$11.52	98%	Bed, Bath & Beyon Petsmart Buy Buy Baby
Garden Market Western Springs, IL 60558	1958	1994	140,000	$12.24	95%	Mariano's Fresh Market Walgreens
North Lake Commons Lake Zurich, IL 60047	1989	1994	129,000	$12.21	92%	Mariano's Fresh Market
Maryland						
Bethesda Row Bethesda, MD 20814(4)	1945-1991 2001	1993/2006 2008/2010	533,000	$47.09	99%	Apple Computer Barnes & Noble Equinox Giant Foo Landmark Theater
Bethesda Row Residential Bethesda, MD 20814	2008	1993	180 units	N/A	98%	
Congressional Plaza Rockville, MD 20852(5)	1965	1965	328,000	$35.31	99%	Buy Buy Baby Last Call Studio by Neiman Marcus Container Store Th Fresh Market
Congressional Plaza Residential Rockville, MD 20852(5)	2003	1965	146 units	N/A	86%	
Courthouse Center Rockville, MD 20852	1975	1997	35,000	$22.76	60%	
Federal Plaza Rockville, MD 20852	1970	1989	248,000	$32.87	100%	Micro Center Ross Dress For Les TJ Maxx

Free State Shopping Center Bowie, MD 20715(9)	1970	2007	279,000	$16.53	87%	Trader Joe's Giant Food TJ Maxx Ross Dress For Les Office Depot
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	207,000	$28.52	77%	Bed, Bath & Beyor Ross Dress For Les
Governor Plaza Glen Burnie, MD 21961	1963	1985	267,000	$18.04	100%	Aldi L.A. Fitness Dick's Sporting Goods
Laurel Centre Laurel, MD 20707	1956	1986	388,000	$21.84	77%	L.A. Fitness Giant Food Marshalls
Mid-Pike Plaza/Pike & Rose Rockville, MD 20852 (13)	1963	1982/2007	59,000	$35.69	100%	Toys R Us
Montrose Crossing Rockville, MD 20852 (5)(11)	1960-1979, 1996, 2011	2011/2013	363,000	$24.44	100%	A.C. Moore Giant Food Sports Authority Barnes & Noble Marshalls

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Perring Plaza Baltimore, MD 21134	1963	1985	395,000	$13.86	95%	Micro Center Burlingt Coat Factory Home Depot Shoppers Food Wareh Jo-Ann Stores
Plaza Del Mercado Silver Spring, MD 20906(9)(11)	1969	2004	96,000	$27.67	64%	CVS
Quince Orchard Gaithersburg, MD 20877(4)	1975	1993	261,000	$20.20	76%	L.A. Fitness Staples
Rockville Town Square Rockville, MD 20852 (8)	2006-2007	2006-2007	187,000	$30.60	96%	CVS Gold’s Gym
Rollingwood Apartments Silver Spring, MD 20910 9 three-story buildings(11)	1960	1971	282 units	N/A	96%	
THE AVENUE at White Marsh Baltimore, MD 21236(7)(11)	1997	2007	297,000	$23.27	100%	AMC Loews Old Navy Barnes & Noble A.C. Moore
The Shoppes at Nottingham Square Baltimore, MD 21236	2005-2006	2007	32,000	$45.30	100%	
White Marsh Other Baltimore, MD 21236	1985	2007	70,000	$30.80	98%	
White Marsh Plaza Baltimore, MD 21236	1987	2007	80,000	$20.69	97%	Giant Food
Wildwood Bethesda, MD 20814(11)	1958	1969	84,000	$89.46	94%	CVS Balducci’s
Massachusetts						
Assembly Square Marketplace/ Assembly Row Somerville, MA 02145 (13)	2005	2005-2011	336,000	$17.55	100%	Bed, Bath & Beyond Christmas Tree Shops Kmart Staples TJ Maxx A.C. Moore Sports Authority
Atlantic Plaza North Reading, MA 01864(9)(11)	1960	2004	123,000	$16.86	70%	Stop & Shop
Campus Plaza Bridgewater, MA 02324(9)	1970	2004	116,000	$13.95	100%	Roche Brothers Burlington Coat Facto
Chelsea Commons Chelsea, MA 02150(11)	1962-1969, 2008	2006-2008	222,000	$11.28	100%	Sav-A-Lot Home Depot Planet Fitness
Chelsea Commons Residential Chelsea, MA 02150	2013	2008	56 units	N/A	100%	
Dedham Dedham, MA 02026	1959	1993	241,000	$14.93	98%	Star Market
Linden Square	1960, 2008	2006	224,000	$44.85	94%	

Wellesley, MA 02481						Roche Brothers Supermarket CVS
North Dartmouth North Dartmouth, MA 02747	2004	2006	48,000	$15.71	100%	Stop & Shop
Pleasant Shops Weymouth, MA 02190(9)	1974	2004	130,000	$13.97	93%	Whole Foods Marshalls
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	$15.92	100%	HomeGoods TJ Maxx Hannaford
Saugus Plaza Saugus, MA 01906	1976	1996	170,000	$11.63	99%	Kmart Super Stop & Shop
Michigan						
Gratiot Plaza Roseville, MI 48066	1964	1973	217,000	$11.82	99%	Bed, Bath & Beyond Best Buy Kroger DSW
North Carolina						
Eastgate Chapel Hill, NC 27514	1963	1986	153,000	$23.23	93%	Stein Mart Trader Joe’s

