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EDITED TRANSCRIPT

FRT - Q3 2019 Federal Realty Investment Trust Earnings Call

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OVERVIEW:

Co. reported FFO per share of \$1.43. Expects 2019 FFO per share to be \$6.30-6.46 and NARIET FFO per share (including Kmart Charge) to be \$6.16-6.22.



CORPORATE PARTICIPANTS

Daniel Guglielmone *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

Donald C. Wood *Federal Realty Investment Trust - President, CEO & Director*

Jeffrey S. Berkes *Federal Realty Investment Trust - EVP & President of Western Region*

Leah Andress Brady *Federal Realty Investment Trust - IR Manager*

CONFERENCE CALL PARTICIPANTS

Alexander David Goldfarb *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Christine Mary McElroy Tulloch *Citigroup Inc, Research Division - Director & Senior Analyst*

Craig Richard Schmidt *BofA Merrill Lynch, Research Division - Director*

Derek Charles Johnston *Deutsche Bank AG, Research Division - Research Analyst*

Floris Gerbrand Hendrik van Dijkum *Compass Point Research & Trading, LLC, Research Division - Analyst*

Haendel Emmanuel St. Juste *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

Ki Bin Kim *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Michael Bilerman *Citigroup Inc, Research Division - MD and Head of the US Real Estate and Lodging Research*

Michael William Mueller *JP Morgan Chase & Co, Research Division - Senior Analyst*

Robert Jeremy Metz *BMO Capital Markets Equity Research - Director & Analyst*

Samir Upadhyay Khanal *Evercore ISI Institutional Equities, Research Division - MD & Equity Research Analyst*

Vince Tibone *Green Street Advisors, Inc. - Analyst of Retail*

PRESENTATION

Operator

Greetings, and welcome to the Federal Realty Investment Trust Third Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Leah Brady. Please proceed.

Leah Andress Brady - *Federal Realty Investment Trust - IR Manager*

Thank you. Good morning, and thank you for joining us today for Federal Realty's Third Quarter 2019 Earnings Conference Call. Joining me on the call are Don Wood, Dan G, Jeff Berkes, Wendy Seher, Dawn Becker and Melissa Solis. They will be available to take your questions at the conclusion of our prepared remarks.

As a reminder, that certain matters discussed on this call may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any annualized or projected information, as well as statements referring to expected or anticipated events or results. Although Federal Realty believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, Federal Realty's future operations and its actual performance may differ materially from the information in our forward-looking statements, and we can give no assurance that these expectations can be attained.



The earnings release and supplemental reporting package that we issued us night, our earnings -- our annual report filed on Form 10-K and our other financial disclosure documents provide a more in-depth discussion of risk factors that may affect our financial condition and results of operations. These documents are available on our website.

Given the number of participants on the call, we kindly ask you to limit your question to 1 or 2 per person during the Q&A portion of our call. And if you have additional questions, please feel free to jump back in the queue.

And with that, I will turn the call over to Don Wood to begin the discussion of our third quarter results. Don?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Thank you, Leah, and good morning, everybody. Well, we were able to accomplish something this quarter that we tried to do unsuccessfully for the better part of the last decade, and that is to acquire the wildly under market Kmart lease at Assembly Square Marketplace for \$14.5 million, or about \$2.4 million an acre. This very important 6-acre parcel will allow us to unlock over time, the significant value creation made possible by the success of Assembly Row over the years, and allow us to both densify and unify the power center with the mixed-use community.

This is a real estate acquisition through-and-through, but GAAP requires that the expensed currently in the income statement. Accordingly, as reported FFO per share is \$1.43, with \$1.59 excluding that charge, compared with the \$1.58 reported in last year's third quarter. Also, remember that this year's number reflecting 2019 accounting change requiring the expensing of previously capitalizable direct leasing costs of about \$0.02 a share per quarter.

The Kmart lease acquisition is pretty darn representative of the focus and prioritization of our efforts these days. At this point in the cycle and given the oversupply of retail nationally. The dependence on significantly higher rents, significant increases on portfolio occupancy and landlord friendly lease terms as the only avenue for growth is difficult. It's tempting in a retail environment like this to keep that cash flow growing by making inferior short-term decisions with regard to tenant selection, lease terms, redevelopment opportunities. We won't do that. Our focus is on the next bunch of years, not the next bunch of months. Because while the current environment is resulting in slower short-term cash flow growth and earlier in the cycle, it's also creating more opportunities for medium and long-term value creation in great locations that up until now, were not possible.

As I said, we've been back and forth with Kmart at Assembly for a decade with no economic deal close. In 2019, an economically viable agreement was reached. And even though we'll lose \$1 million of rent in 2020, the unlocked significant value creation potential is obvious.

Similar story in Darien, Connecticut, were previously fruitless negotiations with Stop & Shop, took a productive turn in 2019 with an economic deal agreed to, resulting in the beginning of our planned development next quarter after many years. We bought Darien in 2013. We've been negotiating with Stop & Shop since 2013. Six years later, we have a deal, and we'll start construction. Of course, we'll lose \$1 million of rent in 2020. But again, the value creation of a redeveloped Darien property will dwarf that.

Similar story on Third Street Promenade in Santa Monica where finally we'll be free to redevelop an entire 45,000 square foot building, on the hard corner of Wilshire and Third Street, currently occupied by an oversized Banana Republic that was built for another time and another consumer. We'll lose \$2 million of rent in 2020. But because of where it is, we'll improve the value of that corner and the value of other buildings we own nearby significantly. You get the idea.

I've got another dozen stories like that on a smaller scale than I could bore you with. But suffice to say that we're willing to sacrifice roughly \$6 million or \$0.08 a share annually, in order to create compelling retail and mixed-use neighborhoods that will be worth far more than they are today.

The retail real estate environment is more conducive to opportunities like these than at any point since the bottom of the last cycle in 2009 and 2010. The fact that we can do all that and yet still grow overall cash flow, albeit more slowly from year-to-year, that's the power of great real estate in a deep and diversified skill set.

Okay. Back to the quarter. We did a lot of leasing. 95 comparable deals and 8 more non-comparable deals, that is new space, for nearly 0.5 million square feet, more than in the last year's quarter. The comparable deals were done at first year cash rent of \$38.93 per foot compared with \$36.31 per foot in the last year, the previous lease, a 7% increase. Higher rent was achieved overall across the board, on anchors, on small shop deals, on both new and renewal leases.

