

1960

We were here forty years ago.

1999

Pennsylvania Real Estate Investment Trust

Annual Report



Look where we





are today.



Pennsylvania Real Estate Investment Trust, founded in 1960, is a self-administered real estate investment trust which owns, develops, and operates shopping centers and apartment communities principally in the eastern United States. The company owns a diversified portfolio of interests in 46 properties with 8.3 million square feet of retail space and 7,242 apartment units. In addition, there are 6 retail properties under development, consisting of approximately 3.1 million square feet. The company's operations are fully integrated, encompassing acquisition of existing properties, development of new properties, and management, leasing and development services.

Financial Highlights

(Thousands of dollars except per share results)

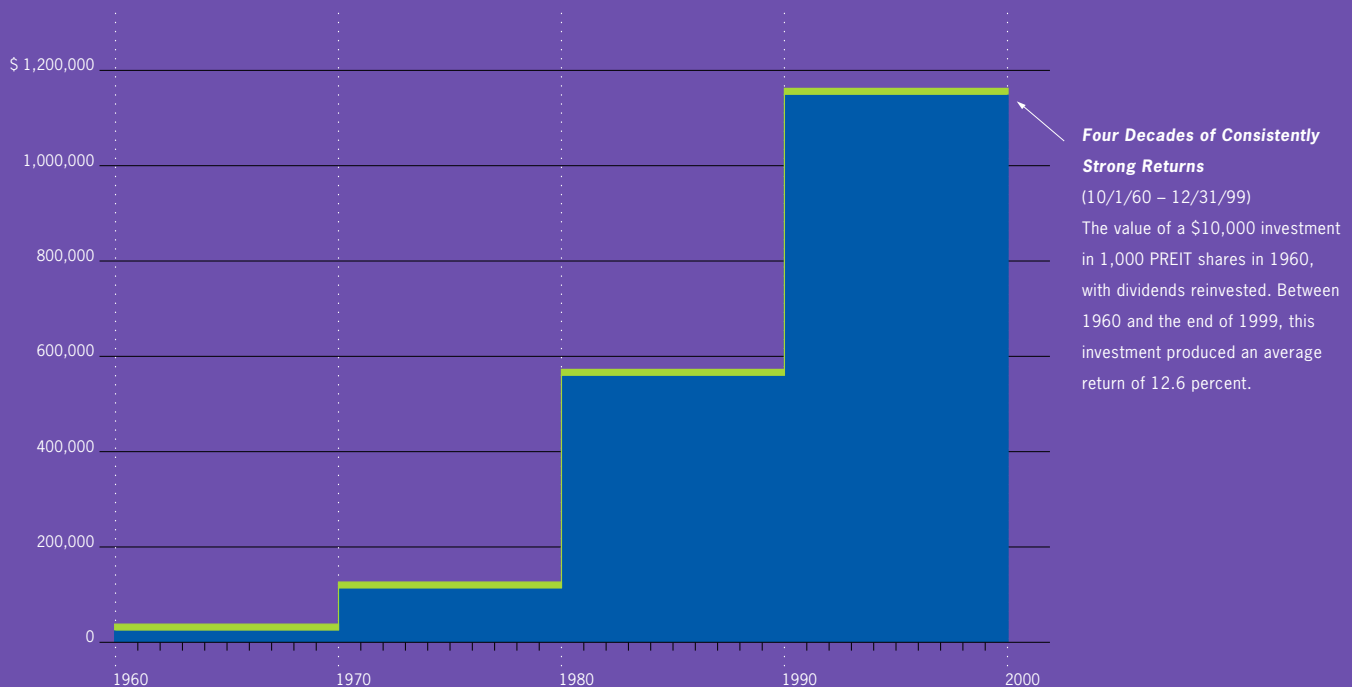
	Years Ended December 31		Years Ended August 31		
	1999	1998	1997	1996	1995
Funds from Operations	\$ 38,911	\$ 34,576	\$ 19,660	\$ 18,628	\$ 18,963
Gross Revenues from Real Estate	89,220	61,745	40,231	38,985	36,978
Investment in Real Estate at Cost	577,521	509,406	202,443	198,542	195,929
Distributions Paid to Shareholders/Unitholders	27,562	26,485	16,316	16,310	16,302
Distributions Paid per Share	1.88	1.88	1.88	1.88	1.88
EBITDA	71,870	55,509	35,571	35,091	34,597

