FEDERAL REALTY INVESTMENT TRUST Form 10-Q August 04, 2016 <u>Table of Contents</u>

UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 **FORM 10-O** QUARTERLY REPORT PURSUANT TO THE SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE $\oint A$ CT OF 1024 ACT OF 1934 For the quarterly period ended June 30, 2016 OR ..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to Commission file number: 1-07533 FEDERAL REALTY INVESTMENT TRUST (Exact Name of Registrant as Specified in its Declaration of Trust) Maryland 52-0782497 (State of Organization) (IRS Employer Identification No.) 1626 East Jefferson Street, Rockville, Maryland 20852 (Address of Principal Executive Offices) (Zip Code) (301) 998-8100 (Registrant's Telephone Number, Including Area Code) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 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 Filerý 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 number of Registrant's common shares outstanding on August 1, 2016 was 71,426,313.

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

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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

Federal Realty Investment Trust Consolidated Balance Sheets

	June 30, 2016 (In thousands and per share (Unaudited)	December 31, 2015 s, except share e data)
ASSETS		
Real estate, at cost		
Operating (including \$1,206,112 and \$1,192,336 of consolidated variable interest entities	, \$5,951,546	\$5,630,771
respectively)		100 605
Construction-in-progress	506,843	433,635
\mathbf{I}_{1}	6,458,389	6,064,406
Less accumulated depreciation and amortization (including \$192,445 and \$176,057 of	(1,651,549)	(1,574,041)
consolidated variable interest entities, respectively)	4 906 940	4 400 265
Net real estate	4,806,840	4,490,365
Cash and cash equivalents	18,622	21,046 110,402
Accounts and notes receivable, net Mortgage notes receivable, net	114,431 41,618	41,618
Investment in real estate partnerships	9,807	41,546
Prepaid expenses and other assets	9,807 197,150	191,582
TOTAL ASSETS	\$5,188,468	\$4,896,559
LIABILITIES AND SHAREHOLDERS' EQUITY	φ3,100,400	φ 4,070,337
Liabilities		
Mortgages payable (including \$443,766 and \$448,315 of consolidated variable interest		
entities, respectively)	\$476,155	\$481,084
Capital lease obligations	71,605	71,620
Notes payable	383,582	341,961
Senior notes and debentures	1,733,611	1,732,551
Accounts payable and accrued expenses	171,982	146,532
Dividends payable	67,931	66,338
Security deposits payable	15,868	15,439
Other liabilities and deferred credits	118,646	121,787
Total liabilities	3,039,380	2,977,312
Commitments and contingencies (Note 6)		
Redeemable noncontrolling interests	126,102	137,316
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, \$.01 par: 5.417% Series 1 Cumulative		
Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896	9,997	9,997
shares issued and outstanding		
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized,	716	696
71,417,253 and 69,493,392 shares issued and outstanding, respectively		
Additional paid-in capital	2,645,984	2,381,867
Accumulated dividends in excess of net income	,	(724,701)
Accumulated other comprehensive loss		(4,110)
Total shareholders' equity of the Trust	1,923,739	1,663,749
Noncontrolling interests	99,247	118,182

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Total shareholders' equity TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,022,986 \$5,188,468	, ,
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The accompanying notes are an integral part of these consolidated statements.

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Federal Realty Investment Trust Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	2016	2015		
	(In thousands, except per share data)					
REVENUE						
Rental income	\$192,935	\$175,884	\$388,243	\$357,050		
Other property income	3,488	4,420	5,800	6,885		
Mortgage interest income	1,558	1,157	2,282	2,318		
Total revenue	197,981	181,461	396,325	366,253		
EXPENSES						
Rental expenses	36,978	32,623	79,797	74,062		
Real estate taxes	23,397	20,667	46,191	41,061		
General and administrative	9,036	9,299	17,046	18,152		
Depreciation and amortization	48,435	42,671	96,234	84,655		
Total operating expenses	117,846	105,260	239,268	217,930		
OPERATING INCOME	80,135	76,201	157,057	148,323		
Other interest income	77	74	180	103		
Interest expense	(23,101)	(23,445)	(46,830)	(47,613)		
Early extinguishment of debt	_	· · · ·	_	(19,072)		
Income from real estate partnerships	_	406	41	626		
INCOME FROM CONTINUING OPERATIONS	57,111	34,164	110,448	82,367		
Gain on change in control of interests and sale of real estate	1,787	11,509	27,513	11,509		
NET INCOME	58,898	45,673	137,961	93,876		
Net income attributable to noncontrolling interests	(2,957)	(2,041)	(5,065)	(4,058)		
NET INCOME ATTRIBUTABLE TO THE TRUST	55,941	43,632	132,896	89,818		
Dividends on preferred shares	(135)	(135)	(271)	(271)		
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$55,806	\$43,497	\$132,625	\$89,547		
EARNINGS PER COMMON SHARE, BASIC						
Continuing operations	\$0.78	\$0.46	\$1.50	\$1.13		
Gain on change in control of interests and sale of real estate, net	0.01	0.17	0.38	0.17		
	\$0.79	\$0.63	\$1.88	\$1.30		
Weighted average number of common shares, basic	70,797	68,531	70,270	68,449		
EARNINGS PER COMMON SHARE, DILUTED						
Continuing operations	\$0.77	\$0.46	\$1.50	\$1.13		
Gain on change in control of interest and sale of real estate, net	0.01	0.17	0.38	0.17		
	\$0.78	\$0.63	\$1.88	\$1.30		
Weighted average number of common shares, diluted	70,974	68,713	70,451	68,638		
COMPREHENSIVE INCOME	\$58,490	\$46,740	\$134,778	\$92,482		
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST	\$55,533	\$44,699	\$129,713	\$88,424		

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 Six Months Ended June 30, 2016										
(Unaudited)	Shareholders' Equity of the Trus Preferred Shares Common Share				ires	Accumulat Dividends	ed Accumula Other	ed	Total	
Shares		Amoun	t Shares	Amou	Paid-in Int Capital	in Excess of I Income	Comprehe	Noncontrol en §inte rests	Equity	ers'
	(In thou	sands, ex	cept share d	lata)		meenie				
BALANCE AT DECEMBER 31, 2015	, 399,896	\$9,997	69,493,392	\$ 696	\$2,381,867	\$(724,701) \$(4,110) \$118,182	\$1,781,93	1
Net income,										
excluding \$1,411 attributable to redeemable noncontrolling		_		_	_	132,896	_	3,654	136,550	
interests										
Other										
comprehensive loss - change in						_	(3,183) —	(3,183)
value of interest rate swaps										
Dividends declared to										
common	—	_				(133,589) —		(133,589)
shareholders Dividends										
declared to		_	_			(271) —		(271)
preferred shareholders										
Distributions declared to								<i></i>		
noncontrolling	_	_			_			(4,505) (4,505)
interests Common shares issued	_		1,603,685	16	240,820	_	_	_	240,836	
Exercise of stock options			50,881		4,175	_		_	4,175	
Shares issued under dividend										
reinvestment pla	 n									