Comparable property operating income was 2.1% higher this quarter than last year's third quarter and lease termination fees had a minimal impact on that metric as they approximated \$2.8 million this quarter versus 2.6% last year. The overall portfolio remained well leased at 94.2%. We would expect that to be marginally lower in 2020, largely due to the repositioning opportunities I discussed earlier as well as tenant failures like Dress Barn and others.

In terms of our roughly \$350 million-plus in annual development spend this year and next, primarily comprised of office development at Santana Row, Assembly Row and Pike & Rose, along with retail development at CocoWalk and Darien, we remain on schedule and on budget. You'll notice in our 8-K, an increase in scope with CocoWalk as we were successful in getting the 2-floor Gap space back early on the west side of the project, thereby allowing us to redevelop that side currently in conjunction with the bigger project. Yields remain unchanged.

A look at our balance sheet at quarter end, shows nearly \$700 million of construction in progress. We have a ton going on at this point in time that will undoubtedly create big new income streams in the future, but obviously not helpful to the P&L this year or much of next.

While an uncertain environment like the one we're in has created opportunities for us among our existing tenant base, it's also opened up opportunities among potential sellers and some really interesting real estate. To that end, we currently have nearly \$300 million in acquisitions tied up under contract with expected closings of most of it in the fourth quarter, subject, of course, to our completion of due diligence. \$30 million in that did close in the third quarter.

But even so, I want to take you through those deals at a high level, each one very different from the other, but with a very clear value creative common denominator. I also wanted to take you through the funding sources and result in IRRs.

The first and largest is our agreement to form a 90/10 joint venture with a local real estate operator, we're the 90, for an initial 40-plus individual street retail properties in Hoboken, New Jersey. Our share of the investment approximates \$185 million. The properties, mostly apartments over Street retail, our prime retail -- prime real estate sites on either Washington Street or 14th Street, two of Hoboken's main commercial thoroughfares. We're very bullish on Hoboken and its access to the increasingly important west side of Manhattan, including the \$20-billion-plus Hudson Yards development. That access is easier than in any areas of Manhattan through the path, Ferry and the bus through the immediately adjacent Lincoln Tunnel. One or more transportation choices of which is walkable from the buildings we're buying.

While we love the potential rent upside in both retail and residential income streams as Hoboken continues to mature and find favor among city commuters, maybe the most important part of this venture is that it creates a far more productive business development arm for us in urban, New Jersey. We expect this initial set of assets to be just the beginning.

The other 2 are smaller and very different from the first. A more conventional grocery-anchored center in a very densely populated urban neighborhood with under market rents, surface parking and potential pad development opportunities. Demographics that are both incredibly dense with strong incomes. A surface park site this large in the middle of an urban residential neighborhood like this is unusual.

And finally, we have an income-producing retail site in Fairfax, Virginia, under contract that is immediately adjacent to our first quarter 2019 acquisition of Fairfax Junction. Separately, each center is relatively small for us, with limited future potential. Early in the year, you may have wondered why we bought the first. But together, the combined 11-acre site at the prominent intersection of Lee Highway and Main Street in Fairfax is powerful. Along the way, it will serve as a solid current income producer but in the future, wonderful raw material for densification and inclusion of other uses.

I go through this combined near \$300 million investment before they're closed for 2 reasons: First, think of the breadth of the type of property we look at, everything from urban street retail with rent and development upside while effectively acquiring a regional growth partner, to an urban

grocery-anchored shopping center with rent and pad upside, to an effective land assemblage with the current yielding income stream in an affluent Washington, D.C. suburb, serving as raw material for the future. The common thread through all this compelling long-term retail-based real estate is relevant real estate, both for today and in the future with an obvious path to income and value growth.

Now how do we pay for it? The sales of Plaza Pacoima and a single building in Hermosa Beach, California, 2 assets where we could not see a path to growth, got us started. The sale of 12 acres under the threat of condemnation at San Antonio Center, which we expect to close in the fourth quarter, by the way, along with some pretty attractive assumed debt on the acquisitions make up the rest.

So here's the overall math. These assets, assuming we close on all of them, will provide nearly \$0.05 of initial annual FFO accretion, net of the lost FFO of the sold assets. But that's just a byproduct of the capital allocation rationale. The reality is that we're investing in assets with great mid- and long-term futures and a 10-year IRR in excess of 6.5%, and funding that investment with asset sales and assumed debt of properties with few long-term growth prospects and a 10-year cost of 4.5%.

More than 2% improvement in the IRR of nearly \$300 million of recycled capital. It's an investment approach like this, which balances short-term accretion with long-term value add that gives us such great confidence in Federal Realty's future through inevitable cycles.

I've said it in my prepared comments. All the focus on short-term occupancy, current earnings and lease-up expectations as this uncertain time is understandable and it's certainly important.

But a company's clear path to growth and mid and long-term relevancy of its retail real estate long after the current vacancies have been leased up is, in our view, far more important. Let me turn it over to Dan for addressing your questions. Dan?

Daniel Guglielmon - Federal Realty Investment Trust - Executive VP, CFO & Treasurer

Yes. Thank you, Don, and good morning. Our reported FFO per share of \$1.43 translates to \$1.59 per share when adjusting for the onetime charge relating to the purchase of the Kmart lease at Assembly. The \$1.59 figure is the appropriate comparison for consensus and year-over-year purposes this quarter.

While the solid results were driven primarily by continued benefit from our proactive leasing activity, as well as lower property level expenses, it was offset by the weight of opportunistic capital transactions during the quarter, including both the debt and equity issuance as well as asset sales, slightly higher G&A than we had originally forecasted and continued drag from our redevelopment and remerchandising initiatives at properties in both, the comparable and noncomparable pools.

Our comparable POI metric came in at 2.1% for the quarter. Ahead of our expectations, bringing this metric through the first 9 months this year to 3%. In the third quarter, net benefit from proactive re-leasing activity boosted the results 175 basis points versus third quarter 2018. While we had another strong quarter from term fees, we received very little boost from them in comparable POI, with just 17 basis points of tailwind versus last year. We again faced 70 basis points of drag from repositioning programs at some of our larger assets like Plaza El Segundo, Congressional and Huntington.

As a result of the better-than-expected quarter, we are increasing our forecast for comparable POI in 2019 from a range of 2% to 3% to about 3%.