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On the previous pages, top left and clockwise: The Disney Store, Magnolia Mall, Florence, SC; Cobblestone Apartments, Pompano Beach, FL; The Home Depot, Northeast Tower Center, Philadelphia, PA; Sears, Willow Grove Park, Willow Grove, PA; Target Stores, Springfield Park, Springfield, PA; The Woods Apartments, Ambler, PA; Old Navy, North Dartmouth Mall, Dartmouth, MA; Boca Palms Apartments, Boca Raton, FL.

For **40** years, PREIT has been in the business of building value for our investors. Across **92** consecutive periods, PREIT has paid out a substantial dividend — never reduced, never omitted. We have sustained this consistent track record of profitability through our creativity, discipline, entrepreneurship, diverse strengths and a relentless focus on increasing the value of our investments. And we are just getting started.



Ronald Rubin



Ronald Rubin
Chief Executive Officer

We Are Just Getting Started

To Our Shareholders:

This year was another strong one for our business, with solid performance, consistent dividends and new initiatives. It was, however, a disappointing year for share prices across the REIT industry, as our excellent performance was met with indifference from the market. Given this environment, while we continue to develop our underlying business, we are actively implementing new financial and competitive strategies to address changing market conditions. These include new strategic partnerships to leverage our resources and a tighter focus for our real estate portfolio.

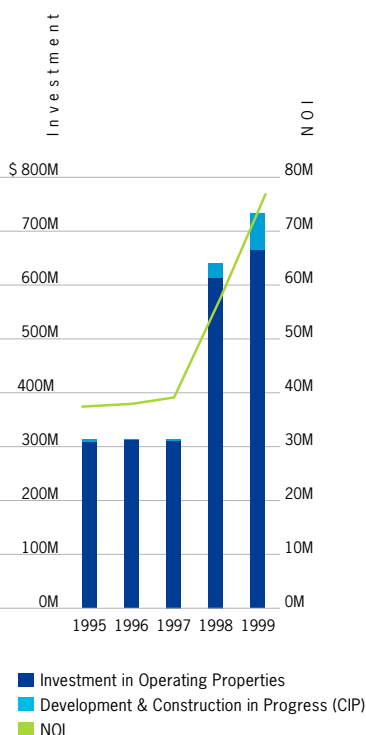
Over four decades as a public company, we have proven our ability to prosper across many ups and downs of both real estate and financial markets. This year was no exception. In 1999, funds from operations (FFO) increased by 8.2 percent to \$2.65 per share, and net operating income rose by 33.8 percent to \$76.8 million. We launched two major retail projects — Paxton Towne Centre in Harrisburg, Pennsylvania, and Metroplex Shopping Center in Plymouth Meeting, Pennsylvania — which will come on line in the third quarter of 2000. Using strong relationships with retailers, more than 75 percent of the space in these new centers was pre-leased before construction started — just one way our long industry experience contributes to our successful track record in development.

Projects such as Paxton and Metroplex are strategic investments in the future. They are well leased, well designed and well located. These two projects are building long-term value for shareholders. While their impact doesn't show up on the income statement today, they are expected to make significant contributions to revenues beginning in 2001.

Leveraging Resources and Expertise

This year, we developed a strategic partnership to leverage our resources and relationships. The acquisition of Willow Grove Park mall in Willow Grove, Pennsylvania will be financed through a partnership with a major pension fund, the Pennsylvania State Employees Retirement System. This transaction is our first significant joint venture with a major institutional investor. It conserves resources in the short-term, while allowing us to exercise our management and development expertise. We are exploring similar partnerships to deploy our funds strategically and create the highest value for our shareholders.

