Federal Realty Investment Trust

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Introduction

A REIT is a corporation that owns and operates real estate properties. A REIT's main business strategy is generally pulling in multiple investors and giving them dividends from a portfolio of real estate investments in return. One of the main draws for stockholders is the REITs' large dividends. Indeed, the majority of the REITs analyzed in this paper offer dividend yields upwards of 4.5%.

Federal Realty Investment Trust (Ticker: FRT) is a REIT, and it generates a majority of its revenue from commercial real estate, such as malls and shopping centers. We chose this company because we inferred that any companies that owned and operated commercial spaces--such as malls--would have taken a hit during the COVID-19 pandemic. Unsurprisingly, FRT's stock dropped from about $120 to $60 in the span of 10 days, right when many West Coast counties were put under quarantine. In this paper, we will demonstrate how well FRT performed financially compared to similar firms before the COVID-19 pandemic.

Section 1: Ratio Analysis

Profitability

In 2019, the return on equity (ROE) of the company Federal Realty Investment Trust was 14.13%, suggesting that there is a $0.14 profit generated from each dollar of shareholder's equity. Net income was equivalent to $3.612 million while stockholder's equity was an approximate $2.55 billion, after averaging the 2019 ending estimate of $2.64 billion and 2018 ending estimate of $2.47 billion. In comparison to previous years, in 2018 and 2017, the ROE for the company was 10.25% and 13.34% respectively. As seen in Figure 1, the estimates for the history of the company's ROE demonstrate a decrease in 2018 relative to 2017, and later an increase in 2019. While stockholder's equity from 2017 to 2019 increased, it is the decrease of net income that impacted the ratio's decrease in 2018. Thus, in assessing the cause of the decrease of the ROE, the decrease in net income was affected by a 84.71% decrease in gains of sales from the previous year, as opposed to revenues from mortgages, which increased. Moving forward, this is something to take into account when understanding factors that impacted the instability of net income in 2018.

On a similar note, return on assets, known as ROA, in 2019 was 5.51%. This estimation suggests a $0.06 profit generated from each dollar of total assets. Moreover, the ratio for 2019 conveys the profitability of the company relative to its average total assets of $6.54 billion and net income of $360.542 million, as stated previously. Relative to 2018 and 2017, ROA was 3.96% and 5.09% respectively and average total assets increased from $5.85 billion in 2017 to $6.28 billion in 2018. The changes in ROA demonstrate the same pattern witnessed for the ROE estimates discussed above. As discussed above that the change in net income in 2018 was influenced by the decrease in gains of sales, the decrease in the ROA demonstrates a decrease of the company's efficiency of selling their real estate to generate net income.

As another estimate of profitability, the Federal Realty Trust had a 68.07% gross profit percentage, revealing that 68% of revenues were profits. The 2019 gross profit percentage ratio in comparison to 2018 and 2017 remained the same, with the estimates being 68.55% and 68.20% respectively. Hence in 2017, 68.2% of revenues were profits, in addition to 68.55% of revenues in 2018 showing profits. Cost of goods sold increased from $272.7 million in 2017 to $287.9 million in 2018, and eventually $298.8 million in 2019. In addition, net sales revenue was increased from $857.3 million in 2017 to $915.4 million in 2018, and increased again to $935.8 million in 2019. Thus, the stability of the ratio may signal that the company's management practices are consistent and strong, indicating no alarms for the company's business model towards its profitability.

According to the net profit margin in 2019, the company had 38.53% of its net income generated as a percentage of its net revenue. Net income was $3.612 million and net revenue was $935.8 million in 2019. In comparison to the two previous years, net profit margin in 2018 and 2017 reflected a 27.2% and 34.7% generation of net income as a percentage of revenue respectively. Note, in our findings from solving for the ROE and ROA, we can see that net income caused this change. In addition, it is important to know that net gain on sales of real estate is not included in the calculations for revenue. Instead, net gain on sales of real estate is a separate entity, which is later added into operating income after accounting for mortgage, rental revenues, and expenses. Nonetheless, the dip occurring in 2018 was recuperated in 2019. Therefore, the positive net profit margins indicate the company's ability to transfer its revenues into profits successfully, while also maintaining a good cost control, despite a change in the gains of its real estate sales.

In the last evaluation of the Federal Realty Investment Trust's evaluation of profitability, the earnings per share (EPS) in 2019 was $4.61. In 2018, the EPS was $3.18 and in 2017 it was $3.97. Therefore, given the fluctuation in the ratio, the demand for the company's real estate showed its decrease in the EPS in 2018. That being said, as a financial measure, the company's increase in the EPS in 2019 indicated an increase in profitability.

Overall, in assessing the profitability of the Federal Realty Investment Trust, the findings indicate that the company was relatively stable in its business operations and profitability, despite a decrease in the net gain of real estate sales that had an effect on net income. Therefore, with the exception of the net gain of real estate values, all account values remained consistent for the most part. As for what this entails for the future, may be questionable. This hesitancy derives not from the company's management practices, but rather the impact of the COVID-19 pandemic on commercial real estate. As many businesses are being struck with a financial crisis due to the economic downturn, it may affect their ability to pay their rent on commercial properties, the highest contributing factors to the company's revenues. In addition, commercial properties may struggle to be sold, as many corporations are allowing their employees to work at home.

While the remaining fourth quarter of FRT has yet to be announced, cumulative third-quarter financial statements have been published. The reported net income for the nine months ended in 2020 is $33.67 million, a significant decrease from 2019's third quarter net income of $211.58 million. Cumulative ROE is 1.29%, suggesting that there is a $0.01 profit generated from each dollar of shareholder's equity. In addition, cumulative ROA is 0.46%, suggesting also an almost nonexistent $0.00 profit generated from each dollar of assets. Gross profit percentage reveals that 65.5% of revenues are profits. This estimate is not far from the estimates for the past years of 2019, 2018, and 2017, hinting that the efficiency of the company's management remains similar despite having lower values of revenue and net income. On another note, net profit margin conveys that 5.47% of revenues were profits after accounting for expenses. Relative to previous years, this value is significantly lower with a nearly 86% decrease from the net profit margin of the previous year. Lastly, EPS was a reported $0.40, a nearly 91% decrease from the EPS reported in 2019. In conclusion, the findings suggest that clearly the profitability for 2020 has significantly decreased. However, again, these estimates are not a reflection of the company's management, but rather the economic environment the company is in during the COVID-19 pandemic.