While Don emphasized our focus on positioning our portfolio for long-term and the potential short-term impact of these repositioning, remerchandising initiatives, the quality of our real estate is driving a broad upgrade in our tenant base, as evidenced by a new leasing activity. A few to note include a new 40,000 square foot urban target as part of our Hollywood Boulevard redevelopment in LA, a new 38,000 square foot Home Depot design opening at Montrose Crossing, a great add to that center in our home market. We finalized the deal to relocate Walgreens at the Darien redevelopment as a significant uptick in rent from the old lease. And we've all been proactive in reducing exposure to struggling retailers. One example is changing out 2 of our 3 remaining Cost Plus locations to bring in uses, which enhance the merchandising at Escondido and Pentagon Row. Combined with the recent opening of Nordstrom Rack at Plaza El Segundo in the last 12 months, we have reduced our exposure to Cost Plus from 4 locations down to just 1 remaining.

While our lease percentage ticked up to 94.2%, we expect -- during the quarter, we expect our occupied percentage to begin to feel some impact over the next few quarters as we get after some of these repositioning opportunities that Don previously highlighted.

As Kmart at Assembly, Stop & Shop at Darien, Banana Republic at Third Street are turned over for more relevant tenancy and the full impact of Dress Barn's closure mutes our occupancy as well as our FFO to start the year.

With respect to new developments, you may have noticed some updates and new additions to the redevelopment schedule on Page 16 of our 8-K supplement.

As Don discussed, we expanded the scope of our redevelopment project at CocoWalk with the early recapture of the Gap space on the west side of the project. It resulted in a modest increase to the budget, however, we are maintaining our targeted development yield on that incremental capital. At Hollywood Boulevard, where we are combining and redemising spaces to bring in a previously mentioned new urban target and a collection of QSRs, while doing a complete refresh on the west side of that project, of roughly \$20 million incremental spend at a targeted 9% incremental return.

And at Lawrence Park in Philadelphia, where we locked in long-term and established major medical-use in less attractive, lower level space and created more attractive retail square footage at the front of the property, you will see a complete refresh of that property as well. \$10 million of incremental capital at an incremental 8% yield.

Now let's discuss some of the capital activity during the quarter. Given the big rally in the treasury market during the third quarter, we're able to be opportunistic by reopening our 10-year notes due 2029, for an additional \$100-plus million of proceeds at 2.74%. At the time of issuance, the lowest 10-year bond ever issued by a REIT.

We also took advantage of the strength in the equity market by accessing our ATM program for an additional \$75 million of proceeds. And lastly, we closed on the remaining \$70 million of asset sales we had been working on at the time of our last earnings call, although one closed after the quarter end. Selling 2 noncore assets on the West Coast for a blended mid-sized cap rate bringing our total asset sales for the year to just shy of \$150 million at a blended upper 5s yield. More importantly, a blended sub 6% unlevered IRR.

This activity positions us with higher than normal levels of liquidity with above-average cash on hand at \$163 million and nothing drawn on our newly expanded \$1 billion credit facility. While this enhanced financial flexibility will weigh on results by a few pennies for the second half of 2019, we couldn't be better positioned to execute on our business plan on both the development as well as the acquisition front.

Our credit and liquidity metrics continue to be at extremely comfortable levels for A- rating. At quarter end, our net debt-to-EBITDA stood at 5.3x, our fixed charge coverage ratio steady at 4.3x, and our weighted average debt maturity remains at 11 years.

With respect to FFO guidance for the balance of 2019, we're adjusting and tightening our range from \$6.30 to \$6.46 per share to a new range of \$6.32 to \$6.38 as adjusted for the acquisition of Kmart. On a NAREIT-defined basis, which includes the Kmart charge, this range is \$6.16 to \$6.22.

The primary driver of this revision is the capital markets activity I just highlighted, as being positioned with more cash on hand plus running the impact of our asset sale activity through our model impacts results in the midpoint by \$0.01 this quarter and a forecasted \$0.02 next quarter.

With increasing macro headwinds of slowing economic growth, trade wars, and both global and domestic political uncertainty, running the balance sheet with more conservatism, even though slightly dilutive to current year's earnings seems prudent at this time.

Now on to some preliminary thoughts on 2020. We are still in the midst of our 2020 budgeting process, so I'm going to keep this very directional in nature. Still more wood to chop in finalizing our forecast. And we've alluded to the greater intensity for which we are going after repositioning and remerchandising opportunities in our portfolio for the medium and long-term value creation at the expense of near-term growth over the next several quarters.



Roughly \$6 million of net drag from this activity driven by the recapture of some larger anchor spaces that we've mentioned, Kmart at Assembly, Stop & Shop at Darien, Banana Republic at Third street as well as a handful of smaller deals, roughly in that \$0.5 million per year rent range at places like Santana Row and the former Cost Plus deals at Escondido and Pentagon Row. We may also get after some more remerchandising opportunities, given that we see an environment which is ripe for upgrading our tenancy.

We also have the impact of losing 10 Dress Barn locations, which have \$2.5 million run rate of annual rent that is projected to impact all of 2020.

While we are active in discussions to backfill 6 of the 10 that we've lost, that rent won't begin to come back online until 2021.

Despite these headwinds, we still estimate that we have a baseline of net growth of roughly \$0.11 to \$0.12, which should get us into the mid \$6.40s at the low end of the range.

Like with last year's preliminary guidance, it is still too early in our forecast process to predict how much higher we can push the upper end of guidance range. However, given the diversity of growth drivers we have in our arsenal in particular growth outside the comparable pool: 700 Santana coming online; continued maturation at Assembly and Pike & Rose; other redevelopment deliveries such as CocoWalk, Jordan Downs, and Bala Cynwyd Residential, starting to contribute in 2020; plus the acquisitions we expect to close this quarter with an offset from the aforementioned aggressive proactive re-leasing initiatives; expected tenant departures just highlighted; as well as a tough term fee comparable given a strong 2019 on that front, our preliminary target for the upper end of the range could push up into the low \$6.60s. We'll have more for you on this topic on our next call, and we look forward to seeing many of you at NAREIT in Los Angeles in a couple of weeks.

And with that, operator, you can open up the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Nick Yulico with Scotiabank.

Unidentified Analyst

Sorry. This is Greg on with Nick. Just to start, hoping to get a few more details on Kmart and Assembly Square Marketplace. I'm curious when they stopped paying rent? And then the expectations on backfilling in terms of timing and rent again? And then what else needs to happen at that asset before you can really start considering redeveloping that land?