At the same time, we made progress in sharpening our strategic focus through the disposition of non-core properties and the acquisition of partners' interests in several projects. By gaining full control of several multifamily properties, we were able to produce significant increases in both occupancy and rents. In addition, the sale of undeveloped land and other tangential assets added nearly \$7 million to our cash resources. This year, we also retained Eastdil Realty to sell the majority of our supermarket and drugstore strip





Jonathan B. Weller
President and Chief Operating Officer

center portfolio — six properties with 870,000 square feet of GLA. This move is expected to generate additional capital for our core businesses, while allowing us to concentrate on our strengths in retail power centers, malls and multifamily.

We continue to exercise financial and operational discipline to increase the power of our investments, boost revenues and cut costs. Our arrangement of \$108 million in long-term financing in April locked in a favorable rate of 6.77 percent, protecting us against interest rate increases. We also are generating new sources of ancillary and sponsorship revenues from our existing properties.

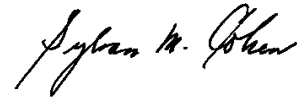
An Age of Rapid Change

The future promises to hold even more changes for our company and our industry. Although it represents only a small percentage of the retail market, we saw the rapid emergence of electronic commerce in 1999. We believe that e-commerce will have an impact on how retail purchases are fulfilled, but not in ways that undermine the value and experience of our real estate business. Apparel and high-end retailing, which are at the core of regional malls, are expected to remain strong in this new retailing era. The performance of multifamily properties also should be unaffected.

Just as newspapers thrived after the advent of radio and the motion picture industry grew even more rapidly after the introduction of television, we expect physical and virtual retailing to complement one another. Successful direct marketing companies such as Gateway are developing their own retail outlets as a 3-D billboard for their direct sales, and top retailers such as The Gap are finding the Web is a great tool for increasing store visits and building a store's image. This complementary relationship between "clicks and bricks" retailing was reflected in the excellent sales across all our retail properties during the 1999 holiday season — while Web-based businesses also enjoyed rapid growth.



Sylvan M. Cohen
Chairman



Finally, like our tenants, we are finding ways to use the Internet to support our own business. We are rolling out Web sites for all our malls and power centers to support the marketing of our retailers and strengthen connections with customers. As new technologies emerge, we are committed to using them to build value for our business.

Looking Forward

We already have seen many changes in the course of our first four decades — the rapid growth of suburban populations and the rise of baby boomers, Generation X and echo boomers. Just as we have met these challenges, we will find opportunities in the shifts ahead — creative ways to use our strengths in the development, acquisition and management of retail and multifamily properties to produce strong and consistent returns for our shareholders.

Although we were among the first REITs, we continue to take an entrepreneurial approach to our business. We are developing innovative strategies for changing markets and have many new projects in the pipeline. In selecting our portfolio of properties, we look for dynamic investments where we can develop, renovate and add value.