Liquidity and Solvency

According to the quick ratio, Federal Realty Trust's liquidity decreased in 2018 compared to that of 2017 and 2019. If cash and cash equivalents, accounts and notes receivable, and net mortgage notes receivable are categorized as the most liquid assets, Federal Realty Trust's liquidity was substantially lower in 2018 than in both 2017 and 2019, while liquidity in 2019 was greater than that of 2017. Federal Realty Trust's most liquid assets totaled $310.433 million in 2019, $236.753 million in 2018, and $255.494 million in 2017. Although Federal Realty Trust's cash and cash equivalents increased each year beginning in 2017, accounts and notes receivable in 2017 were $67.640 million higher than that of 2018: Accounts and notes receivable totaled $142.237 million in 2018 and $209.877 million in 2017. This decrease in liquidity in 2018 is affirmed by the quick ratio; Federal Realty Trust's quick ratio was .884 in 2017, .864 in 2018, and .865 in 2019. This conveys that in 2017, Federal Realty Trust had 88.4 cents in cash and near-cash assets for every dollar in current liabilities. In 2019, FRT had 86.5 cents in cash and near cash assets for every dollar of current liabilities, which was .1 cents higher than in 2018.

According to the current ratio calculations for FRT, a measure of liquidity and solvency, FRT's current ratio in 2018 was higher than in 2017 and 2019 because current liabilities in 2018 were $84.876 million lower than in 2019 and $14.926 million lower than in 2017. Current assets in 2018 were larger relative to current liabilities than in 2019 and 2017 due to excess cash and underutilization of liabilities, which indicates that FRT was not efficiently utilizing its resources to maximize firm value and profitability. This conclusion is reaffirmed by the decrease of FRT's return on assets (ROA) in 2018 compared to 2017 and 2019; Federal Realty Trust's return on assets in 2019 was 5.51 and 5.09 in 2017, while return on assets in 2018 was only 3.96. In addition, FRT's substantial decrease in liabilities is exemplified by its debt-to-equity ratio, which was 1.52 in 2019 and 1.56 in 2017 but only 1.49 in 2018. In 2017, Federal Realty Trust had $1.56 of liabilities for every $1 of equity, while in 2018 FRT had $1.49 of liabilities for every $1 of equity.

The times interest earned ratio is another important measure of solvency. In 2017, FRT's times interest earned ratio was 3.97, which indicates that the firm generated income of $3.97 for each dollar of interest expense. In 2018, the firm's times interest earned ratio was 3.26, which indicates that the firm generated income of $3.26 for each dollar of interest expense. This suggests that FRT's financial position in 2018 was less secure than in 2017, as the firm did not have as much income as in 2017 to pay creditors and evade bankruptcy. Yet, FRT's times interest ratio increased in 2019 to 4.288, exemplifying that the firm had income of $4.288 for each dollar of interest expense. In 2019, therefore, FRT was likely more capable of paying creditors and remaining solvent than in both 2017 and 2018.

The current ratio and quick ratio results suggest that Federal Realty Trust rebounded from a less productive fiscal 2018 and strengthened both its liquidity and efficient utilization of liabilities in 2019, results that are reinforced by a substantial increase in ROA in 2019. Federal Realty Trust's increase in the times interest earned ratio indicates that the company also strengthened its solvency in fiscal 2019.

Section 2: SWOT Analysis

KIMCO Realty (Ticker: KIM)

Upon conducting a competitor analysis, one prominent competitor of FRT is Kimco Realty, another real estate investment trust company that invests in commercial real estate. In addition, their properties, which are operators of grocery-anchored shopping centers and mixed-used assets, are scattered throughout the country within top major metropolitan markets.

In measuring the profitability of Kimco Realty, it appears that the company is profitable, yet less so than FRT. Estimates for ROE and ROA in 2019 suggest a $0.09 profit generated from each dollar of average stockholder's equity and a $0.04 profit generated from each dollar of average total assets respectively. In comparison to previous years, from 2017 to 2018, ROE increased from 8.15% to 9.35%, and decreased to 8.5% in 2019. ROA in 2017 to 2018 increased from 4.73% to 4.53%, and decreased to 3.76% in 2019. These changes in the ROE and ROA estimates derived from changes in net income, at which the net income in 2017, 2018, and 2019 was $439.7 million, $498.5 million, and $413.6 million respectively. Two other ratios to take into account when assessing the company's profitability are gross profit percentage and net profit margin. In 2019, gross profit percentage revealed that 70.92% of revenues were profits, while net profit margin demonstrated that the company's net income generated was 35.59% of its net revenue. Last but not least, EPS in 2017, 2018, and 2019, demonstrated estimates of $0.80, $1.02, and $0.87 respectively. Overall, in terms or profitability, while Kimco Realty is profitable, its profitability has shown a significant decrease from 2018 to 2019. This may be a result of the change in net income over the years, in which net gain of real estate sales increased from $93.5 million in 2017, to $229.8 million in 2018, and decreased significantly to $79.2 million in 2019. This differs from FRT whose profitability trend was the opposite, where estimates for profitability were weakest in 2018 within a three year period.