Donald C. Wood - Federal Realty Investment Trust - President, CEO & Director

Sure, Greg. Let's talk about a few things about it. So -- and I assume you're pretty familiar where it is on the site, and how it kind of connects effectively the power center with the mixed-use property. So assuming you know that, think about that. First of all, the rent will continue through the end of the year, I think, or just about through the end of the year, then it will be out. We have entitlement to do on that site. That will take a couple of years to effectively get -- for us to be able to start construction to be able to put stuff together. We don't expect to just sit on that property for those couple of years. We expect to lease it up.

There's a couple of ways to do it. It may even not be retail in terms of how it gets leased up. Because at the end of the day today, it's a giant 100,000 square foot box ground floor right next to transportation that there is pretty darn significant temporary tenant activity right now. Nothing done, but something that would be really cool and actually accretive to 2020, to the extent we can get it done, just not done yet.

But when we do get that thing re-entitled, re-zoned, which we hope to be able to do, as I say, in a couple of years, the mathing on that site should be in the hundreds of millions of dollars of spend. So big deal, certainly worth waiting for to the extent we can get it done. I hope that answers.

Unidentified Analyst

Yes. And just to clarify on that one. So the entitlements that you have at Assembly Square don't transfer over to that area?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

They're fine for retail for the use that it is today, but we have some other ideas for residential and/or office on that site in addition.

Unidentified Analyst

Okay. And then just for a second follow-up here. So based on your earlier comments regarding Banana Republic are you exclusively looking at redevelopment opportunities there? What might that look like? Or are you still considering a retail backfill -- traditional retail backfill?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Jeff, why don't you take that?

Jeffrey S. Berkes - *Federal Realty Investment Trust - EVP & President of Western Region*

Yes. Greg, we've got a number of alternatives we're working through right now. When we say redevelopment, we're not really talking about changing the building envelope, but reworking the interior of the building and reworking some of the uses that could go into the building. Traditional retail is potential for a portion of the backfill, but not all of it. We're still working through 3 or 4 alternatives we have for the building. Right now, the response to our leasing and marketing effort there has been great. And hopefully, in a quarter or 2, we'll be able to get a little bit more definitive idea on where we're headed.

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Now you should, by the way, Greg -- you should, by the way, expect more rent than the rents we're getting out today. A lot of times, you look at that, you say, well, \$2 million coming out of that building. That's a big number. And how do you get more rent when somebody is paying a lot of rent. In locations like that, it can be pretty darn comfortable that we will, and even the capital necessary to do that we'll create an accretive project there.

Jeffrey S. Berkes - *Federal Realty Investment Trust - EVP & President of Western Region*

Yes. Like Don said in his prepared remarks regardless about which directions we go, the uses that go into the building are going to be additive relative to the current tenant to that end of the street and support our other assets on the promenade.

Operator

Our next question comes from Christy McElroy with Citi.



Christine Mary McElroy Tulloch - Citigroup Inc, Research Division - Director & Senior Analyst

Just wanted to follow-up on Hoboken. Did you say what the timing was of the closure of the remaining deals? And currently, is all that space owned by a single partner? And sort of what's the benefit of kind of clustering and possibly aggregating more space in that market?

Donald C. Wood - Federal Realty Investment Trust - President, CEO & Director

Good questions, Christy. Thanks for asking them. First of all, the timing, we closed on the first building in September. Most of the rest of it will be closed in the fourth quarter. Some of it may drag into the first quarter. We're dealing with some different partnerships or different structures, and it's a bunch of buildings. So in terms of -- so that's the timing.

In terms of what's going on here. One of the things that we have always struggled with in terms of street retail is getting enough of critical mass on the street to effectively be a real player and to influence both the merchandising and the street and influence the economics on the street. We were able to do it in Third Street Promenade. Years ago, you may remember that we tried to do it on Newbury Street in Boston. We had bought a couple of buildings, but were never able to get as much as we wanted. So we sold those buildings when a bigger deal fell through. This is the next -- the latest iteration of that, where when you do 40 buildings, both downtown and uptown in Hoboken, we've got some power, and I understand this is probably the worst kept secret in REIT, and so we've been doing an awful lot of work with respect to the demand for these buildings, what the rents would be in terms of that demand, and it has been extremely positive. So we're very bullish on what can happen here. The idea of more is exactly as you would expect, that the clustering of more of the retail storefronts here gives us clearly more leverage with tenants who want to come in.

Christine Mary McElroy Tulloch - Citigroup Inc, Research Division - Director & Senior Analyst

And then just in looking at 2020. Thank you for all the detail on the kind of the preliminary range, but also a lot of moving parts in terms of space recapture, in terms of what's known at this point. As you kind of look into your budgeting and you think about what's unknown for credit loss and tenant fallout. How are you thinking about next year? Are you looking at it more conservatively than you did in 2019? Or is it about the same, in terms of the tenant credit environment right now?

Donald C. Wood - Federal Realty Investment Trust - President, CEO & Director

At this early stage of the process, I think, we're sitting in a similar type of position as last year. I think we would expect that credit loss, whether it be a bad debt expense, unexpected vacancy rent, rent relief. In total, all of those different components consistent with how we've looked at it over last year and even the year before. I don't think at this point, we're getting more conservative or more aggressive. I think where we sit today, keeping it in line with the past history is where we feel most comfortable.

Operator

Our next question comes from Jeremy Metz with BMO Capital Markets.

Robert Jeremy Metz - BMO Capital Markets Equity Research - Director & Analyst

Dan, I appreciate the directional outlook for 2020. Sticking with that and the revised expectations here in 2019, but also some of the drags you noted. How should we think about the comp POI trajectory from here relative to the 3% you're now expecting in 2019? And then if you have it, how much will be coming into the pool next year in terms of the residential and commercial as those should be pretty additive?

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

Yes. No, I think that one of the things that -- we're still too early in our process. This was a real -- we go through a pretty rigorous budgeting process. That's very ground up. With only 100 properties, we're able to dig into each and every asset, dig into each and every business plan at each asset and roll everything up. We're not at the point where we've got a sense of that. This is very top-down and directional. So I don't really have a sense on where comparable -- As I said, a lot of moving parts, a lot of work to do. So I'm not prepared to kind of give a sense of trajectory on the comp POI basis.