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Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
New Jersey						
Brick Plaza Brick Township, NJ 08723(4)(11)	1958	1989	416,000	$16.60	91%	A&P Supermarket Barnes & Noble AMC Loews
Ellisburg Circle Cherry Hill, NJ 08034	1959	1992	268,000	$14.64	90%	Sports Authority Buy Buy Baby Stein Mart
Mercer Mall Lawrenceville, NJ 08648(4)(8)	1975	2003	501,000	$21.63	98%	Raymour & Flanigan Bed, Bath & Beyond DSW TJ Maxx
Troy Parsippany-Troy, NJ 07054	1966	1980	207,000	$20.08	99%	Shop Rite Pathmark L.A. Fitness
New York						
Fresh Meadows Queens, NY 11365	1949	1997	406,000	$29.06	100%	Island of Gold Modell's AMC Loews
Greenlawn Plaza Greenlawn, NY 11743(9)(11)	1975, 2004	2006	106,000	$17.18	97%	Kohl’s Michaels Waldbaum’s Tuesday Morning
Hauppauge Hauppauge, NY 11788(11)	1963	1998	134,000	$27.60	100%	Shop Rite A.C. Moore
Huntington Huntington, NY 11746	1962	1988/2007	279,000	$25.33	100%	Nordstrom Rack Bed, Bath & Beyond Buy Buy Baby Michaels
Huntington Square East Northport, NY 11731(4)	1980, 2007	2010	74,000	$26.28	93%	Barnes & Noble
Melville Mall Huntington, NY 11747(10)(11)	1974	2006	246,000	$19.43	100%	Dick's Sporting Goods Kohl’s Marshalls Waldbaum's
Pennsylvania						
Andorra Philadelphia, PA 19128	1953	1988	265,000	$15.31	95%	Acme Markets Kohl’s Staples L.A. Fitness
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	295,000	$22.78	96%	Acme Markets Lord & Taylor Michaels

						L.A. Fitness
Flourtown Flourtown, PA 19031	1957	1980	160,000	$20.81	97%	Giant Food
Lancaster Lancaster, PA 17601(8)	1958	1980	127,000	$16.72	97%	Giant Food Michaels
Langhorne Square Levittown, PA 19056	1966	1985	219,000	$15.47	100%	Marshalls Redner's Warehouse Market
Lawrence Park Broomall, PA 19008(11)	1972	1980	354,000	$18.56	97%	Acme Markets TJ Maxx HomeGoods Kaplan Career Institute
Northeast Philadelphia, PA 19114	1959	1983	288,000	$12.50	97%	Burlington Coat Factory Home Gallery Marshalls
Town Center of New Britain New Britain, PA 18901	1969	2006	124,000	$9.55	87%	Giant Food Rite Aid
Willow Grove Willow Grove, PA 19090	1953	1984	212,000	$19.03	99%	Home Goods Marshalls Barnes & Noble

Property, City, State, Zip Code	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Average Rent Per Square Foot(2)	Percentage Leased(3)	Principal Tenant(s)
Wynnewood Wynnewood, PA 19096(11)	1948	1996	251,000	$26.42	98%	Bed, Bath & Beyond Giant Food Old Navy
Texas						
Houston Street San Antonio, TX 78205	1890-1935	1998	175,000	$24.46	90%	Hotel Valencia Walgreens
Virginia						
29th Place Charlottesville, VA 22091(11)	1975-2001	2007	169,000	$16.89	96%	HomeGoods DSW Stein Mart Staples
Barcroft Plaza Falls Church, VA 22041(9)(11)	1963, 1972 & 1990	2006-2007	101,000	$23.63	78%	Harris Teeter Bank of America
Barracks Road Charlottesville, VA 22905(11)	1958	1985	497,000	$23.60	97%	Anthropologie Bed, Bath & Beyond Harris Teeter Kroger Barnes & Noble Old Navy Michaels Ulta
Falls Plaza/Falls Plaza—East Falls Church, VA 22046	1960-1962	1967/1972	144,000	$31.86	100%	Giant Food CVS Staples
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	$44.11	100%	Whole Foods
Leesburg Plaza Leesburg, VA 20176	1967	1998	236,000	$23.70	97%	Giant Food Pier 1 Imports Office Depot Petsmart
Loehmann's Plaza Fairfax, VA 22042	1971	1983	261,000	$27.04	92%	L.A. Fitness Giant Food Loehmann's Dress Shop
Mount Vernon/South Valley/ 7770 Richmond Hwy Alexandria, VA 22306(4)(7)	1966, 1972,1987 & 2001	2003/2006	572,000	$16.36	94%	Shoppers Food Warehou Bed, Bath & Beyond Michaels Home Depot TJ Maxx Gold's Gym Staples
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	$35.27	100%	Whole Foods Walgreens
Pan Am Fairfax, VA 22031	1979	1993	227,000	$21.55	100%	Michaels Micro Center Safeway
Pentagon Row Arlington, VA 22202	2001-2002	1998/2010	297,000	$36.48	98%	Harris Teeter Bed, Bath & Beyond L.A. Fitness DSW

Pike 7 Plaza Vienna, VA 22180	1968	1997	164,000	$40.82	100%	DSW Staples TJ Maxx
Shops at Willow Lawn Richmond, VA 23230	1957	1983	439,000	$17.11	92%	Kroger Old Navy Ross Dress For Less Staples
Tower Shopping Center Springfield, VA 22150	1960	1998	112,000	$24.37	91%	Talbots LA Mart
Tyson’s Station Falls Church, VA 22043	1954	1978	49,000	$42.70	95%	Trader Joe's
Village at Shirlington Arlington, VA 22206(8)	1940, 2006-2009	1995	261,000	$34.20	96%	AMC Loews Carlyle Grand Café Harris Teeter
Total All Regions—Retail(12)			19,544,000	$24.54	96%	
Total All Regions—Residential			1,169 units		95%	

(1) Represents the physical square footage of the commercial portion of the property, which may differ from the gross leasable square footage used to express percentage leased. Some of our properties include office space which is included in this square footage but is not material in total.