In discussing the liquidity and solvency of the company, the current ratio and quick ratio will be useful to understand the ability of Kimco Realty to pay its obligations. In 2019, the current ratio for Kimco Realty was 1.66, indicating that Kimco Realty is able to pay its short term obligations. This estimate increased from 2018, where it was 1.62, but was still lower than the current ratio in 2017 at 1.90. Therefore, since 2017, Kimco Realty's ability to pay its obligations has weakened, with a slight improvement in 2019. A similar ratio indicates that Kimco Realty had a quick ratio of 1.16 in 2019. Likewise, the quick ratio in 2019 increased from 1.1 in the previous year in 2018, but was still lower than the quick ratio calculated in 2017. This indicates that the company is still able to pay its obligations without the need to sell its real estate or other non-current assets. Concerning solvency, the debt-to-equity ratio was estimated to be 1.24 in 2019, the highest it has been in comparison to the two previous years. Hence, for every dollar in stockholder's equity, Kimco Realty had $1.24 in leverage. FRT's debt-to-equity ratio is higher, especially relative to its competitors, which may indicate FRT to be a slightly riskier company to invest in on an industry basis.

To summarize, Kimco Realty was evaluated for two market value ratios, price/earnings and dividend yield ratio. Price/earnings was $24.94 in 2019, with an adjusted market close at the end of the year at $19.95 per share. In 2018, the price/earnings was $13.06 and $17.62. The significant increase in 2019's market share could have been attributed to expected high earnings from other competitors of the same industry, or the previous year's increase in earnings. The dividend yield ratio in 2019, 2018, and 2017 was 5.61%, 8.41%, and 7.11% respectively.

Realty Income (Ticker: O)

Realty Income is a REIT that is comparable to Federal Realty Investment Trust. Realty Income's properties are concentrated primarily in the south and midwest, with a significant number of properties in Texas, California, and Arizona as well. Realty Income's holdings are predominantly retail and industrial properties.

Realty Income's net income was $301.514 million in 2017, $363.61 in 2018 and $436.48 million in 2019, exemplifying steady growth. Realty Income had a return on equity (ROE) of 4.27% in 2017, 4.70% in 2018, and 4.89% in 2019, indicating that in 2019, the firm earned 4.89% on the owners' investment. In addition, return on assets (ROA) increased each year beginning with 2.22% in 2017, 2.48% in 2018, and 2.58% in 2019, indicating that the firm earned 2.58 cents for every dollar of assets on Realty Income's balance sheet in 2019. The firm's gross profit percentage increased from 94.29% in 2017 to 95% in 2018 but decreased to 94.06% in 2019. Realty Income's net profit margin increased from 24.80% in 2017 to 27.38% in 2018 and increased substantially to 29.26% in 2019. Thus, in fiscal 2019, every dollar of sales revenue created 29.26 cents of profit for Realty Income. Although Realty Income's gross profit decreased in 2019 relative to net revenue, its net income increased relative to net revenue, demonstrating strong financial health. Realty Income's earnings per share (EPS) rose from $1.06 in 2017 to $1.20 in 2018 and $1.31 in 2019, reaffirming growth in net income relative to the weighted number of shares outstanding. Realty Income's current ratio and quick ratio changed significantly between 2018 and 2019. While the firm's current ratio in 2017 was .958 and decreased to .93 in 2018, signifying that current assets may have not been ample to cover current liabilities in those years, the current ratio in 2019 increased substantially to 2.0, which does suggest that the firm's current assets can adequately cover liabilities. Realty Income's quick ratio was .74 in 2017 and .77 in 2018, but it jumped to 1.03 in 2019, which exemplifies that the firm had $1.03 in cash and near-cash assets for each $1.0 in current liabilities. The firm had a debt-to-equity ratio of .90 in 2017, .88 in 2018, and .895 in 2019; in 2019, for every $1.0 of shareholders' equity, Realty Income had 89.5 cents in liabilities. Realty Income's price/earnings (P/E) ratio increased each year from 47.52 in 2017 to 48.82 in 2018 and 54.17 in 2019. This demonstrates that in 2019, Realty Income's share price was 54 times higher than the firm's earnings per share. Realty Income's dividend yield was 4.85% in 2017, 4.29% in 2018, and 3.60% in 2019. Realty Income has a higher dividend yield than some comparable REITs because the firm specializes in dividend payouts that are large relative to its share price. Indeed, Realty Income's slogan is The Monthly Dividend Company™.

Pennsylvania Real Estate Investment Trust (Ticker: PEI)

Pennsylvania Real Estate Investment Trust is a company that focuses on building commercial real estate on the East Coast. They are headquartered in Philadelphia, Pennsylvania, and many of their properties are located in the same state. PEI became one of the first companies to go public as a REIT. PEI has dramatically different financial statements from the other three companies. One reason for this may be a significantly higher dividend yield than the others: PEI's dividend yield during 2017-2019 ranged from 9% to 18%, while the next highest comparable REIT's maximum dividend yield, Kimco Realty, was 8.41%.

Unfortunately, PEI's net income has consistently been negative since 2017, making many of its financial ratios negative as well. It ended fiscal 2017 with about -$10.872 million in net income, and then dramatically dropped to -$110.329 million in 2018, recovering to -$10.872 million by the end of fiscal 2019. Even with a negative net income, the company is profitable, with a gross profit percentage that hovered around 60% since 2017. PEI's stable net profit margin contrasts from its return on equity (ROE), return on assets (ROA), net profit margin, earnings per share (EPS), and price-earnings ratio (P/E). PEI's net profit margin fell from -7.98% in 2017 to -30.46% in 2018 and recovered to -3.23% by the end of 2019. The discrepancies between PEI's gross profit percentage and net profit margin indicate that the firm's cost of goods sold (COGS) moves directly with revenue.

Both PEI's return on equity (ROE) and return on assets (ROA) wavered from 2017 to 2019. Pennsylvania Real Estate Investment Trust's ROE and ROA decreased by a factor of four from 2017 to 2018, with ROE dropping from -4.16% to -25.03% and ROA dropping from -1.00% to -4.59%. Then, both values became less negative and returned to a tenth of their former values from 2018 to 2019. ROE jumped from -25.03% to -2.57% and ROA jumped from -4.59% to -0.46%. This correlation indicates that there is a relationship between the company's assets and stockholder's equity. This seems to be a pattern with other REITs as well.