But, look, I think, that from a residential and an office perspective within the comparable pool, most of our -- a good chunk of our residential housed outside of the comparable pool, but there's some within it, particularly on the West Coast. That should be additive, that should be beneficial, and that should help the comparable number. But still too early for us to give any kind of direction one way or the other on guidance for next year.

Robert Jeremy Metz - *BMO Capital Markets Equity Research - Director & Analyst*

All right. And then, Don, you've got a lot in the pipeline here in the acquisition front, you mentioned the pickup in interesting opportunities out there, the conducive environment to go out and capitalize on these. You obviously have the balance sheet to do so. Beyond the \$300 million here, how active is the pipeline beyond that? Is there more in the works that we could be hearing about here in short order?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

There is -- Jeremy, it's -- we're asked a lot to kind of smooth out the notion of acquisitions, how much we would do. We're asked to how much proactive re-leasing would we do. But the reality is kind of where you started, and you're spot on it is you take advantage of opportunities when they avail themselves. And that's not smooth. And so I think about kind of some of the stuff we're doing, both on the acquisition side and the proactive side. And I know a lot of this stuff, including acquisitions we've been trying to get done for a long time. But the market wasn't ready, the economics weren't ready. And it's a -- it's really a very good time. I'm very optimistic on our future and where we're going and why we're doing it, because we're able to do some deals that were high-fiving ourselves right around here. And that hasn't happened in a while. Even though it's short-term dilutive. So -- yes, you very well may be hearing of that more.

Operator

Our next question comes from Craig Schmidt with Bank of America.

Craig Richard Schmidt - *BofA Merrill Lynch, Research Division - Director*

Don, when you introduced the Hoboken acquisition, you said that it could create business opportunities and development arm in New Jersey. It sounds like that, that would obviously be beyond Hoboken. But could you describe what you could see happening there?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

I could, but I prefer not to. We're dating. This is an initial partnership with a local company that has done an amazing job, frankly, of accumulating everything that's there. They also have pretty large, long tentacles into other properties and other development opportunities there. So the idea of us seeing what we got and being able to do more with them, including potential opportunities in and around Hoboken. So I'm not talking about Morris County or anything far away from this center of gravity, which is where we're going to concentrate.

Operator

Our next question comes from Samir Khanal with Evercore.

Samir Upadhyay Khanal - *Evercore ISI Institutional Equities, Research Division - MD & Equity Research Analyst*

Dan, just sticking to the comparable POI questions here. I just want to make sure for Darien, when you lose that, the Stop & Shop, where the \$1 million rent goes out at that, does that come out of the pool next year?

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

Darien will come out of the comparable pool, basically, to start the year. So that will not have -- that will have drag in FFO, but it will not have drag on next year's comparable POI metric because...

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

it's not comparable.

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

It's not comparable. Exactly.

Samir Upadhyay Khanal - *Evercore ISI Institutional Equities, Research Division - MD & Equity Research Analyst*

And then so basically, the ones to think about, just to sort of summarize here. Just the Kmart you lose. You lose the Banana Republic and then sort of the Dress Barn than any sort of unanticipated kind of vacancies for next year. Is this the headwinds, right, at this point? I think...

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

Yes. And then also, whatever, as Don alluded to, and we're going through the process now is whatever other re-merchandising we can get after. I mean, we've been proactive. And, as I mentioned, the Cost Plusses, there's other opportunities that Don said, when you can get after stuff, when there's demand to bring in new tenancy and remerchandise, you get after it. So I think that's something we're working through in our in our budgeting process right now. So -- but yes, that's right.

Samir Upadhyay Khanal - *Evercore ISI Institutional Equities, Research Division - MD & Equity Research Analyst*

Okay. And I guess, Dan, one question here. We've been noticed the cost on CocoWalk went up a little bit here. I think it was around \$10 million. What's the story there?

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

A bigger project. And it's really -- so when we laid that out, the west side of the project has a 2-level Gap store in it that had term. And we were -- so we -- as we did our development plan, the redevelopment plans, we didn't expect to touch that side. Well, it's Gap and it's 2019, not 2016 or '15. And so we got a deal. So to be able to get to that space and therefore, access the west wing, if you will, of the project, as we're going through construction of the rest of the project. It's clearly a better thing. I didn't think we could, but the times allow us to so you got a bigger project there, and you've got -- nothing that changes with yield. So you're getting paid for the incremental capital on that. I think it's a real positive.



Operator

Our next question comes from Alexander Goldfarb with Sandler O'Neill.

Alexander David Goldfarb - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

So just a few questions. First, Don, I appreciate the -- your comparison of the Hoboken versus your efforts on Newbury Street a number of years ago. But just sort of curious, how you viewed street retail in Hoboken versus -- obviously, what's going on here in New York or Miami, where street retail has become sort of a bad word. What gave you comfort that in Hoboken, it didn't experience the same situation that we sell street retail and other areas?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Yes. It's so funny, Alex. And you know me, I'm a Jersey kid through-and-through. And it's a whole lot different than Manhattan, right? And the people that go to Hoboken are -- even that moved to Hoboken are generally from Jersey, who go there. They're not coming from Long Island. They're not coming from Westchester, et cetera. So it is a completely different market.

The in-place rents, Alex, are below \$50. Okay? So we're not talking about \$200 street retail. We're not talking about numbers that are scary that way. The in-place resi rents are \$2.65. So we're not talking about things that have run to the extent of -- anywhere near the markets that you just named. What has changed, I'll tell you what, what has changed is its acceptability and its access to the more important parts of Manhattan now, because Manhattan is changing, right?

And so when you sit and you think about getting to that west side from a lot of places in Manhattan, it is not easy. And we're hopeful that Hoboken will see part of the globe, if you will from all of that investment, I can tell you the early deals that we're talking about are validating that thesis.

Alexander David Goldfarb - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Okay. And then the second question is on 2020. Don, clearly, at the Investor Day earlier this year, you guys emphasized repeatedly the focus on dividend growth, the 51-year track record. So going through the pieces, Dan mentioned \$0.08 coming out of the retail, the drag from the capital, but it sounded like through the acquisition program, there was a net \$0.05 positive from the capital activities with what's going on in the acquisition side, but you still be \$0.08 negative on the retail. So it's sort of that net \$0.03 down, if my math is right. What are the other factors that are contributing to what would seem an abnormally low earnings growth year for you guys? Are there other things that are going on? Is it other drag? Or is it other potential projects that you may do? Just trying to put the pieces together.