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(2) Average base rent is calculated as the aggregate, annualized in-place contractual (defined as cash basis including adjustments for concessions) minimum rent for all occupied spaces divided by the aggregate GLA of all occupied spaces.

(3) Retail percentage leased is expressed as a percentage of rentable commercial square feet occupied or subject to a lease under which rent is currently payable and includes square feet covered by leases for stores not yet opened. Residential percentage leased is expressed as a percentage of units occupied or subject to a lease.

(4) All or a portion of this property is owned pursuant to a ground lease.

(5) We own the controlling interest in this center.

(6) We own a 90% general and limited partnership interest in these buildings.

(7) We own all or a portion of this property in a “downREIT” partnership, of which a wholly owned subsidiary of the Trust is the sole general partner, with third party partners holding operating partnership units.

(8) All or a portion of this property is subject to a capital lease obligation.

(9) Properties acquired through a joint venture arrangement with affiliates of a discretionary fund created and advised by ING Clarion Partners.

(10) The Trust controls Melville Mall through a 20 year master lease and secondary financing to the owner. Because the Trust controls the activities that most significantly impact this property and retains substantially all of the economic benefit and risk associated with it, we consolidate this property and its operations.

(11) All or a portion of this property is encumbered by a mortgage loan.

(12) Aggregate information is calculated on a GLA weighted-average basis, excluding properties acquired through a joint venture arrangement with affiliates of a discretionary fund created and advised by ING Clarion Partners.

(13) Portion of property is currently under development. See further discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares trade on the New York Stock Exchange under the symbol "FRT." Listed below are the high and low closing prices of our common shares as reported on the New York Stock Exchange and the dividends declared for each of the periods indicated.

	Price Per Share		Dividends
	High	Low	Declared Per Share
2013			
Fourth quarter	$108.15	$100.30	$0.780
Third quarter	$107.44	$96.99	$0.780
Second quarter	$117.96	$96.21	$0.730
First quarter	$109.30	$104.50	$0.730
2012			
Fourth quarter	$110.03	$99.82	$0.730
Third quarter	$109.49	$103.57	$0.730
Second quarter	$104.09	$94.95	$0.690
First quarter	$97.84	$89.23	$0.690

On February 7, 2014, there were 3,128 holders of record of our common shares.

Our ongoing operations generally will not be subject to federal income taxes as long as we maintain our REIT status and distribute to shareholders at least 100% of our taxable income. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income.

Future distributions will be at the discretion of our Board of Trustees and will depend on our actual net income available for common shareholders, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our regular annual dividend rate for 46 consecutive years.

Our total annual dividends paid per common share for 2013 and 2012 were $2.97 per share and $2.80 per share, respectively. The annual dividend amounts are different from dividends as calculated for federal income tax purposes. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder's shares. No assurances can be given regarding what portion, if any, of distributions in 2014 or subsequent years will constitute a return of capital for federal income tax purposes. During a year in which a REIT earns a net long-term capital gain, the REIT can elect under Section 857(b)(3) of the Code to designate a portion of dividends paid to shareholders as capital gain dividends. If this election is made, then the capital gain dividends are generally taxable to the shareholder as long-term capital gains. The following table reflects the income tax status of distributions per share paid to common shareholders:

	Year Ended December 31,	
	2013	2012
Ordinary dividend	$2.911	$2.772
Ordinary dividend eligible for 15% tax rate	—	—

Return of capital	—	—
Capital gain	0.059	0.028
	$2.970	$2.800

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Distributions on our 5.417% Series 1 Cumulative Convertible Preferred Shares were paid at the rate of $1.354 per share per annum commencing on the issuance date of March 8, 2007. We do not believe that the preferential rights available to the holders of our preferred shares or the financial covenants contained in our debt agreements had or will have an adverse effect on our ability to pay dividends in the normal course of business to our common shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

Recent Sales of Unregistered Shares

Under the terms of various operating partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or an equivalent number of our common shares, at our option. During the three months ended December 31, 2013, there were no redemptions of operating partnership units. All other equity securities sold by us during 2013 that were not registered have been previously reported in a Quarterly Report on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the fourth quarter of 2013, no equity securities were purchased by us and 230 restricted common shares were forfeited by former employees.

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ITEM 6. SELECTED FINANCIAL DATA

The following table includes certain financial information on a consolidated historical basis. You should read this section in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data." Our selected operating data, other data and balance sheet data for the years ended December 31, 2009 through 2012 have been reclassified to conform to the 2013 presentation.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share data and ratios)				
Operating Data:					
Rental income	$620,089	$580,114	$536,749	$520,677	$508,607
Property operating income(1)	$446,959	$426,721	$381,335	$371,198	$360,618
Income from continuing operations	$137,811	$142,972	$130,319	$124,778	$99,956
Gain on sale of real estate	$28,855	$11,860	$15,075	$1,410	$1,298
Net income	$167,608	$156,232	$149,612	$128,237	$103,872
Net income attributable to the Trust	$162,681	$151,925	$143,917	$122,790	$98,304
Net income available for common shareholders	$162,140	$151,384	$143,376	$122,249	$97,763
Net cash provided by operating activities	$314,498	$296,633	$244,711	$256,735	$256,765
Net cash used in investing activities	$(345,198)	$(273,558)	$(196,369)	$(187,088)	$(127,341)
Net cash provided by (used in) financing activities	$82,639	$(53,893)	$3,667	$(189,239)	$(9,258)
Dividends declared on common shares	$198,965	$182,813	$171,335	$163,382	$157,638
Weighted average number of common shares outstanding:					
Basic	65,331	63,881	62,438	61,182	59,704
Diluted	65,483	64,056	62,603	61,324	59,830
Earnings per common share, basic:					
Continuing operations	$2.01	$2.15	$1.98	$1.93	$1.56
Discontinued operations	0.38	0.02	0.31	0.05	0.07
Gain on sale of real estate	0.08	0.19	—	0.01	—
Total	$2.47	$2.36	$2.29	$1.99	$1.63
Earnings per common share, diluted:					
Continuing operations	$2.00	$2.14	$1.97	$1.93	$1.56
Discontinued operations	0.38	0.02	0.31	0.04	0.07
Gain on sale of real estate	0.08	0.19	—	0.01	—
Total	$2.46	$2.35	$2.28	$1.98	$1.63
Dividends declared per common share	$3.02	$2.84	$2.72	$2.66	$2.62
Other Data:					
Funds from operations available to common shareholders(2)(3)	$289,938	$277,237	$251,576	$239,210	$211,065
EBITDA(3)(4)	$446,555	$410,918	$374,131	$352,481	$328,491
Adjusted EBITDA(3)(4)	$417,700	$399,058	$357,030	$351,071	$327,193
Ratio of EBITDA to combined fixed charges and preferred share dividends(3)(4)(5)	3.3 x	3.3 x	3.5 x	3.1 x	2.8 x
Ratio of Adjusted EBITDA to combined fixed charges and preferred share	3.1 x	3.2 x	3.3 x	3.1 x	2.7 x