As shown in table 4, Pennsylvania Real Estate Investment Trust's EPS jumped from -$0.89 in 2017 to -$0.51 in 2019, but decreased to -$1.62 in 2018, and the firm's price-earnings ratio jumped from -9.606 in 2017 to -9.4314 in 2019, jumping again to -2.8704 in 2018. Both ratios followed an overall positive trend but fluctuated suddenly in 2018. The REIT's EPS fluctuated downwards while the price-earnings ratio fluctuated upwards, showing that there could be an inverse relationship between their share prices and earnings.

Notably, Pennsylvania Real Estate Investment Trust's debt-to-equity ratio increased substantially each year, jumping by .999 from 2017 to 2018 and by 1.1 from 2018 to 2019. This is because Pennsylvania Real Estate Investment Trust's total liabilities grew from $1.827 billion in 2017 to $1.858 billion in 2018 and to $1.923 billion in 2019, which increased the numerator of the debt-to-equity ratio. In addition, total equity decreased rapidly between 2017 and 2019. Total equity was $760.99 million in 2017 and decreased to $546.55 in 2018 and again to $427.425 in 2019, which made the denominator of the debt-to-equity ratio much smaller. The combined effect increases the D/E ratio considerably each year and indicates that for every dollar of equity, Pennsylvania Real Estate Investment Trust's amount of liabilities increased each year.

Comparison Using All Companies

Compared to Federal Realty Trust's (FRT) net income for 2017, 2018, and 2019, Kimco Realty and Realty Income's net income were substantially higher each year, while Pennsylvania Real Estate Investment Trust had a net loss each year. However, FRT's return on equity (ROE) was at least 0.9% higher than that of Kimco Realty, Realty Income, and Pennsylvania Real Estate Investment Trust between 2017 and 2019, as illustrated in Figure 1. FRT's return on assets (ROA) also outperformed that of the other competitors with the exception of Kimco Realty in 2018; in 2018, FRT had an ROA of 3.96% while Kimco Realty had a ROA of 4.53%.

FRT had an estimated 68.1% gross profit percentage in 2019. Its historical values remained relatively stable with a gross profit percentage of 68.6% in 2018 and 68.2% in 2017. Relative to the competitors presented in this analysis, all companies also seemed to portray stable patterns of the gross profit percentage estimate. One outlier in particular of the average gross profit percentages was Realty Income, with a 94.1% estimation in 2019. Thus, FRT's values portray that its gross profit percentage is within the average range amongst our sample of commercial real estate corporations in this paper.

As stated previously, FRT reported a net profit margin of 38.53% in 2019. Figure 3 illustrates the historical trend of this estimation, such that the net profit margin decreased from 34.74% in 2017 to 27.20% in 2018. With the exception of Pennsylvania Realty Investment Trust, FRT's decrease in net profit margin in 2018 contrasted to the patterns of the estimates calculated for Kimco Realty and Realty Income, which showed increases. However, except for Realty Income, all changes in the net profit margin in 2018 were drastic from 2017. For example, Kimco Realty increased from 36.61% in 2017 to 42.80% in 2018, a 16.88% increase. In a farther, dramatic change, Pennsylvania Realty Investment Trust showed a 281% decrease in 2018, from an already negative net profit margin. Nonetheless, if it is assumed that Pennsylvania Realty Investment Trust is an outlier in our competitor analysis, FRT stayed within the average range for their performance within the commercial real estate industry.

FRT's earnings per share (EPS) was considerably higher than that of Kimco Realty, Realty Income, and Pennsylvania Real Estate Investment Trust during 2017 and 2019. In 2017, FRT's EPS was $3.97 compared to Kimco Realty's $0.87, Realty Income's $1.06, and Pennsylvania Real Estate Investment Trust's EPS of -$0.89. Federal Realty Investment Trust's EPS in 2018 was $3.18 compared to Kimco Realty's $1.02, Realty Income's $1.20, and Pennsylvania Real Estate Investment Trust's -$1.62. In 2019, FRT's EPS was $4.61 compared to Kimco Realty's $0.80, Realty Income's $1.31, and Pennsylvania Real Estate Investment Trust's EPS of -$0.51. Thus, during 2017-2019, FRT had a higher return on investment for shareholders than did the other companies included in this comparison.

For fiscal 2017, 2018, and 2019, FRT had a debt-to-equity ratio that was substantially higher than that of Kimco Realty and Realty Income, but lower than that of Pennsylvania Real Estate Investment Trust. In 2017, FRT's debt-to-equity ratio was 1.565, compared to Kimco Realty's 1.015, Realty Income's 0.904, and Pennsylvania Real Estate Investment Trust's 2.401. FRT's debt-to-equity ratio in 2018 was 1.49 compared to Kimco Realty's 1.04, Realty Income's .88, and Pennsylvania Real Estate Investment Trust's 3.40. In 2019, FRT's debt-to-equity ratio was 1.52 compared to Kimco Realty's 1.24, Realty Income's .895, and Pennsylvania Real Estate Investment Trust's 4.50.

FRT's price-to-earnings (P/E) ratio for 2017, 2018, and 2019 was higher than that of Kimco Realty and Pennsylvania Real Estate Investment Trust but lower than that of Realty Income. In 2017, FRT's P/E ratio was 30.277, which was higher than Kimco Realty's 17.62 and Pennsylvania Real Estate Investment Trust's -9.606, but lower than Realty Income's P/E of 47.52. FRT's P/E in 2018 was 34.735, which was higher than Kimco Realty's 13.06 and Pennsylvania Real Estate Investment Trust's -2.87, but was lower than Realty Income's P/E of 48.82. In 2019, FRT's P/E ratio was 26.958, which was higher than Kimco Realty's 24.94 and Pennsylvania Real Estate Investment Trust's -9.43 and lower than Realty Income's 54.17. According to the P/E ratio, investors are more optimistic about the value of FRT's future cash flows than they are about those of Kimco Realty and Pennsylvania Real Estate Investment Trust especially, but investors are less optimistic about FRT's future cash flows than they are about Realty Income's future cash flows, as Realty Income has a much higher P/E ratio in each year.