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Yes. Listen, I feel for you, because we are a multidimensional company. We have a lot of pieces. It's not -- we're not trying to lease-up a bunch of empty boxes from time when our occupancy was really low. That provides some growth. It's not that at all. So when you sit and you think of things like the space on, hopefully, on February 1, being turned over to Splunk at 700 Santana Row and that income starting on February 1. That's a pretty good thing that adds to that. But take a look at the balance sheet. Now there's \$700 million of construction in progress, producing exactly 0 from that. Money's out. Cost of money is out, but income has not effectively started on that. So that in and of itself is a current earnings drag, if you will, to some extent associated there.

Yes, the other things are, gosh, I think we went through -- I think Dan did a pretty good job of going through most of the big ones that we can think through, not with the specificity of month-by-month in rent starts and rent dilutions. But from my perspective, if we can make this portfolio stronger and better for the future and still grow, even if it's smaller, to me, that says everything about the quality of the assets. Because we haven't -- we didn't get beat up 2 years ago, 1 year ago, 3 years ago, 4 years ago with earnings. As you know, we've grown every single year.

Alexander David Goldfarb - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

You do, and you've also done a good job managing the massive developments you've delivered over the past few years, which is why I asked the question because the past few years, you were able to manage through that development drag. That's why I was just wondering -- if there were any one specific item that was impacting the 2020. But I appreciate your comments, Don.

Operator

Our next question comes from Haendel St. Juste with Mizuho.

Haendel Emmanuel St. Juste - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

So, Don, I guess, just -- not to beat on the dead horse, the acquisition, certainly a sense of excitement in your voice that haven't heard an acquisition front in a long time. So I guess, I'm curious, what you're getting from the seller side? Are they more willing to be engaged? Are the pricing expectations changing? Is your cost of capital making some of these deals a bit more easy to underwrite? Just curious on what's sort of driving some of that enthusiasm.

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

A lot of human things. I think there is absolutely the overall notion that the economy isn't going to stay strong forever. That -- there's a recession coming someday, whenever that's going to be the time today is such, where the assets are -- especially when we're talking about really, really good assets, right? We're not talking about sellers who are looking at dumping properties and having their cap rates go up and be able to get paid because there's the only time they can get paid, but we are talking about sellers who know when they have a good thing are generally and this is just my gut, worried about the future in terms of the economy. And they know they can get paid pretty well today. And that wasn't obvious a couple of years ago. So that's on the acquisition side.

On the proactive re-leasing side, I think, there's been a major shift in not only retailers but in most businesses in the country of, it's better to rip the band-aid off rather than work through problems long term. And I think we see that in a number of different places. When we had a restaurant company who was not doing well in the DC area, but doing well in other places. I think the old days, they would have not wanted to close their stores, let's say, in the DC area, they worked through it. Today, they're more willing to rip it off and move forward.

So there is a psyche that's out there today, both on the sellers of property side and the business people are doing business in retail today. That in my view is fundamentally different than it was a few years back. Does it impact pricing? Not significantly. There's a couple of these deals we're really happy with what we're doing, how we're getting them, but they're still real expensive because they're great real estate. So I hope that helps.

Haendel Emmanuel St. Juste - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

That does. And I guess, I'm curious on the thinking here and the willingness to take some of the incremental dilution and drag. Clearly, the market is reacting a bit negatively. I think there are higher expectations for growth. And so fully appreciating your building. You have great portfolio and you're building for the long term. Just curious how you factored all into your thinking, why now? I understand some of it may be entitlement related, but just curious just -- how that always...

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

It's a very -- it's an important question. I thought I covered in my earlier stuff, but let me make it crystal clear now. Because you do it when you can, and it's not always available. And it kind of goes to your previous question on the psyche, if companies are willing to make changes to deal



economically, not have silly expectations for which there is no economic deal. I love how people always -- it's always for sale. Not practically speaking, it's not.

And so today, there's no way, no way we wouldn't do the Kmart deal to save \$1 million next year. There's no way we wouldn't do the Darien deal to save \$1 million next year. And if there's 4 more of those? And no, we'll do those too, because they're available today. We're working on this stuff for years. There's a fundamental difference in the psyche of people in our business, willing to be reasonable with respect to economics today, I believe.

Operator

Our next question comes from Derek Johnston with Deutsche Bank.

Derek Charles Johnston - *Deutsche Bank AG, Research Division - Research Analyst*

Just back to Kmart at Assembly briefly, are you concerned about the entitlement process for residential there, coupled with low development yields and the probably inclusion of a percentage of affordable housing? Would an office mixed use make more sense given that PUMA will fully be moved in?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

It might. And I'm concerned about everything, all the time, on development and in the processes and how we get through. But none of that changes the real estate fact that when there's an opportunity, you jump on it. Because truly, I think, any decent real estate guy can sit back, grab a couple of coffee, sit on that site and look at the traffic and look at the way things go between 2 things and say, "There's an economically viable way to create significant value here." Exactly what that might be, who knows at this point. And I know that who knows isn't something you can put in the model, and we factor in to 2020 or 2021 for that matter. But the jump to -- can they do something better accretively in both an income perspective, in a value perspective on that 6 acres, that's not a long leap. Most people, I think, can get there.

Derek Charles Johnston - *Deutsche Bank AG, Research Division - Research Analyst*

Yes, it's a great property, and I completely understand. And just shifting gears. We haven't really had an update on Primestor JV on the West Coast in quite a while. And just any thoughts on further projects with them? Or could we see this relationship develop or grow over the next few years? And are there any other opportunities within the portfolio and other metros, such as Miami, to kind of replicate the success there?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Yes. Jeff, can you take Primestor?

Jeffrey S. Berkes - *Federal Realty Investment Trust - EVP & President of Western Region*

Yes. Yes, sure. So we are operationally doing great. Right on top of what we underwrote a couple of years ago in terms of the capital that we've invested in the NOI or POI that we expected. So everything from that standpoint is going as planned. We would love to grow the footprint. And we're doing that maybe a little bit slower than I would have liked, but we're doing that. As most of you know, we have Jordan Downs under construction, delivering into next year. We were able to acquire the Toys "R" Us box adjacent to our Los Jardines property in Bell Gardens late last year. And we've got a couple of other things in the acquisition pipeline that we're working on as we speak that will, hopefully, come to fruition early next year.