dividends(3)(4)(5)

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	As of December 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share data)				
Balance Sheet Data:					
Real estate, at cost	$5,149,463	$4,779,674	$4,426,444	$3,895,942	$3,759,234
Total assets	$4,219,294	$3,898,565	$3,666,210	$3,159,553	$3,222,309
Mortgages payable and capital lease obligations	$660,127	$832,482	$810,616	$589,441	$601,884
Notes payable	$300,822	$299,575	$295,159	$97,881	$261,745
Senior notes and debentures	$1,360,913	$1,076,545	$1,004,635	$1,079,827	$930,219
Preferred shares	$9,997	$9,997	$9,997	$9,997	$9,997
Shareholders' equity	$1,471,297	$1,310,593	$1,240,604	$1,115,768	$1,151,738
Number of common shares outstanding	66,701	64,815	63,544	61,526	61,242

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

(2) FFO is a supplemental non-GAAP financial measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with U.S. GAAP, plus real estate related depreciation and amortization and excluding extraordinary items and gains on the sale of real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income.

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. Additional information regarding our calculation of FFO is contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The reconciliation of net income to funds from operations available for common shareholders is as follows:

	2013	2012	2011	2010	2009
	(In thousands)				
Net income	$167,608	$156,232	$149,612	$128,237	$103,872
Net income attributable to noncontrolling interests	(4,927)	(4,307)	(5,695)	(5,447)	(5,568)
Gain on sale of real estate	(28,855)	(11,860)	(15,075)	(1,410)	(1,298)
Gain on deconsolidation of VIE	—	—	(2,026)	—	—
Depreciation and amortization of real estate assets	144,873	125,611	113,188	107,187	103,104
Amortization of initial direct costs of leases	10,694	10,935	10,432	9,552	9,821
Depreciation of joint venture real estate assets	1,504	1,513	1,771	1,499	1,388
Funds from operations	290,897	278,124	252,207	239,618	211,319
Dividends on preferred shares	(541)	(541)	(541)	(541)	(541)
Income attributable to operating partnership units	888	943	981	980	974
Income attributable to unvested shares	(1,306)	(1,289)	(1,071)	(847)	(687)
Funds from operations available for common shareholders	$289,938	$277,237	$251,576	$239,210	$211,065

(3) Includes a charge of $0.3 million and $16.4 million in 2010 and 2009, respectively, for adjusting the accrual for litigation regarding a parcel of land located adjacent to Santana Row as well as other costs related to the litigation and appeal process. The matter is further discussed in Note 9 to the consolidated financial statements.

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(4) The SEC has stated that EBITDA is a non-GAAP measure as calculated in the table below. Adjusted EBITDA is a non-GAAP measure that means net income or loss plus net interest expense, income taxes, depreciation and amortization, gain or loss on sale of real estate and impairments of real estate if any. Adjusted EBITDA is presented because it approximates a key performance measure in our debt covenants, but it should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. Adjusted EBITDA as presented may not be comparable to other similarly titled measures used by other REITs.
The reconciliation of net income to EBITDA and adjusted EBITDA for the periods presented is as follows:

	2013	2012	2011	2010	2009
	(In thousands)				
Net income	$167,608	$156,232	$149,612	$128,237	$103,872
Depreciation and amortization	161,099	142,039	126,568	119,817	115,093
Interest expense	104,977	113,336	98,465	101,882	108,781
Early extinguishment of debt	13,304	—	(296)	2,801	2,639
Other interest income	(433)	(689)	(218)	(256)	(1,894)
EBITDA	446,555	410,918	374,131	352,481	328,491
Gain on sale of real estate	(28,855)	(11,860)	(15,075)	(1,410)	(1,298)
Gain on deconsolidation of VIE	—	—	(2,026)	—	—
Adjusted EBITDA	$417,700	$399,058	$357,030	$351,071	$327,193

(5) Fixed charges consist of interest on borrowed funds (including capitalized interest), amortization of debt discount/ premiums and debt costs, costs related to the early extinguishment of debt, and the portion of rent expense representing an interest factor. Excluding the $13.3 million of early extinguishment of debt charge from fixed charges in 2013, the ratio of EBITDA and adjusted EBITDA to combined fixed charges and preferred share dividends is 3.7x and 3.4x, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements in this section or elsewhere in this report may be deemed “forward-looking statements”. See “Item 1A. Risk Factors” in this report for important information regarding these forward-looking statements and certain risk and uncertainties that may affect us. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing in “Item 8. Financial Statements and Supplementary Data” of this report.

