

FEDERAL REALTY INVESTMENT TRUST
Form 10-Q
May 03, 2017
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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 March 31, 2017

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 April 28, 2017 was 72,238,754.

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QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED MARCH 31, 2017

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted pursuant to those rules and regulations, although Federal Realty Investment Trust (the "Trust") believes that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Trust's latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the full year.

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Consolidated Balance Sheets

	March 31, 2017	December 31, 2016
	(In thousands, except share and per share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including \$1,235,147 and \$1,226,918 of consolidated variable interest entities, respectively)	\$6,294,142	\$6,125,957
Construction-in-progress	687,356	599,260
Asset held for sale	33,856	33,856
	7,015,354	6,759,073
Less accumulated depreciation and amortization (including \$217,449 and \$209,239 of consolidated variable interest entities, respectively)	(1,766,239)	(1,729,234)
Net real estate	5,249,115	5,029,839
Cash and cash equivalents	20,112	23,368
Accounts and notes receivable, net	115,775	116,749
Mortgage notes receivable, net	29,904	29,904
Investment in real estate partnerships	14,540	14,864
Prepaid expenses and other assets	226,754	208,555
TOTAL ASSETS	\$5,656,200	\$5,423,279
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable (including \$436,494 and \$439,120 of consolidated variable interest entities, respectively)	\$468,284	\$471,117
Capital lease obligations	71,582	71,590
Notes payable	496,311	279,151
Senior notes and debentures	1,977,192	1,976,594
Accounts payable and accrued expenses	191,901	201,756
Dividends payable	71,647	71,440
Security deposits payable	16,499	16,285
Other liabilities and deferred credits	144,979	115,817
Total liabilities	3,438,395	3,203,750
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	141,003	143,694
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, \$.01 par: 5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896 shares issued and outstanding	9,997	9,997
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 72,236,981 and 71,995,897 shares issued and outstanding, respectively	725	722
Additional paid-in capital	2,736,921	2,718,325
Accumulated dividends in excess of net income	(764,458)	(749,734)
Accumulated other comprehensive loss	(1,493)	(2,577)
Total shareholders' equity of the Trust	1,981,692	1,976,733

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Noncontrolling interests	95,110	99,102
Total shareholders' equity	2,076,802	2,075,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$5,656,200	\$5,423,279

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

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Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
	(In thousands, except per share data)	
REVENUE		
Rental income	\$ 204,447	\$ 195,308
Other property income	2,190	2,312
Mortgage interest income	752	724
Total revenue	207,389	198,344
EXPENSES		
Rental expenses	41,109	42,819
Real estate taxes	25,090	22,794
General and administrative	8,267	8,010
Depreciation and amortization	51,379	47,799
Total operating expenses	125,845	121,422
OPERATING INCOME	81,544	76,922
Other interest income	106	103
Interest expense	(23,758) (23,729
Income from real estate partnerships	—	41
INCOME FROM CONTINUING OPERATIONS	57,892	53,337
Gain on sale of real estate and change in control of interests	178	25,726
NET INCOME	58,070	79,063
Net income attributable to noncontrolling interests	(1,880) (2,108
NET INCOME ATTRIBUTABLE TO THE TRUST	56,190	76,955
Dividends on preferred shares	(135) (135
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$ 56,055	\$ 76,820
EARNINGS PER COMMON SHARE, BASIC		
Continuing operations	\$ 0.78	\$ 0.73
Gain on sale of real estate and change in control of interests, net	—	0.37
	\$ 0.78	\$ 1.10
Weighted average number of common shares, basic	71,862	69,771
EARNINGS PER COMMON SHARE, DILUTED		
Continuing operations	\$ 0.78	\$ 0.73
Gain on sale of real estate and change in control of interests, net	—	0.37
	\$ 0.78	\$ 1.10
Weighted average number of common shares, diluted	72,005	69,957
COMPREHENSIVE INCOME	\$ 59,154	\$ 76,288
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	\$ 57,274	\$ 74,180

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

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Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity
For the Three Months Ended March 31, 2017
(Unaudited)

	Shareholders' Equity of the Trust		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity		
	Preferred Shares	Common Shares							
	Shares	Amount	Shares	Amount					
(In thousands, except share data)									
BALANCE AT DECEMBER 31, 2016	31,399,896	\$ 9,997	71,995,897	\$ 722	\$ 2,718,325	\$ (749,734)	\$ (2,577)	\$ 99,102	\$ 2,075,835
January 1, 2017 adoption of new accounting standard - See Note 2	—	—	—	83	(83)	—	—	—	—
Net income, excluding \$806 attributable to redeemable noncontrolling interests	—	—	—	—	56,190	—	1,074	57,264	57,264
Other comprehensive income - change in value of interest rate swaps	—	—	—	—	—	1,084	—	1,084	1,084
Dividends declared to common shareholders	—	—	—	—	(70,696)	—	—	(70,696)	(70,696)
Dividends declared to preferred shareholders	—	—	—	—	(135)	—	—	(135)	(135)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	(1,482)	(1,482)	(1,482)
Common shares issued	—	—	98,674	1	13,414	—	—	13,415	13,415
Exercise of stock options	—	—	52,307	1	3,830	—	—	3,831	3,831
Shares issued under dividend	—	—	4,660	—	654	—	—	654	654

reinvestment plan									
Share-based compensation expense, net of forfeitures	—	—	105,824	1	3,548	—	—	—	3,549
Shares withheld for employee taxes	—	—	(28,411)	—	(4,061)	—	—	—	(4,061)
Conversion and redemption of OP units	—	—	8,030	—	951	—	—	(951)	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	114	114
Purchase of noncontrolling interest	—	—	—	—	177	—	—	(2,747)	(2,570)
BALANCE AT MARCH 31, 2017	399,896	\$9,997	72,236,981	\$725	\$2,736,921	\$(764,458)	\$(1,493)	\$95,110	\$2,076,802

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

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