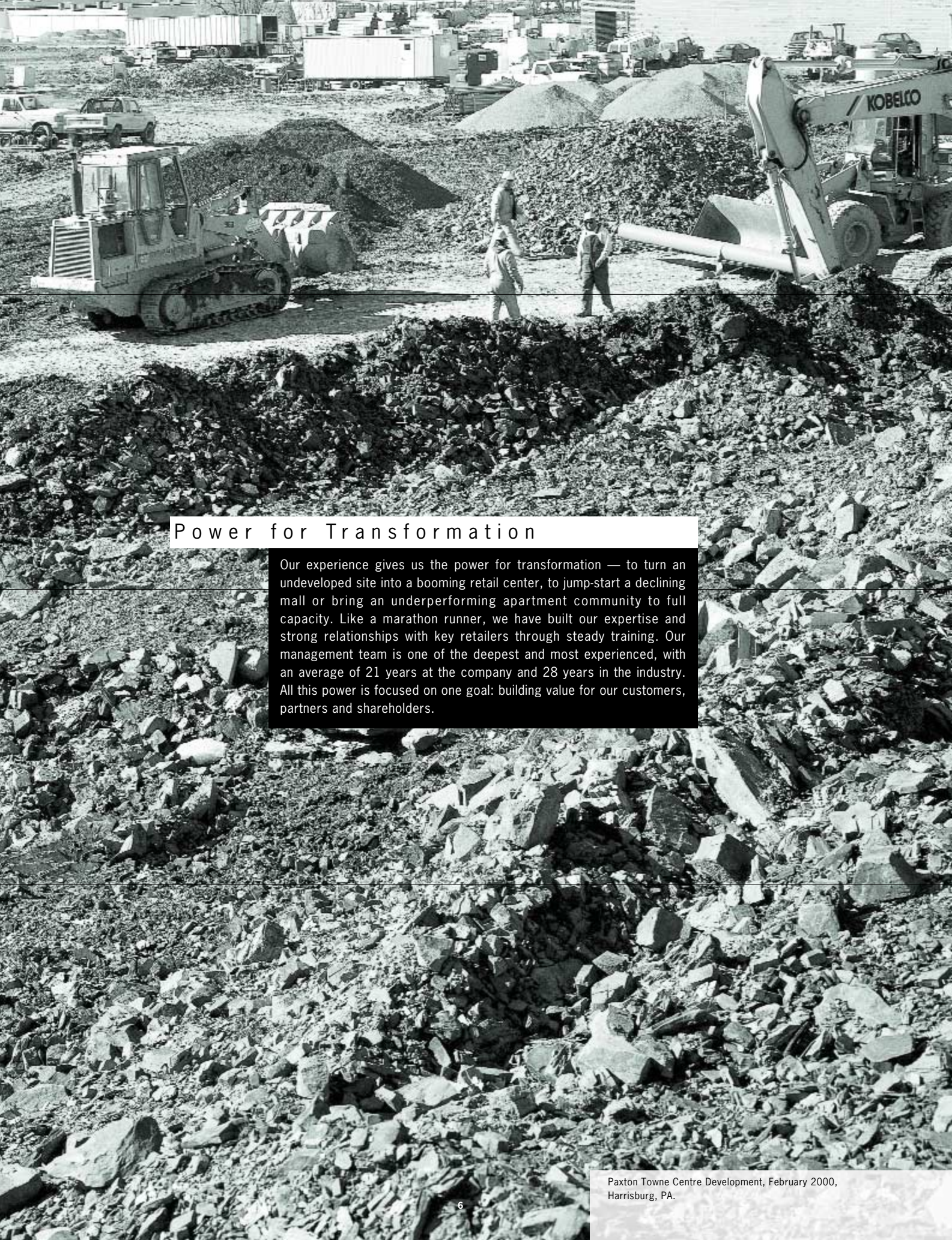
It has been a wonderful first four decades. Thank you for your commitment to PREIT. We look forward to even greater returns in the decades ahead. In many ways, we are just getting started.

Ronald Rubin
Chief Executive Officer

Jonathan B. Weller
President and Chief Operating Officer

Sylvan M. Cohen
Chairman

March 15, 2000



Power for Transformation

Our experience gives us the power for transformation — to turn an undeveloped site into a booming retail center, to jump-start a declining mall or bring an underperforming apartment community to full capacity. Like a marathon runner, we have built our expertise and strong relationships with key retailers through steady training. Our management team is one of the deepest and most experienced, with an average of 21 years at the company and 28 years in the industry. All this power is focused on one goal: building value for our customers, partners and shareholders.



strawbridge's



HECHT'S

VICTORIA'S SECRET 



macy's



KOHL'S



In the Catbird Seat

After developing and managing Willow Grove Park mall for nearly two decades, we have an excellent view of its strong current performance and untapped potential in a very attractive retail market. In 1999, we initiated plans for a \$140 million acquisition of the mall — originally developed by The Rubin Organization. To increase the value of this asset, we developed a renovation plan — which includes the addition of a fourth anchor, Macy's — and signed other high-profile retailers. Finally, we partnered with a major pension fund, The Pennsylvania State Employees Retirement System, to make the acquisition. This relationship conserves our resources during construction while utilizing our full management talents.



Three level view of Willow Grove Park Fountain Court.