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, as well as in California. As of December 31, 2013, 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 19.5 million square feet. In total, the real estate projects were 95.8% leased and 95.1% occupied at December 31, 2013. 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 December 31, 2013. In total, the joint venture properties in which we own a 30% interest were 84.9% leased and 84.9% occupied at December 31, 2013. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 46 consecutive years.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as “GAAP”, requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and

revenues and expenses. These estimates are prepared using management's best judgment, after considering past and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may

affect these estimates is included in "Item 1A. Risk Factors" of this report. Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated results of operations or financial condition.

Our significant accounting policies are more fully described in Note 2 to the consolidated financial statements; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

Current accounts receivable from tenants primarily relate to contractual minimum rent and percentage rent as well as real estate tax and other cost reimbursements. Accounts receivable from straight-line rent is typically longer term in nature and relates to the cumulative amount by which straight-line rental income recorded to date exceeds cash rents billed to date under the contractual lease agreement.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which requires significant judgment by management. The collectability of receivables is affected by numerous factors including current economic conditions, bankruptcies, and the ability of the tenant to perform under the terms of their lease agreement. While we make estimates of potentially uncollectible amounts and provide an allowance for them through bad debt expense, actual collectability could differ from those estimates which could affect our net income.

With respect to the allowance for current uncollectible tenant receivables, we assess the collectability of outstanding receivables by evaluating such factors as nature and age of the receivable, past history and current financial condition of the specific tenant including our assessment of the tenant's ability to meet its contractual lease obligations, and the status of any pending disputes or lease negotiations with the tenant. At December 31, 2013 and 2012, our allowance for doubtful accounts was $12.7 million and $15.9 million, respectively. Historically, we have recognized bad debt expense between 0.4% and 1.3% of rental income and it was 0.1% in 2013 reflecting positive economic changes and their impact to our tenants. A change in the estimate of collectability of a receivable would result in a change to our allowance for doubtful accounts and correspondingly bad debt expense and net income. For example, in the event our estimates were not accurate and we were required to increase our allowance by 1% of rental income, our bad debt expense would have increased and our net income would have decreased by $6.2 million.

Due to the nature of the accounts receivable from straight-line rents, the collection period of these amounts typically extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2013 and 2012, accounts receivable includes approximately $60.6 million and $56.1 million, respectively, related to straight-line rents. Correspondingly, these estimates of collectability have a direct impact on our net income.

Real Estate

The nature of our business as an owner, redeveloper and operator of retail shopping centers and mixed-use properties means that we invest significant amounts of capital. Depreciation and maintenance costs relating to our properties constitute substantial costs for us as well as the industry as a whole. We capitalize real estate investments and depreciate them on a straight-line basis in accordance with GAAP and consistent with industry standards based on our best estimates of the assets' physical and economic useful lives. We periodically review the estimated lives of our assets and implement changes, as

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necessary, to these estimates and, therefore, to our depreciation rates. These reviews may take into account such factors as the historical retirement and replacement of our assets, expected redevelopments, the repairs required to maintain the condition of our assets, and general economic and real estate factors. Certain events could occur that would materially affect our estimates and assumptions related to depreciation. Unforeseen competition or changes in customer shopping habits could substantially alter our assumptions regarding our ability to realize the expected return on investment in the property and therefore reduce the economic life of the asset and affect the amount of depreciation expense to be charged against both the current and future revenues. These assessments have a direct impact on our net income. The longer the economic useful life, the lower the depreciation expense will be for that asset in a fiscal period, which in turn will increase our net income. Similarly, having a shorter economic useful life would increase the depreciation for a fiscal period and decrease our net income.

Land, buildings and real estate under development are recorded at cost. We compute depreciation using the straight-line method with useful lives ranging generally from 35 years to a maximum of 50 years on buildings and major improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements, which improve or extend the life of the asset, are capitalized and depreciated over the life of the lease or the estimated useful life of the improvements, whichever is shorter. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years.

The capitalized costs associated with developments and redevelopments are depreciated over the life of the improvement. Capitalized costs associated with leases are depreciated or amortized over the base term of the lease. Unamortized leasing costs are charged to expense if the applicable tenant vacates before the expiration of its lease. Undepreciated tenant work is written-off if the applicable tenant vacates and the tenant work is replaced or has no future value. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the redevelopment is no longer probable of completion, we immediately expense all capitalized costs which are not recoverable.

When applicable, as lessee, we classify our leases of land and building as operating or capital leases. We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the interest rate to be used in determining whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

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 $275 million and $6 million, respectively, for 2013 and $129 million and $6 million, respectively, for 2012. We capitalized external and internal costs related to other property improvements of $48 million and $1 million, respectively, for 2013 and $52 million and $1 million, respectively, for 2012. We capitalized external and internal costs related to leasing activities of $9 million and $6 million, respectively, for 2013 and $9 million and $6 million, respectively, for 2012. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were $6 million, $1 million, and $5 million, respectively, for 2013 and $5 million, $1 million, and $5 million, respectively, for 2012. Additionally, interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use. Generally, rental property is considered substantially complete and ready for its intended use upon completion of tenant improvements, but no later than one year from completion of major construction activity. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period.