That said, I mean, you've heard this from us before. The acquisitions market is competitive and difficult, particularly in L.A., all of California, quite frankly. And we're disciplined about how we go about that part of our business as is Primestor. So to the extent we can shake stuff loose, where we think we can make money, we will. And we won't do a deal just to do a deal, which is probably why we haven't seen us grow from an acquisitions perspective significantly with that platform yet, but it's definitely something we want to do, and it's definitely something we work hard on every day.

Don, I'll let you take the second half of the question on other metros, if you don't mind?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Yes. No, not at all. I mean, conceptually, there's something there. I mean, even with respect to what we're doing in Hoboken and around Hoboken, as we think that through. That's a potential other market that we can look in. But we want to make sure we have the experts in those markets before we jump in. So stay tuned.

Operator

Our next question comes from Michael Mueller with JPMorgan.

Michael William Mueller - *JP Morgan Chase & Co, Research Division - Senior Analyst*

I guess on the Hoboken transaction, what's a rough split between residential and retail in terms of NOI?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

70-30, right?

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

Roughly, 70 retail -- 70 commercial, retail and a little bit of office, and about 30% residential.

Michael William Mueller - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Got it. Okay. And then, Dan, you mentioned some lease term income in the quarter. Can you just quantify what that was?

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

Yes, yes. Now we had a strong quarter in 2018. And so last year of \$2.6 million and \$2.8 million this quarter. So a modest boost to the comparable, but it wasn't a big, big driver of our outperformance on a comparable basis.

Operator

Our next question comes from Vince Tibone with Green Street Advisors.



Vince Tibone - *Green Street Advisors, Inc. - Analyst of Retail*

Could you elaborate on your plan -- on your plans at Third Street Promenade? And also talk a little bit about the overall health of the retail area there? Because there are some vacancies on Third Street in Santa Monica Place. So just wondering how that is impacting the rents you're expecting at the Banana Republic redev?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Go get them, Jeff?

Jeffrey S. Berkes - *Federal Realty Investment Trust - EVP & President of Western Region*

Yes. No, there is some turnover on the Promenade right now. That's definitely true. And as you go south on the street in the Santa Monica Place, and I know you're local, you can see that. We're very pleasantly surprised to what we have going on at Banana Republic. And like I said a few minutes ago, we've got 3, 4 alternatives that we're working through. There's competition for the building for the space in the building. And as Don said, the rent, whichever direction we choose to go, we're going to materially more rent than we're currently collecting.

So because we are in kind of a leasing, marketing, negotiating mode right now, I really can't say a lot more about it than that. But we -- like I said, pleasantly surprised, and it's going to be an accretive deal for us.

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Okay. The only thing I would add to that, should be -- and Vince, just to think about everyone should think about this for us. One of the cool things you get here is that we don't just -- we evaluate for highest and best use of the real estate. And so to the extent there's a better use than retail for all or part of a building or a shopping center or whatever, we can do that. And so obviously, I think about it as you sit and talk about Third Street or any other market where the success in that street has absolutely brought demand from other users who pay pretty darn good economic numbers to be in there. We've got the ability to look at it that way and therefore, to execute it that way. And I think that's an advantage.

Vince Tibone - *Green Street Advisors, Inc. - Analyst of Retail*

Interesting. But for Third Street, the entitlement you have in place for now are just retail? Or is that something you're exploring potentially changing the use or adding additional height, which I know there are restrictions in Santa Monica to that spot?

Jeffrey S. Berkes - *Federal Realty Investment Trust - EVP & President of Western Region*

Yes. We won't be adding additional height. In my -- yes, my previous comment, we're going to be working within the existing building envelope and depending on the use, there may be some work we have to do with the city, but we're not -- we're confident that we would get through that. So --

Operator

Our next question comes from Floris van Dijkum with Compass Point.



Floris Gerbrand Hendrik van Dijkum - *Compass Point Research & Trading, LLC, Research Division - Analyst*

Question -- a follow-up question on the street retail, your urban street retail, you've found on 2 deals Primestor and the Hoboken transaction. As you think about that, first, how much would you need to be able to invest to be able to consider an opportunity like that? And also, how many other markets around the country, do you think could meet your criteria?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

It's a good question, but a difficult one. We don't go out and look for street retail. We don't go out and look for grocery-anchored shopping centers. We don't go out and look for land assemblages to put things together. Basically, what we are doing is trying to find places for which demand exceeds supply. And when you have a place like that, like Hoboken, for example, the notion there is, can you get enough? And I don't know what the number is, Floris, but if you look at our history, you get a pretty good idea. We spent like \$40 million, \$50 million or so, something like that on Newbury a few years ago. And then we're talking about a \$200 million-plus deal that we were unable to get so when we were stuck with just \$40 million-or-so or whatever the number was at that point. We said, no, we can't impact change. So we sold it.

Similarly, you see that we just sold Hermosa, which was 1 building in a great area, that -- I mean, if we controlled Hermosa Beach, California, I'd love to own and continue to own in Hermosa Beach, California. We didn't. So we looked at it there, through the myopic eyes, if you will, of one building and what we can do with that one building. The -- when we talk to Arturo at Primestor about that rationale, he fully agrees and understands that with us.

So there's a symbiosis in terms of what it is that we're trying to do there. I expect to have that same type of symbiosis in Hoboken with our partner there. And as I think I've said in the past, we've been unable to get it done well in Miami. And it depends on each particular site that we see and whether we're confident that the rents can be rolled up. Whether we're confident that we could build more, if that's the case there, et cetera. So I don't have a good answer for you other than to really reinforce that we are not a street retail company. We're not a grocery-anchored shopping center company. We're not a mixed-use company. We are a real estate company that bases ourselves in retail-based properties. And whatever that can mean from it.

So it's a nuance. But -- and I know it's important -- or it's easier to categorize but I can't really help you as much as I'd like to, with that because we look at it from a real estate point of view.

Vince Tibone - *Green Street Advisors, Inc. - Analyst of Retail*

Fair enough. Don, it maybe just -- it might be early, but can you make any comments as to return expectations? Or will you be introducing the JV partner at a later point.

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

I will be at a later point. Let us get through the rest of this thing to get it closed up, and I'll talk more about this.

Operator

Our next question comes from [Linda Sire] with Jefferies.