Building for the Future

“ Our mall management and development expertise allows us to recognize opportunities to create value. Through a partnership with a major pension fund, we are gaining control of a high-value property in a way that uses our financial resources strategically.”

– George F. Rubin
President, PREIT-RUBIN, Inc.

Polishing a Retailing Gem

North Dartmouth Mall in Dartmouth, Massachusetts, was a diamond in the rough when we acquired it in 1997. By changing the tenant mix to meet customer needs, with the addition of tenants like Old Navy, The Gap and American Eagle, we transformed this underperformer into a star. Occupancy has improved to 87 percent and sales rose 28 percent in 1999 to \$343 per square foot. Net operating income has increased 37 percent since 1997 to \$4.8 million. Now that its potential has been proven, we announced plans in November to invest \$8 million in renovations to build on this success. These renovations, beginning in 2000, will allow us to attract new tenants and draw more customers from this high-potential market.



The brand new GAP store at North Dartmouth Mall.

Using Creativity To Pack the House

"At the end of 1999, we recorded the best year in the history of North Dartmouth Mall, with strong increases in sales and NOI. Retailers have done very well here, occupancy has gone up and rents are rising. We are seeing real results."

— Joseph F. Coradino
Executive Vice President, Retail Division



While many REITs specialize only in one product line, we specialize in two —

multifamily



and retail.

Our diverse management strengths and geographic reach give us the flexibility to succeed through many different cycles of the market. Like cross-training, this strategy ensures that we have the broad capabilities and resiliency to perform consistently well, and to build value for our investors, no matter what the future holds.

Mastering Multifamily

The expertise of PREIT's seasoned multifamily leadership consistently pays off. This year we significantly improved the performance of two multifamily properties after acquiring control from former partners in 1998. Renovations and a change in management at Fox Run Apartments in Delaware and Eagle's Nest Apartments in Florida helped drive up occupancy to 96 percent at both properties and boost rents by an average of 5.5 percent. This is a clear demonstration of the power of PREIT's multifamily skills, honed in owning or managing the more than 7,000 apartments in our portfolio.



Eagle's Nest Apartments in Coral Springs, Florida.