Real Estate Acquisitions

Upon acquisition of operating real estate properties, we estimate the fair value of assets and liabilities acquired including land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, and current assets and liabilities, if any. Based on these estimates, we allocate the purchase price to the applicable assets and

liabilities. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the statement of operations. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

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Long-Lived Assets and Impairment
There are estimates and assumptions made by management in preparing the consolidated financial statements for which the actual results will be determined over long periods of time. This includes the recoverability of long-lived assets, including our properties that have been acquired or redeveloped and our investment in certain joint ventures. Management’s evaluation of impairment includes review for possible indicators of impairment as well as, in certain circumstances, undiscounted and discounted cash flow analysis. Since most of our investments in real estate are wholly-owned or controlled assets which are held for use, a property with impairment indicators is first tested for impairment by comparing the undiscounted cash flows, including residual value, to the current net book value of the property. If the undiscounted cash flows are less than the net book value, the property is written down to expected fair value.
The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Because our properties typically have a long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income, because recording an impairment charge results in a negative adjustment to net income.
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 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. Any difference between our estimate of a potential loss and the actual outcome would result in an increase or decrease to net income.
In addition, we reserve for estimated losses, if any, associated with warranties given to a buyer at the time an asset is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and the calculation of potential liability requires significant judgment. If changes in facts and circumstances indicate that warranty reserves are understated, we will accrue additional reserves at such time a liability has been incurred and the costs can be reasonably estimated. Warranty reserves are released once the legal liability period has expired or all related work has been substantially completed. Any changes to our estimated warranty losses would result in an increase or decrease in net income.
Self-Insurance
We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims projected to be incurred but not yet reported. Management considers a number of factors, including third-party actuarial analysis and future increases in costs of claims, when making these determinations. If our liability costs differ from these accruals, it will increase or decrease our net income.
Recently Adopted Accounting Pronouncements
In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 requires entities to disclose certain information relating to amounts reclassified out of accumulated other comprehensive income. We adopted the standard effective January 1, 2013 and it did not have a significant impact to our consolidated financial statements.
2013 Significant Property Acquisitions and Dispositions
On April 3, 2013 we acquired the fee interest in a 95,000 square foot retail property located in Darien, Connecticut for $47.3 million. Approximately $0.1 million and $1.8 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. We incurred $0.2 million of acquisition costs which are included in "general and administrative expenses" in 2013.

On April 5, 2013, one of our tenants acquired our fee interest in the land under an office building at our Village of Shirlington property in Arlington, Virginia, that was subject to a long term ground lease. The ground lease included an option for the tenant to purchase the fee interest. The sales price was $6.5 million, and the gain was $5.0 million.

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On July 22, 2013, we sold the fee interest in our final building at Fifth Avenue in San Diego, California for a sales price of $15.3 million resulting in a gain of $10.7 million. On September 10, 2013, we sold the fee interest in a building in Forest Hills (Queens), New York, for a sales price of $20.4 million resulting in a gain of $13.2 million. Both sales were completed as a Section 1031 tax deferred exchange transaction with the acquisition of the property in Darien.

On October 1, 2013, we acquired the fee interest in an 11.8 acre land parcel adjacent to our Assembly Row development project for a purchase price of $18.0 million.

On December 19, 2013, we acquired the fee interest in a land parcel contiguous with our Montrose Crossing shopping center that is encumbered by two retail ground leases. The total purchase price was $10.5 million and our 89.9% share was $9.4 million.

Subsequent Event - 2014 Property Acquisition

Effective January 1, 2014, we acquired a controlling interest in The Grove at Shrewsbury, a 187,000 square foot shopping center in Shrewsbury, New Jersey, and Brook 35 Plaza, a 99,000 square foot shopping center in Sea Girt, New Jersey for a gross value of $161 million. Our effective economic interest approximates 84% and was funded by the assumption of our share of $68 million of mortgage debt, 632,000 downREIT units, and $13 million of cash. The mortgage debt assumed is secured by the individual properties and has the following contractual terms:

	Principal (in millions)	Stated Interest Rate		Maturity Date
Brook 35 Plaza	$11.5	5.46	%	July 1, 2014
The Grove at Shrewsbury	45.4	5.82	%	October 1, 2017
The Grove at Shrewsbury (West)	11.4	6.38	%	March 1, 2018

The purchase price allocation will be completed after our valuation studies are complete. Additionally, we have entered into an agreement to acquire the interest of one of the non-controlling interest holders in the Grove at Shrewsbury for approximately $9 million in 2015.

2013 Significant Debt and Equity Transactions

During 2013, we repaid the following mortgage loans:

	Principal Payoff Amount (In millions)	Repayment Date	Maturity Date
White Marsh Plaza	$9.0	January 2, 2013	April 1, 2013
Crow Canyon	19.3	June 11, 2013	August 11, 2013
Idylwood Plaza (1)	15.7	December 5, 2013	June 5, 2014
Leesburg Plaza (1)	27.3	December 5, 2013	June 5, 2014
Loehmann's Plaza (1)	35.3	December 5, 2013	June 5, 2014
Pentagon Row (1)	50.7	December 5, 2013	June 5, 2014
	$157.3		

(1) The payoff included a prepayment premium totaling $4.4 million for all four mortgages which is included in "early extinguishment of debt" in 2013.

On April 22, 2013, we upsized our $400.0 million revolving credit facility to $600.0 million and extended the maturity date to April 21, 2017, subject to a one-year extension at our option. Under the amended credit facility, the spread over LIBOR is 90 basis points based on our credit rating as of May 1, 2013.

On May 9, 2013, we issued $275.0 million of fixed rate senior notes that mature on June 1, 2023 and bear interest at 2.75%. The net proceeds from this note offering after issuance discounts, underwriting fees, and other costs were approximately $269.3 million.

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On June 9, 2013, we redeemed our $135.0 million 5.40% senior notes prior to the original maturity date of December 1, 2013. The redemption price of $138.5 million included a make-whole premium of approximately $3.3 million and accrued but unpaid interest of $0.2 million. The make-whole premium is included in "early extinguishment of debt" in 2013.

On December 9, 2013 we issued $300.0 million of fixed rate senior notes that mature on January 15, 2024 and bear interest at 3.95%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately $294.7 million.