FRT's dividend yield ratio was lower than that of Kimco Realty, Realty Income, and Pennsylvania Real Estate Investment Trust. This is primarily because of FRT's high share price (using the adjusted close price) relative to the dividends paid each year to shareholders. In 2017, FRT's dividend yield was 3.29%, which was lower than Kimco Realty's 7.11%, Realty Income's

4.85%, and Pennsylvania Real Estate Investment Trust's 9.82%. FRT's dividend yield in 2018 was 3.64%, which was lower than Kimco Realty's 8.41%, Realty Income's 4.29%, and Pennsylvania Real Estate Investment Trust's 18.06%. In 2019, FRT's dividend yield in 2019 was 3.31%, which was lower than Kimco Realty's 5.61%, Realty Income's 3.60%, and Pennsylvania Real Estate Investment Trust's dividend yield of 17.46%. FRT's share price relative to the dividends paid each year was substantially higher than that of the other companies included in the comparison, demonstrating that FRT has been more profitable in capital gains than it has been in dividends for the 2017-2019 period.

FRT's current ratio started at around 1.7 in 2017, then increased to 1.8 in 2018, and decreased to 1.5 in 2019. While Kimco Realty's dropped from 1.9 to 1.6 from 2018 to 2019, Realty Income's jumped from 0.96 to 0.93 to 2.0 from 2017 to 2019, and Pennsylvania Real Estate Investment Trust's jumped from 0.25 to 0.32 to 0.15 from 2017 to 2019. Each company's current ratio decreased in the long run, but had a sudden increase in 2018. Overall, FRT had a higher current ratio than Realty Income and Pennsylvania Real Estate Investment Trust, but a lower current ratio than Kimco Realty.

FRT's quick ratio started at around 0.884 in 2017, then decreased to 0.864 in 2018, and increased to 0.865 in 2017. While Kimco Realty dropped from 1.4 to 1.1 from 2018 to 2019, Realty Income's went from 0.74 to 0.77 to 1.04 from 2017 to 2019, and Pennsylvania Real Estate Investment Trust's went from 0.25 to 0.23 to 0.12 from 2017 to 2019. FRT's quick ratio doesn't follow any ascending or descending pattern, like the other companies' quick ratios do, but their ratio stayed pretty consistent over the three years and didn't drop or increase dramatically. Generally, Kimco's quick ratio was the highest, then FRT's and Realty Income's, and the lowest was Pennsylvania Real Estate Investment Trust's.

Section 3: Notes to Consolidated Financial Statements

FRT categorizes leases with tenants as operating leases. If management deems the collection of all operating lease payments of a specific lease probable in a given timeframe, the operating lease uses accrual basis accounting. If collection of all operating lease payments of a specific lease is not probable, then total lease revenue recorded is the lower of the revenue recognized using accrual basis or cash basis accounting.

Depreciation for buildings and major improvements is recorded using straight-line depreciation, and the useful life range usually ranges from 35 to 50 years. Minor improvements, furniture, and equipment are capitalized and depreciated with useful lives of 2 to 20 years.

Real estate sales are recognized upon the transfer of control of the property. External fees related to brokers, taxes, accounting services and other services are included in a property's acquisition cost.

Since FRT distributes at least 90% of its taxable income to shareholders and meets other conditions related to taxable income, FRT is classified as a REIT and is not taxed on income distributed to shareholders. Thus, FRT has historically designated federal and state income taxes as immaterial and expects to continue to do so.

Section 4: Corporate Governance

Board of Trustees

FRT has three committees dedicated to assisting the Board of Trustees with creating and enforcing corporate governance measures. The first, the "Nominating and Corporate Governance Committee of Federal Realty Investment Trust," consults the Board of Trustees of the Trust with recommendations for individual board members, board selection policies and composition, and corporate governance policies. The second, the "Compensation Committee of Federal Realty Investment Trust," determines the compensation of Trust officers, the composition of compensation plans, and the selection of compensation-based awards offered to qualifying employees. The third, the "Audit Committee of Federal Realty Investment Trust," verifies the accuracy of FRT's financial statements, firm compliance with federal and state regulations and laws, the independence of FRT auditors, and the efficacy of internal controls on FRT management.

Insider Trading

In the Code of Business Conduct, FRT lays out specific rules regarding insider trading, providing gifts and entertainment to customers or potential business partners, and other behavior-related issues that could threaten the Trust's reputation or financial position.

FRT's Code of Ethics for Senior Financial Officers informs FRT management of best-practices in ethics, honesty, and compliance with accounting standards and federal and state laws and regulations. FRT also has a Recoupment Policy that allows the Trust to retrieve compensation awards from officers that were issued erroneously.

Sarbanes-Oxley Act

In compliance with the Sarbanes-Oxley Act, FRT provides employees with mechanisms to report questionable accounting policies or practices within the Trust. FRT does not incentivize employees to file complaints or concerns regarding financial statements, but the firm has made it easy to do so if such action is necessary. FRT implemented a system in which employees can report malpractice to the Audit Committee in writing, through a telephone hotline, or using the firm website. In addition, FRT protects whistleblowing employees from colleagues' retaliatory actions.

Sustainability: Environmental, Social and Governance Policy

On behalf of the corporate governance put in place by the Board of Trustees at FRT, the company has set sustainability standards to meet with its own values and ethics in conducting business. That being said, the company has aimed to embed sustainability within their day-to-day business activities such as investing in innovative energy technologies to take part in the corporation's social responsibility. FRT has been transparent since 2017 in their ESG practices by reporting to shareholders its performance and benchmarking of sustainability to gain insight across their portfolio. Moreover, they seek opportunities to efficiently reduce expenses and ESG improvements such as: energy efficiency, water use, renewable energy, waste management, green leasing, and electric transportation to name a few. FRT has invested $1.4 billion in LEED-certifications of their own proportions and currently has 60% of its properties utilizing LED lighting technology. Overall, FRT's commitment to ESG has created green operational and development standards for the company to seek innovative solutions towards sustainable practices.

