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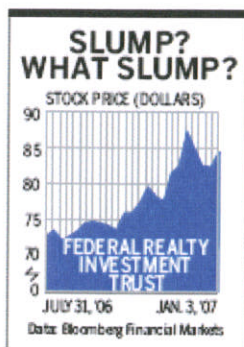
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JANUARY 15, 2007

INSIDE WALL STREET

Raising The Roof At Federal Realty



Although Federal Realty Investment Trust ([FRT](#)) beat third-quarter forecasts in November, the Street reined in its enthusiasm for the stock, then trading at 76, because of worries over the housing slump. The stock has since climbed to 84.34. FRT develops, manages, and owns high-quality condos and shopping centers on the East and West Coasts. When FRT was featured in this column on Dec. 5, 2005, it was at 65. Steve Sakwa of Merrill Lynch ([MER](#)), which has done banking for FRT, recently upgraded his rating from "neutral" to "buy" after a review of FRT's seven potential redevelopment projects. In a report, he figured FRT could generate \$367 million, or \$6.74 a share, of additional value in 5 to 10 years as properties are redeveloped. He sees FRT earning \$3.26 a share in 2006, \$3.62 in 2007, and \$3.87 in 2008. Jeffrey Donnelly of Wachovia Capital Markets (it has done business with FRT) maintains his "outperform" opinion on FRT. Recent buyouts in real estate, he notes, have "cast a brighter light on the disparity between public and private market valuation for assets." FRT's shopping centers are in densely populated markets with high household incomes. Better yet, occupancy rates are high at its holdings, and rents are rising.

Note: Unless otherwise noted, neither the sources cited in Inside Wall Street nor their firms hold positions in the stocks under discussion. Similarly, they have no investment banking or other financial relationships with them.

By Gene G. Marcial

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