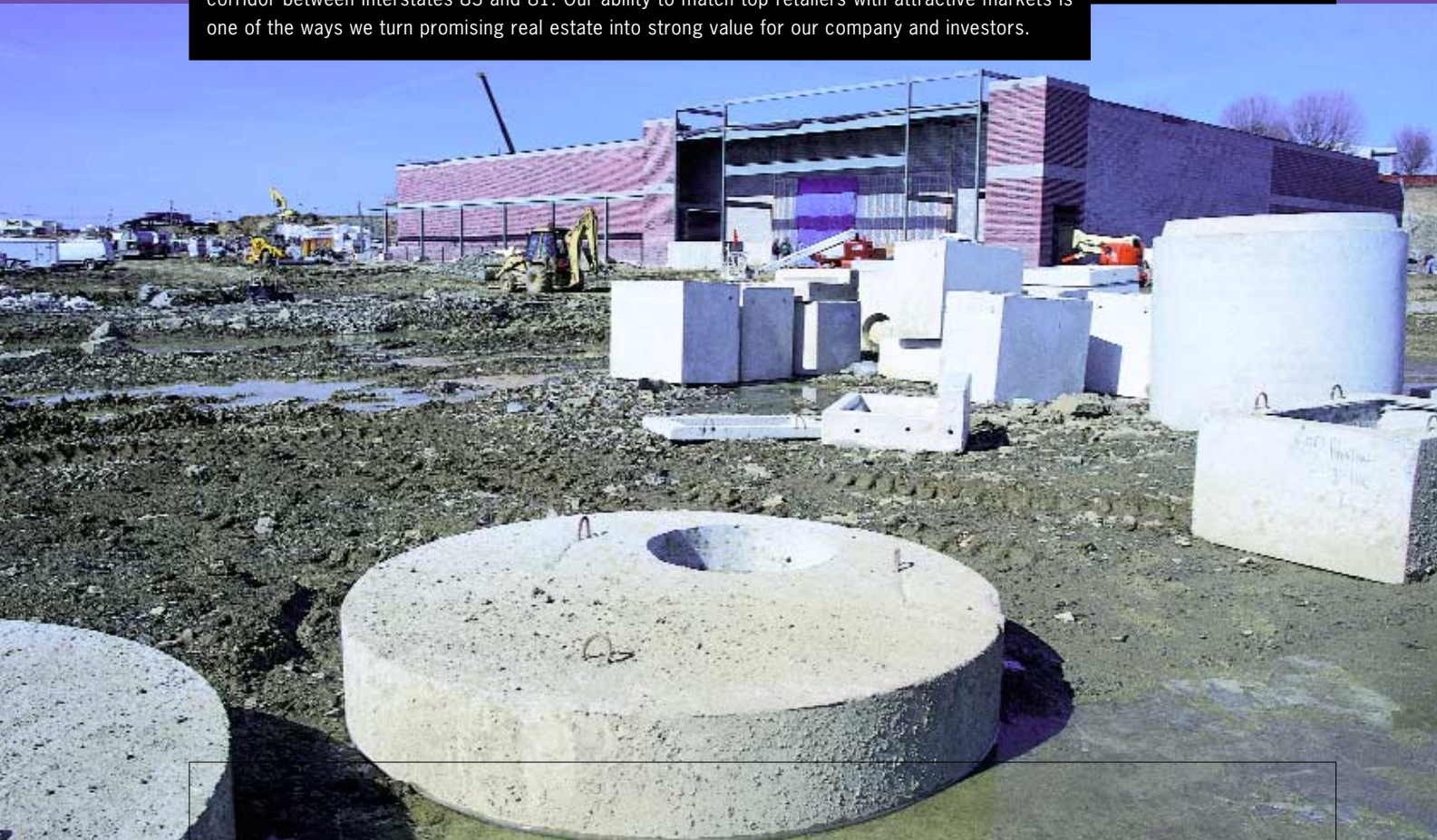
Been There, Done That

"We've seen fire, hurricanes, tornadoes... there is nothing that can happen here that we haven't seen before."

– Raymond J. Trost
Vice President, Asset Management
Speaking to our new management team at the Emerald Point multifamily property in Virginia Beach after PREIT acquired full control of the property from a former partner.

From the Ground Up

PREIT brought together top national retailers and a growing market to create what will be the premiere regional power center for Harrisburg, Pennsylvania. The 695,000 square-foot Paxton Towne Centre, scheduled for completion in August 2000, opens up new territory for anchor tenants such as Target Stores, Kohl's, Weis Markets, Borders Books and Music, Michael's Crafts, and Bed, Bath & Beyond. The retailers in the \$62 million center discovered an outstanding location in a rapidly growing residential community strategically located in the dominant retail corridor between Interstates 83 and 81. Our ability to match top retailers with attractive markets is one of the ways we turn promising real estate into strong value for our company and investors.



Target Stores at Paxton Towne Centre under construction, February 2000.

Long-Term Value Creation

"We have the discipline to focus on real estate with high intrinsic value. Not only will these locations have value for the purposes we are proposing today but also for other uses in the future."

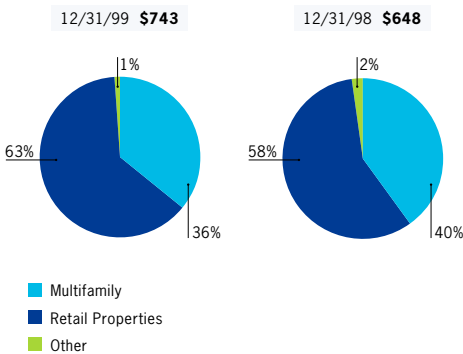
– Douglas S. Grayson
Executive Vice President, Development

Going the Distance

We own interests in 8.3 million square feet of retail space, are managing 20.8 million square feet, and have 3.1 million square feet in development. All told, these properties would cover a one-foot path from Philadelphia to Los Angeles and back.