Investment Decision

Before we make an investment decision, we must first make a few assumptions. The first assumption is that we do not own any stocks of any REITs included in this analysis. The second assumption is that we are standing at the end of fiscal 2019 when we make our decision. The third assumption is that we are a large investment company, so we will be able and willing to take more risks in our stock selection. At the end of each analysis, however, we may add details relating to how COVID-19 may have impacted the REIT's profitability.

Buy: FRT

Before 2020, FRT appeared to be stable in terms of its stock price and its steady growing net income. There was a slight setback in 2018, but that seems to be consistent with the rest of the REIT industry. There was a reflection of this setback in 2018 in FRT's stock prices, but FRT's stock began increasing again in 2019. We would be buying this stock on an upwards trajectory, so we see a lot of potential for being able to sell it at a higher price as it grows.

Hold: PEI

Our decision for Pennsylvania Real Estate Investment Trust is to hold. Investors who already own PEI should not sell their shares, but investors who do not own PEI should not invest. Pennsylvania Real Estate Investment Trust's net income has a slight upward trajectory, so there might be room for growth in the coming years, but the firm's net losses are worrying and make the prospect of future capital gains quite risky. The company also seems to have a lot of debt, which would affect its ability to grow.

Hold: KIM

In our decision for Kimco Realty , the estimations found in the analysis lead us to conclude that investors should not buy Kimco Realty, and instead wait for stock market prices to decrease. Considering that net income decreased in 2019 from $498.5 million to $413.6 million, this may lead to some current shareholders to sell their stocks for lower prices. In case that opportunity arises, we should buy Kimco Realty stocks to take advantage of a company that is operationally stable, with some fluctuation for net gain of real estate sales. Although there is a decreasing dividend-yield and some risk involved, revenues were relatively consistent. This is relevant as revenues also make up the majority of profits. In considering the properties Kimco Realty invests in, they tend to favor plaza-like, open spaces, as opposed to shopping malls. Taking the COVID-19 pandemic into account, this may be advantageous; given social distancing protocols and ventilation procedures, businesses who operate in these open-spaces may not be as affected by the pandemic.

Hold: O

Our decision for Realty Income is to hold. Realty Income's return on assets (ROA) and return on equity (ROE) were generally lower than Kimco Realty and FRT's return on assets and return on equity. Realty Income also had a lower net profit margin than both FRT and Kimco between 2017-2019. In addition, Realty Income's price-earnings ratio was significantly higher than the other firms' P/E ratios between 2017-2019. This demonstrates that Realty Income's share price relative to its earnings per share is much higher than that of Kimco Realty and FRT, suggesting that Realty Income's share price may be overinflated and is not a worthwhile investment. In addition, if the COVID-19 pandemic is taken into consideration, the majority of Realty Income's retail and entertainment properties, such as movie theaters and stores, have been quite affected by quarantines and lockdowns. Since the majority of Realty Income's properties are in the midwest and south, two regions that have been especially hard-hit by COVID-19, this firm's portfolio may be disadvantaged compared to those of comparable REITs.

Data Section

Table 1: Financial Ratios for Federal Realty Investment Trust[1]

Federal Realty Investment Trust			
Year	**2019**	**2018**	**2017**
Net Income	$360,542	$249,026	$297,870
Return on Equity (ROE)	14.12931%	10.25042%	13.33543%
Return on assets (ROA)	5.51092%	3.96%	5.09%
Gross profit percentage	68.074%	68.554%	68.189%
Net profit margin	38.53%	27.20%	34.74%
Earnings per share (EPS)	$4.61	$3.18	$3.97
Current Ratio	1.498	1.834	1.707
Quick Ratio	0.865	0.864	0.884
Times Interest Earned Ratio	4.29	3.26	3.97
Debt-to-equity ratio	1.5246	1.4940	1.5652
Price/Earnings Ratio	26.9588	34.7358	30.2771
Dividend Yield Ratio	3.31%	3.64%	3.29%

[1]Net Income is in thousands

Table 2: Financial Ratios for Kimco Realty[2]

Kimco Realty			
Year	**2019**	**2018**	**2017**
Net Income	413,561	498,463	439,671
Return on equity (ROE)	8.50%	9.35%	8.15%
Return on assets (ROA)	3.76%	4.53%	3.74%
Gross profit percentage	70.92%	71.79%	74.09%
Net profit margin	35.6861%	42.7953%	36.6138%
Earnings per share (EPS)	$0.80	$1.02	$0.87
Current Ratio	1.6634	1.6207	1.8989
Quick Ratio	1.1562	1.1089	1.4047
Debt-to-equity ratio	1.2438	1.0432	1.0157
Price/Earnings Ratio	24.94	13.06	17.62
Dividend Yield Ratio	5.61%	8.41%	7.11%

[2] Net Income is in thousands

Table 3: Financial Ratios for Realty Income[3]

Realty Income			
Year	**2019**	**2018**	**2017**
Net Income	436,482	363,614	301,514
Return on equity (ROE)	4.89%	4.70%	4.27%
Return on assets (ROA)	2.58%	2.48%	2.22%
Gross profit percentage	94.06%	95.00%	94.29%
Net profit margin	29.26%	27.38%	24.80%
Earnings per share (EPS)	\$1.31	\$1.20	\$1.06
Current Ratio	2.0030	0.9327	0.9589
Quick Ratio	1.0377	0.7709	0.7423
Debt-to-equity ratio	0.8953	0.8826	0.9045
Price/Earnings Ratio	54.17	48.82	47.52
Dividend Yield Ratio	3.60%	4.29%	4.85%

[3] Net Income is in thousands

Table 4: Financial Ratios for Pennsylvania Real Estate Investment Trust[4]