On December 27, 2013, we redeemed our $150.0 million 5.95% senior notes prior to the original maturity date of August 15, 2014. The redemption price of $158.3 million included a make whole premium of approximately $5.0 million and accrued but unpaid interest of $3.3 million. The make whole premium is included in "early extinguishment of debt" in 2013.

We have an at the market ("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 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 December 31, 2013, we issued 659,938 common shares at the weighted average price per share of $104.77 for net cash proceeds of $68.4 million and paid $0.7 million in commissions and $0.1 million in additional offering expenses related to to the sales of these common shares. For the year ended December 31, 2013, we issued 1,734,974 common shares at a weighted average price per share of $108.01 for net cash proceeds of $185.2 million and paid $2.0 million in commissions and $0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2013, we had the capacity to issue up to $26.0 million in common shares under our ATM equity program.

Outlook

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

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

Our same-center growth is primarily driven by increases in rental rates on new leases and lease renewals 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 few 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 seek to maintain a mix of strong national, regional, and local retailers. At December 31, 2013, no single tenant accounted for more than 3.5% of annualized base rent.

Our properties are generally 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 2014, we expect to have redevelopment projects stabilizing with projected costs of approximately $26 million.

We continue our ongoing redevelopment efforts at Santana Row which currently has zoning entitlements to build an additional 348 residential units and 305,000 square feet of retail and office space. The first phase of our new 212 unit residential building will be completed in first quarter 2014 with the remainder of the building expected to be completed by mid-2014. The building is expected to stabilize in 2014 and to cost approximately $75 million of which $66 million has been incurred to date.

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 December 31, 2013 is approximately $259 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 development at Assembly Row which will include 450 residential units (by AvalonBay) and approximately 326,000 square feet of retail space and 98,000 square feet of office space (both by the Trust). The Massachusetts Bay Transit Authority (MBTA) is constructing the new orange line T-Stop at the property. Our construction on the first phase commenced during the first quarter 2012. Total expected costs for Phase I of Assembly Row range from $190 million to $200 million of which $115 million has been incurred to date. We expect Phase I to open in 2014 and stabilize in 2015. Additionally during 2013, we continued our infrastructure work. In total, we invested $89 million in Assembly Row in 2013, net of public funding, and expect to invest between $65 million and $85 million in 2014, net of expected public funding.

In the third quarter 2012, we broke ground on the first phase of Pike & Rose in Rockville, MD, a long-term multi-phased mixed-use project located on a portion of our Mid-Pike Plaza property. 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 second quarter 2012) and construction of 493 residential units, 151,000 square feet of retail space and 79,000 square feet of office space. Total expected costs for Phase I of Pike & Rose range from $245 million to $255 million of which $106 million has been incurred to date. We expect a portion of Phase I to open in 2014 and the remainder in 2015 and expect Phase I to stabilize in 2015/2016. We invested $98 million in Pike & Rose in 2013 and expect to invest between $80 million to $110 million in 2014 related to Phase 1.

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

We continue to review acquisition opportunities in our primary markets that complement our portfolio and provide long-term growth opportunities. Initially, some of our acquisitions do not contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisition. Generally, our acquisitions are initially financed by available cash and/or borrowings under our revolving credit facility which may be repaid later with funds raised through the issuance of new equity or new long-term debt. 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 December 31, 2013, the leasable square feet in our properties was 95.1% occupied and 95.8% 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.

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 year ended December 31, 2013 and the comparison of 2013 and 2012, all or a portion of 79 properties were considered same-center and eleven properties were considered redevelopment or expansion. For the year ended December 31, 2013, three properties were moved from acquisition to same-center and one property was moved from redevelopment to same-center compared to the designations as of December 31, 2012. For the year ended December 31, 2012 and the comparison of 2012 and 2011, all or a portion of 75 properties were considered same-center and eight properties were considered redevelopment or expansion. For the year ended December 31, 2012, four properties were removed from same-center and two properties were added to same-center compared to the designations as of December 31, 2011. 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 redevelopment or expansion.

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YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

	2013	2012	Change Dollars	%
	(Dollar amounts in thousands)			
Rental income	$620,089	$580,114	$39,975	6.9 %
Other property income	12,169	20,211	(8,042)	(39.8)%
Mortgage interest income	5,155	5,466	(311)	(5.7)%
Total property revenue	637,413	605,791	31,622	5.2 %
Rental expenses	118,695	112,616	6,079	5.4 %
Real estate taxes	71,759	66,454	5,305	8.0 %
Total property expenses	190,454	179,070	11,384	6.4 %
Property operating income	446,959	426,721	20,238	4.7 %
Other interest income	433	689	(256)	(37.2)%
Income from real estate partnerships	1,498	1,757	(259)	(14.7)%
Interest expense	(104,977)	(113,336)	8,359	(7.4)%
Early extinguishment of debt	(13,304)	—	(13,304)	100.0 %
General and administrative expense	(31,970)	(31,158)	(812)	2.6 %
Depreciation and amortization	(160,828)	(141,701)	(19,127)	13.5 %
Total other, net	(309,148)	(283,749)	(25,399)	9.0 %
Income from continuing operations	137,811	142,972	(5,161)	(3.6)%
Discontinued operations - income	942	1,400	(458)	(32.7)%
Discontinued operations - gain on sale of real estate	23,861	—	23,861	100.0 %
Gain on sale of real estate	4,994	11,860	(6,866)	(57.9)%
Net income	167,608	156,232	11,376	7.3 %
Net income attributable to noncontrolling interests	(4,927)	(4,307)	(620)	14.4 %
Net income attributable to the Trust	$162,681	$151,925	$10,756	7.1 %

