

FEDERAL REALTY INVESTMENT TRUST
Form 10-Q
August 01, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2018

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

For the transition period from to
Commission file number: 1-07533

FEDERAL REALTY INVESTMENT TRUST
(Exact Name of Registrant as Specified in its Declaration of Trust)

Maryland 52-0782497
(State of Organization) (IRS Employer Identification No.)

1626 East Jefferson Street, Rockville, Maryland 20852
(Address of Principal Executive Offices) (Zip Code)
(301) 998-8100

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large Accelerated Filer Accelerated filer

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

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of Registrant's common shares outstanding on July 27, 2018 was 73,491,303.

Table of Contents

FEDERAL REALTY INVESTMENT TRUST
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED JUNE 30, 2018

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements	<u>3</u>
Consolidated Balance Sheets as of June 30, 2018 (unaudited) and December 31, 2017	<u>3</u>
Consolidated Statements of Comprehensive Income (unaudited) for the three and six months ended June 30, 2018 and 2017	<u>4</u>
Consolidated Statement of Shareholders' Equity (unaudited) for the six months ended June 30, 2018	<u>5</u>
Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2018 and 2017	<u>6</u>
Notes to Consolidated Financial Statements (unaudited)	<u>7</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>15</u>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>30</u>
Item 4. Controls and Procedures	<u>30</u>

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	<u>31</u>
Item 1A. Risk Factors	<u>31</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>31</u>
Item 3. Defaults Upon Senior Securities	<u>32</u>
Item 4. Mine Safety Disclosures	<u>32</u>
Item 5. Other Information	<u>32</u>
Item 6. Exhibits	<u>32</u>

SIGNATURES	<u>34</u>
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Table of ContentsFederal Realty Investment Trust
Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including \$1,660,403 and \$1,639,486 of consolidated variable interest entities, respectively)	\$7,181,679	\$6,950,188
Construction-in-progress (including \$47,251 and \$43,393 of consolidated variable interest entities, respectively)	535,658	684,873
Assets held for sale	27,773	—
	7,745,110	7,635,061
Less accumulated depreciation and amortization (including \$268,723 and \$247,410 of consolidated variable interest entities, respectively)	(1,970,173)	(1,876,544)
Net real estate	5,774,937	5,758,517
Cash and cash equivalents	56,116	15,188
Accounts and notes receivable, net	149,861	209,877
Mortgage notes receivable, net	30,429	30,429
Investment in real estate partnerships	22,613	23,941
Prepaid expenses and other assets	268,747	237,803
TOTAL ASSETS	\$6,302,703	\$6,275,755
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable, net (including \$447,246 and \$460,372 of consolidated variable interest entities, respectively)	\$477,706	\$491,505
Capital lease obligations	71,538	71,556
Notes payable, net	368,389	320,265
Senior notes and debentures, net	2,402,851	2,401,440
Accounts payable and accrued expenses	178,665	196,332
Dividends payable	75,757	75,931
Security deposits payable	17,187	16,667
Other liabilities and deferred credits	181,601	169,388
Total liabilities	3,773,694	3,743,084
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	141,417	141,157
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, \$.01 par:		
5.0% Series C Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25,000 per share), 6,000 shares issued and outstanding	150,000	150,000
5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896 shares issued and outstanding	9,997	9,997
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 73,434,943 and 73,090,877 shares issued and outstanding, respectively	737	733
Additional paid-in capital	2,884,771	2,855,321

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Accumulated dividends in excess of net income	(780,973)	(749,367)
Accumulated other comprehensive income	412	22
Total shareholders' equity of the Trust	2,264,944	2,266,706
Noncontrolling interests	122,648	124,808
Total shareholders' equity	2,387,592	2,391,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$6,302,703	\$6,275,755

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

3

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
REVENUE				
Rental income	\$220,476	\$204,246	\$441,057	\$408,693
Other property income	3,692	3,068	7,759	5,258
Mortgage interest income	734	735	1,491	1,487
Total revenue	224,902	208,049	450,307	415,438
EXPENSES				
Rental expenses	39,905	37,128	84,678	78,237
Real estate taxes	28,307	26,522	56,755	51,612
General and administrative	8,413	8,643	16,342	16,910
Depreciation and amortization	58,381	52,666	116,491	104,045
Total operating expenses	135,006	124,959	274,266	250,804
OPERATING INCOME	89,896	83,090	176,041	164,634
Other interest income	159	68	338	174
Interest expense	(27,766)	(23,907)	(53,950)	(47,665)
Loss from real estate partnerships	(728)	(114)	(1,253)	(114)
INCOME FROM CONTINUING OPERATIONS	61,561	59,137	121,176	117,029
Gain on sale of real estate, net	3,972	18,996	7,288	19,174
NET INCOME	65,533	78,133	128,464	136,203
Net income attributable to noncontrolling interests	(1,938)	(1,842)	(3,622)	(3,722)
NET INCOME ATTRIBUTABLE TO THE TRUST	63,595	76,291	124,842	132,481
Dividends on preferred shares	(2,011)	(135)	(4,021)	(271)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$61,584	\$76,156	\$120,821	\$132,210
EARNINGS PER COMMON SHARE, BASIC:				
Net income available for common shareholders	\$0.84	\$1.05	\$1.65	\$1.83
Weighted average number of common shares	72,990	72,001	72,948	71,928
EARNINGS PER COMMON SHARE, DILUTED:				
Net income available for common shareholders	\$0.84	\$1.05	\$1.65	\$1.83
Weighted average number of common shares	73,025	72,124	72,997	72,061
COMPREHENSIVE INCOME	\$65,456	\$78,526	\$128,854	\$137,680
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	\$63,518	\$76,684	\$125,232	\$133,958

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

Table of Contents

Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity
For the Six Months Ended June 30, 2018
(Unaudited)

	Shareholders' Equity of the Trust					Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Shareholders' Equity
	Preferred Shares	Common Shares	Additional Paid-in Capital	Shares	Amount				
	Shares	Amount	Shares	Amount					
(In thousands, except share data)									
BALANCE AT DECEMBER 31, 2017	405,896	\$159,997	73,090,877	\$ 733	\$2,855,321	\$(749,367)	\$ 22	\$ 124,808	\$2,391,514
January 1, 2018 adoption of new accounting standard - See Note 2	—	—	—	—	—	(6,028)	—	—	(6,028)
Net income, excluding \$1,998 attributable to redeemable noncontrolling interests	—	—	—	—	—	124,842	—	1,624	126,466
Other comprehensive income - change in fair value of interest rate swaps	—	—	—	—	—	—	390	—	390
Dividends declared to common shareholders	—	—	—	—	—	(146,399)	—	—	(146,399)
Dividends declared to preferred shareholders	—	—	—	—	—	(4,021)	—	—	(4,021)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(2,767)	(2,767)
Common shares issued, net	—	—	148,614	2	18,318	—	—	—	18,320
Exercise of stock options	—	—	93,593	1	4,040	—	—	—	4,041
Shares issued under dividend reinvestment plan	—	—	—	—	—	—	—	—	—