Pennsylvania Real Estate Investment Trust			
Year	**2019**	**2018**	**2017**
Net Income	-10,872	-110,329	-25,953
Return on equity (ROE)	-2.57%	-25.03%	-4.16%
Return on assets (ROA)	-0.46%	-4.59%	-1.00%
Gross profit percentage	59.45%	61.03%	61.82%
Net profit margin	-3.23%	-30.46%	-7.98%
Earnings per share (EPS)	-$0.51	-$1.62	-$0.89
Current Ratio	0.1470	0.3240	0.2520
Quick Ratio	0.1190	0.2330	0.2520
Debt-to-equity ratio	4.5010	3.4000	2.4018
Price/Earnings Ratio	-9.4314	-2.8704	-9.6067
Dividend Yield Ratio	17.46%	18.06%	9.82%

[4] Net Income is in thousands

Figure 1: ROE

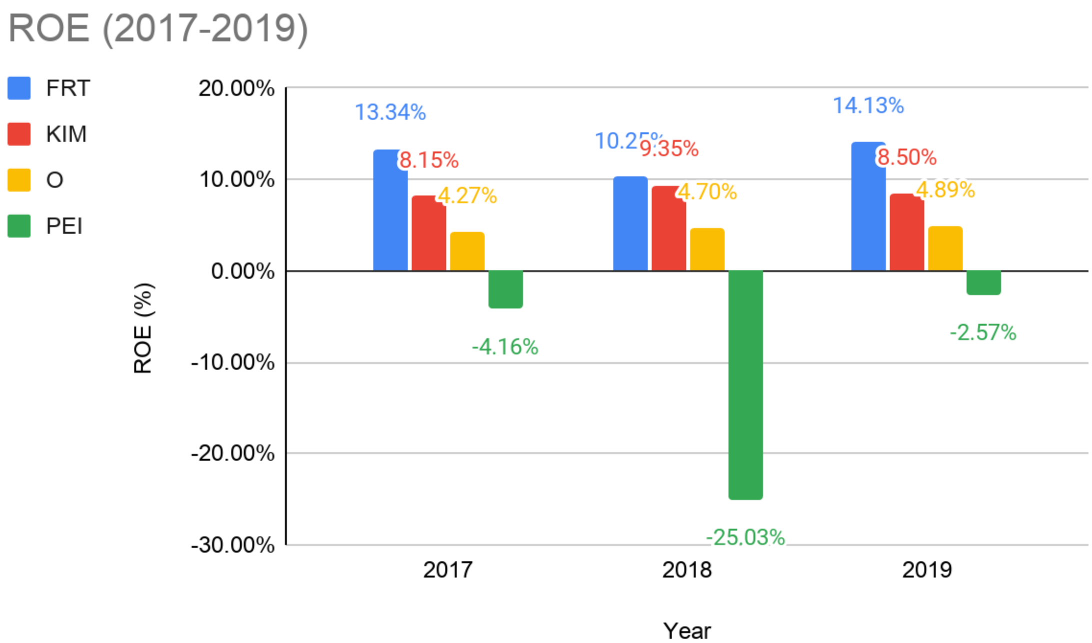


Figure 2: Net Profit Margin

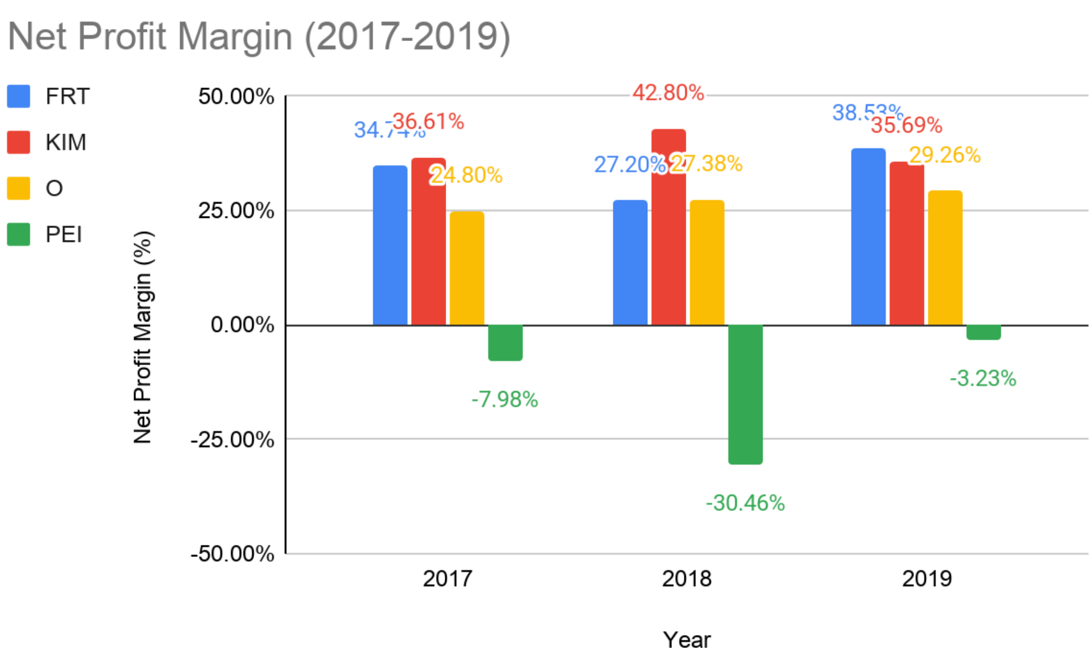


Figure 3: Debt-to-Equity Ratio

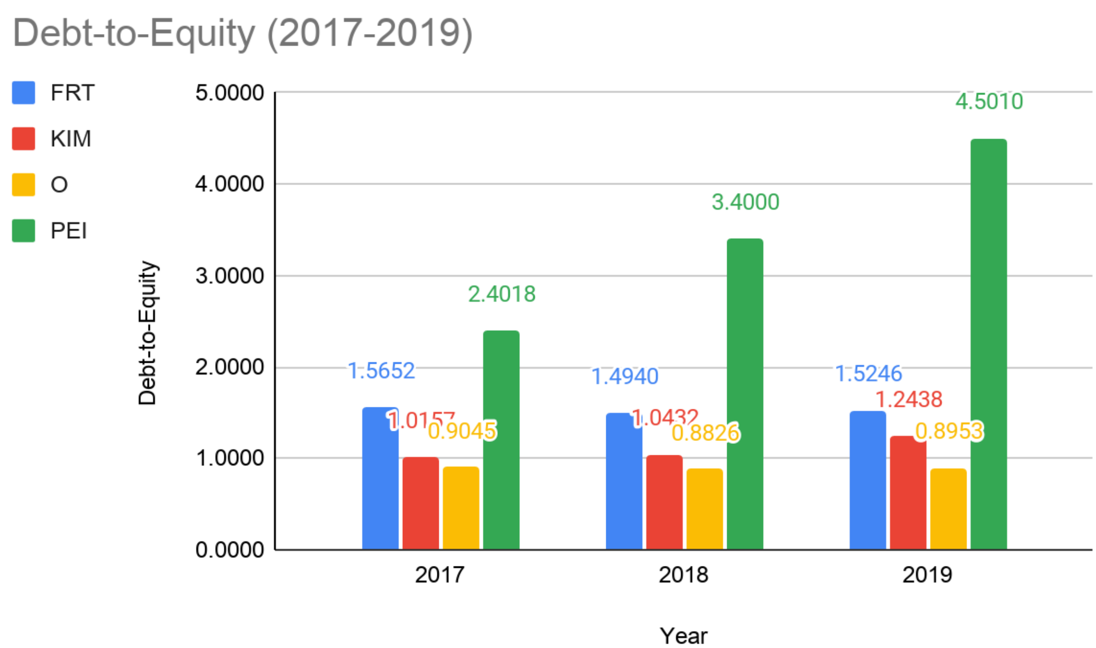


Figure 4: Current Ratio

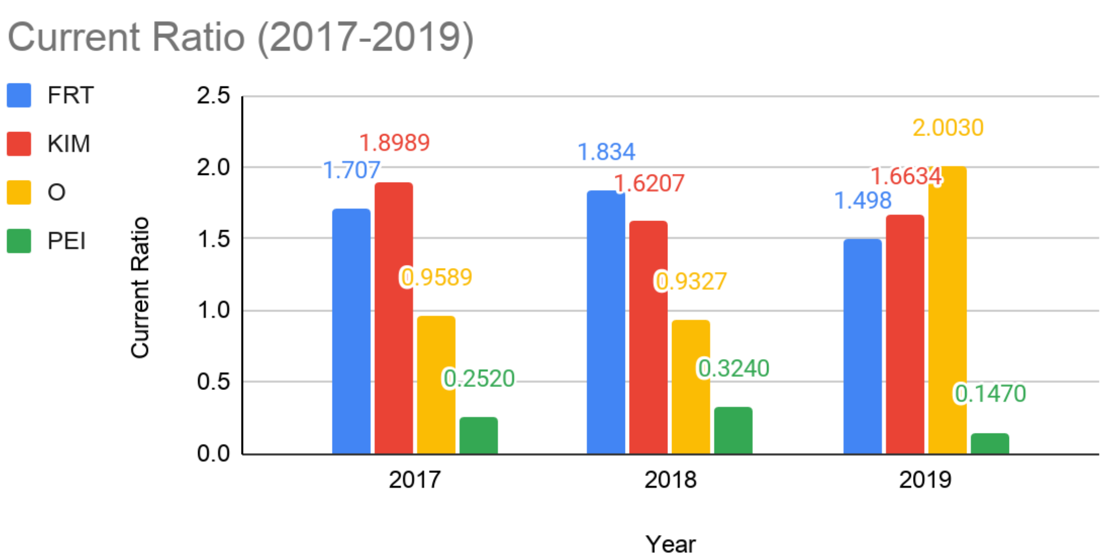
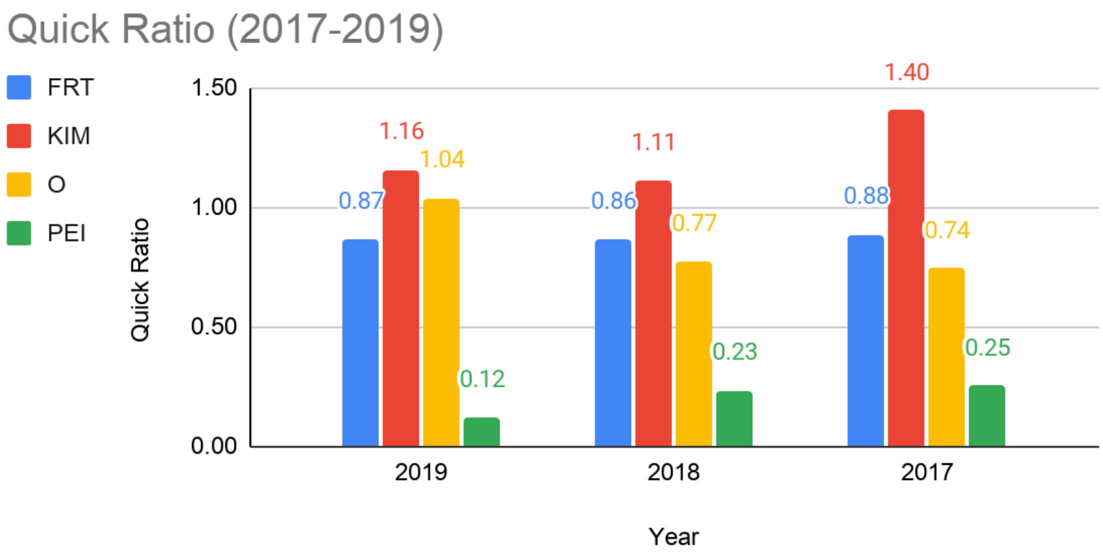


Figure 5: Quick Ratio



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