Total Portfolio

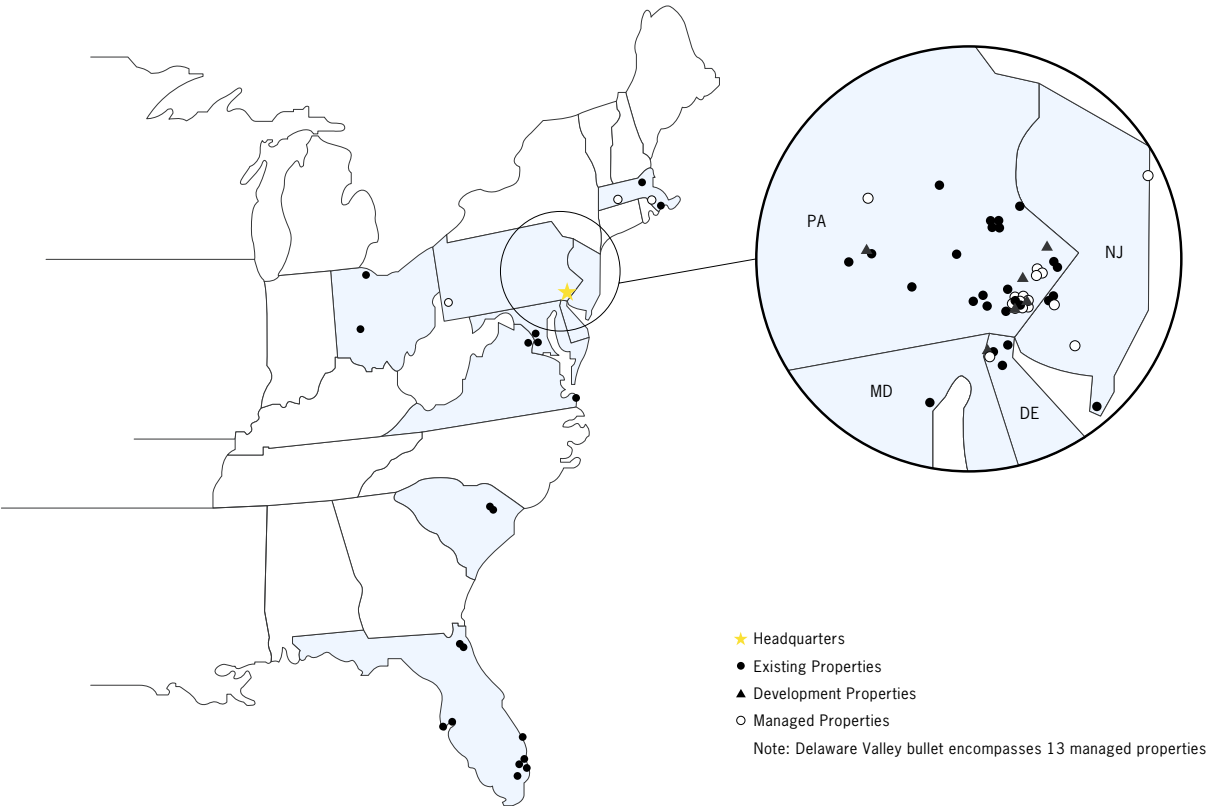
Percentage of investment in real estate, at cost (in millions)



Portfolio Highlights

Summary	No. of Properties	Square Feet	Units	Acres
Portfolio at 12/31/98				
Retail Properties	20	8,048,114	—	—
Multifamily	19	—	7,243	—
Industrial Properties	6	689,791	—	—
Land	3	—	—	90
Total	48	8,737,905	7,243	90
Development				
Retail Properties	5	2,195,662	—	—
Combined Total	53	10,933,567	7,243	90
Portfolio at 12/31/99				
Retail Properties	22	8,305,954	—	—
Multifamily	19	—	7,242	—
Industrial Properties	5	548,791	—	—
Total	46	8,854,745	7,242	—
Development				
Retail Properties	6	3,050,070	—	—
Combined Total	52	11,904,815	7,242	—