Property Revenues

Total property revenue increased $31.6 million, or 5.2%, to $637.4 million in 2013 compared to $605.8 million in 2012. The percentage occupied at our shopping centers increased to 95.1% at December 31, 2013 compared to 94.9% at December 31, 2012. 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 $40.0 million, or 6.9%, to $620.1 million in 2013 compared to $580.1 million in 2012 due primarily to the following:

- an increase of $23.3 million at same-center properties due primarily to higher rental rates of approximately $11.6 million, higher occupancy of approximately $3.9 million, and an increase in recovery income due to higher recoverable expenses,
- an increase of $14.0 million attributable to properties acquired in 2013 and 2012, and
- an increase of $2.0 million at redevelopment properties due primarily to the lease-up and stabilization of certain of our redevelopment properties 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 decreased $8.0 million, or 39.8%, to $12.2 million in 2013 compared to $20.2 million in 2012. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. This decrease is primarily due to lower lease termination fees at same center properties, largely from a $6.0 million lease termination fee received in 2012 from an anchor tenant at Ellisburg

Shopping Center.

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Property Expenses

Total property expenses increased $11.4 million, or 6.4%, to $190.5 million in 2013 compared to $179.1 million in 2012. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased $6.1 million, or 5.4%, to $118.7 million in 2013 compared to $112.6 million in 2012. This increase is primarily due to the following:

- an increase of $4.0 million in repairs and maintenance expenses at same center and redevelopment properties primarily due to snow removal costs,
- an increase of $2.1 million related to properties acquired in 2013 and 2012,
- an increase of $1.3 million in marketing expenses primarily at our Assembly Row and Pike & Rose projects,

partially offset by

- a decrease of $1.7 million in bad debt expense.

Rental expenses as a percentage of rental income plus other property income was 18.8% for the years ended December 31, 2013 and 2012.

Real Estate Taxes

Real estate tax expense increased $5.3 million, or 8.0% to $71.8 million in 2013 compared to $66.5 million in 2012 due primarily to net higher assessments at same-center properties and properties acquired in 2013 and 2012.

Property Operating Income

Property operating income increased $20.2 million, or 4.7%, to $447.0 million in 2013 compared to $426.7 million in 2012. This increase is primarily due to growth in earnings at same-center properties, properties acquired in 2013 and 2012, and redevelopment properties.

Other

Interest Expense

Interest expense decreased $8.4 million, or 7.4%, to $105.0 million in 2013 compared to $113.3 million in 2012. This decrease is due primarily to the following:

- a decrease of $11.6 million due to a lower overall weighted average borrowing rate, and
- an increase of $6.1 million in capitalized interest,

partially offset by

- an increase of $9.3 million due to higher borrowings.

Gross interest costs were $121.2 million and $123.4 million in 2013 and 2012, respectively. Capitalized interest was $16.2 million and $10.1 million in 2013 and 2012, respectively.

Early Extinguishment of Debt

The $13.3 million early extinguishment of debt in 2013 relates to the make-whole premiums paid as part of the early redemption of our 5.40% senior notes and 5.95% senior notes, the prepayment premium on our 7.5% mortgage loans, and the related write-off of unamortized debt fees.

General and Administrative Expense

General and administrative expense increased $0.8 million, or 2.6%, to $32.0 million in 2013 from $31.2 million in 2012. This increase is due primarily to an increase in employee related costs and transaction costs partially offset by costs incurred in 2012 related to the CFO transition.

Depreciation and Amortization

Depreciation and amortization expense increased $19.1 million, or 13.5%, to $160.8 million in 2013 from $141.7 million in 2012. This increase is due primarily to 2013 and 2012 acquisitions and accelerated depreciation due to the change in use of a redevelopment property.

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 and $1.4 million for 2013 and 2012, respectively primarily represents the operating income for the period during which we owned properties sold in 2013.

Discontinued Operations—Gain on Sale of Real Estate

The $23.9 million gain on sale of real estate from discontinued operations for 2013 is due to the sale of the fee interest in our final building at Fifth Avenue on July 22, 2013 and the sale of the fee interest in our building in Forest Hills on September 10, 2013.

Gain on Sale of Real Estate

The $5.0 million gain on sale of real estate for 2013 is primarily due to the sale of the fee interest in the land under an office building at our Village of Shirlington property in Arlington, Virginia, that was subject to a long term ground lease. The ground lease included an option for the tenant to purchase the fee interest.

The $11.9 million gain on sale of real estate in 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 2012.

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YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

	2012	2011	Change Dollars	%
	(Dollar amounts in thousands)			
Rental income	$580,114	$536,749	$43,365	8.1 %
Other property income	20,211	9,256	10,955	118.4 %
Mortgage interest income	5,466	5,098	368	7.2 %
Total property revenue	605,791	551,103	54,688	9.9 %
Rental expenses	112,616	109,364	3,252	3.0 %
Real estate taxes	66,454	60,404	6,050	10.0 %
Total property expenses	179,070	169,768	9,302	5.5 %
Property operating income	426,721	381,335	45,386	11.9 %
Other interest income	689	218	471	216.1 %
Income from real estate partnerships	1,757	1,808	(51)	(2.8)%
Interest expense	(113,336)	(98,465)	(14,871)	15.1 %
Early extinguishment of debt	—	296	(296)	(100.0)%
General and administrative expense	(31,158)	(28,985)	(2,173)	7.5 %
Depreciation and amortization	(141,701)	(125,888)	(15,813)	12.6 %
Total other, net	(283,749)	(251,016)	(32,733)	13.0 %
Income from continuing operations	142,972	130,319	12,653	9.7 %
Discontinued operations - income	1,400	2,192	(792)	(36.1)%
Discontinued operations - gain on deconsolidation of VIE	—	2,026	(2,026)	(100.0)%
Discontinued operations - gain on sale of real estate	—			