Unidentified Analyst

You already discussed Banana Republic, but for Stop & Shop and Kmart. What do replacement rents look like there? And then how are you thinking about the population of the 10 Dress Barns and the level of replacement rents or types of redevelopment opportunity?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

You bet. Let me take the first 2, and then Dan, you take it from there. The Kmart site is more complex. So any short-term replacement rent, I would expect to more than cover the Kmart rent on a per foot basis. I don't know whether we get the whole 100,000 or whatever it is, is done. But I think you'll be happy with that in the short-term. In the longer term, it's obviously a much better thing from a value creative perspective because it's so much bigger.

At Stop & Shop, and you kind of -- you see it in the -- go to our redevelopment schedule and the overall project of Darien and redeveloping Darien, which will include residential, which will include boutique retail, which will include -- well, we'll see what else it includes, as we go through. But certainly accretive to the rent we lost.

Daniel Guglielmone - *Federal Realty Investment Trust - Executive VP, CFO & Treasurer*

And then with regards to the Dress Barns, I think it's a case-by-case basis. One of the things with Dress Barn is they did pay market rent. So we expect to kind of really see the upside with our Dress Barns is really just kind of putting in merchandising and tenancy that enhances the broader center and enhances the long-term value of the real estate. I don't think -- I think you'll see some roll-ups. And I think you'll see some kind of staying flat, and they have got a little bit of a mix, but there's not a whole -- a ton of rent upside on the Dress Barns.

Operator

Our next question comes from Christy McElroy with Citi.

Michael Bilerman - *Citigroup Inc, Research Division - MD and Head of the US Real Estate and Lodging Research*

It's Michael Bilerman with Christy. Don, a quick question for you. Back in May at the Investor Day, you sort of dropped in your opening comments, the thought about selling an interest in your asset base in certain projects that would raise substantial sums. And when I pushed you on it in the follow-up, you said there was nothing planned today. I guess, now that your acquisition pipeline seems to be growing. You have the \$200 million deal in Hoboken. It sounds like you got a lot of other irons in the fire. Would you give that more consideration today to bring in capital into some of your deals rather than issuing equity on your ATM?

Donald C. Wood - *Federal Realty Investment Trust - President, CEO & Director*

Yes. Mike, it's a very fair question. And every -- I won't say every deal. I would say, every 6 months, certainly more than our annual budget process we guard this balance sheet like Fort Knox. And so there's never a conversation of what happens on the left side of the balance sheet that is not shared, even an equal time for what happens on the right side of the balance sheet. So even when you sit and you think about where we are today, we did think prudent use of the ATM was the best solution. I always want to have as few competing goals on the common shareholders' money. And so joint ventures, selling pieces of things do complicate that. And so generally, I have a bias to not do that, which is what I was saying in May, and that still applies today.

Having said that, to the extent there are opportunities that, overall, make an awful lot of sense for the long-term value of this company. But we'll -- we're never going to do big equity issuances, but we're not going to do big anything on the right side of the balance sheet. We want all those arrows in our quiver to be available to us. To the extent, bigger ones hit then sure, we would open up that spigot. So it's a balance. I know it's a complicated answer. But if you were working with me on this side. I think you'd agree that every 6 months or so, you do have to take a real look at that, make sure you understand what irons in the fire are actually going to close. How you're going to get them all done and paid for. And so far, I think we've done a -- I think it's -- we're really good at that.

Michael Bilerman - Citigroup Inc, Research Division - MD and Head of the US Real Estate and Lodging Research

Right. But at least from the example of Primestor and this Hoboken deal, you have a partner that's staying in from a capital and also providing some operating level. I would say, a joint venture with a capital partner is the least complex in terms of a relationship because you're just taking their money rather than taking...

Donald C. Wood - Federal Realty Investment Trust - President, CEO & Director

It's all the lease value add. It's also the lease value add. Right? I mean, because -- yes, it's more complex, taking in a partner, but we're getting something strategically to create real estate value for those things. And that trumps just money because at the end, it's just money.

Michael Bilerman - Citigroup Inc, Research Division - MD and Head of the US Real Estate and Lodging Research

Right. Well, I like money. I think you do, too. So how big is this pipeline? I mean, how big could acquisitions get -- next year? Are you talking about \$1 billion? Are you talking \$500 million?

Donald C. Wood - Federal Realty Investment Trust - President, CEO & Director

I'm not. I'm not. I'm not. If you look at what we've done over our history. The one thing I like about us a lot is balance and moderation. So you're not talking about \$1 billion of acquisitions. You're probably not talking about \$0.5 billion of acquisitions. But I would put that at the upper end, at the outer limit.

Operator

Our next question comes from Ki Bin Kim with SunTrust.

Ki Bin Kim - SunTrust Robinson Humphrey, Inc., Research Division - MD

Just bigger picture, Don. Has your real view on the health of retail changed at all in the past year for your tenants? And I'm not going to answer for this, but what do you think is mispriced in this business? And maybe in the simplest sense, the value per pound for different types of shopping centers versus maybe even certain retailers that are perceived as really healthy that people are willing to go achieve after with more money?

Donald C. Wood - Federal Realty Investment Trust - President, CEO & Director

Yes. That second part of that question, I'd love to have a beer with you and sit and talk it through. It's a whole lot more complex than the 30 seconds, I'm going to be able to answer the question on. So I'm going to give you a bigger picture point on the first part of the question that you asked. Yes. I think there is a healthier, frankly, retailer mindset out there. It's healthier. And it's always -- it's not always better for the landlord. Right? There's some -- there's tough negotiations. There's the -- as I said before, the preponderance of the ability to -- rip the band-aid off and move forward. I view those things as healthy because it does suggest that there is a plan for them to move forward. I like that. I hate -- and we do see this in some grocery operators today, where there's still -- at the real estate level, there's -- maybe we'll consider this, maybe we'll consider that, not really sure how that works. All the way up top to the Boards and the CEOs' offices of those companies, that stuff I don't like. So the more -- I do overall see more definitiveness, if you will, in business plans that, while not always good for us or everybody in this business is far better than uncertainty.

Operator

At this time, I would like to turn the call back over to Leah Brady for closing comments.

Leah Andress Brady - *Federal Realty Investment Trust - IR Manager*

Thanks for joining us today, and we will see many of you at NAREIT in a couple of weeks.

Operator

This concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.

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