Property Locations



Real Estate Investments

Existing Retail Properties

	City	State	Property Type	Ownership Interest	Acquired	Total GLA
Christiana Center I	Newark	DE	Power Center	100%	1998	302,439
Valley View Shopping Center	Wilmington	DE	Strip Center	100%	1998	55,798
Mandarin Corners	Jacksonville	FL	Strip Center	100%	1986	238,861
Park Plaza Shopping Center (1)	Pinellas Park	FL	Strip Center	50%	1963	155,528
South Blanding Village	Jacksonville	FL	Strip Center	100%	1986	106,857
North Dartmouth Mall	Dartmouth	MA	Enclosed Mall	100%	1997	637,866
Forestville Shopping Center	Forestville	MD	Strip Center	100%	1983	217,934
Prince Georges Plaza	Hyattsville	MD	Enclosed Mall	100%	1998	744,911
Rio Mall	Rio Grande	NJ	Strip Center	60%	1973	165,583
Crest Plaza Shopping Center	Allentown	PA	Strip Center	100%	1964	157,370
Festival at Exton	Exton	PA	Strip Center	100%	1998	144,952
Ingleside Center	Thorndale	PA	Strip Center	70%	1981	101,271
Laurel Mall	Hazleton	PA	Enclosed Mall	40%	1988	558,801
Lehigh Valley Mall	Allentown	PA	Enclosed Mall	50%	1973	1,051,253
Northeast Tower Center (2)(3)	Philadelphia	PA	Power Center	89%	1998	479,498
Palmer Park Mall	Easton	PA	Enclosed Mall	50%	1972	456,879
Red Rose Commons	Lancaster	PA	Power Center	50%	1998	463,042
Springfield Park	Springfield	PA	Strip Center	50%	1997	268,500
The Court at Oxford Valley	Langhorne	PA	Power Center	50%	1997	704,486
Whitehall Mall	Allentown	PA	Power Center	50%	1964	530,096
Florence Commons	Florence	SC	Strip Center	100%	1999	197,258
Magnolia Mall	Florence	SC	Enclosed Mall	100%	1997	566,771
Total (22 properties)						8,305,954

Development Retail Properties

	City	State	Property Type	Expected Completion	Status	Ownership Interest	Total GLA (4)
Christiana Center (Phase II)	Newark	DE	Power Center	4Q01	Pre-Development	100%	445,000
Metroplex Shopping Center	Plymouth Meeting	PA	Power Center	4Q00	Construction	50%	780,000
Creekview Shopping Center	Warrington	PA	Power Center	4Q00	Construction	100%	418,416
Frankford Arsenal	Philadelphia	PA	Power Center	4Q01	Pre-Development	100%	508,559
Pavillion at Market East	Philadelphia	PA	Entertainment Center	4Q01	Pre-Development	50%	202,844
Paxton Towne Center	Harrisburg	PA	Power Center	4Q00	Construction	100%	695,251
Total (6 properties)							3,050,070

(1) PREIT's interest sold to its joint venture partner in January 2000

(2) Income producing as of 12/31/99, but still under development

(3) PREIT will acquire the remaining 11% ownership interest in January 2002

(4) Approximate

Real Estate Investments (continued)

Multifamily Properties

	City	State	Ownership Interest	Acquired	No. of Units
Fox Run Apartments	Bear	DE	100%	1988/1998	414
Boca Palms Apartments	Boca Raton	FL	100%	1994	522
Cobblestone Apartments	Pompano Beach	FL	100%	1992	384
Countrywood Apartments	Tampa	FL	50%	1993	536
Eagle's Nest Apartments	Coral Springs	FL	100%	1988/1998	264
Palms of Pembroke	Pembroke Pines	FL	100%	1994	348
Shenandoah Village Apartments	West Palm Beach	FL	100%	1993	220
Marylander Apartments	Baltimore	MD	100%	1962	507
Regency Lakeside Apartments	Omaha	NE	50%	1990	433
Hidden Lakes Apartments	Dayton	OH	100%	1994	360
Kenwood Gardens	Toledo	OH	100%	1963	504
2031 Locust Street	Philadelphia	PA	100%	1961	87
Cambridge Hall Apartments	West Chester	PA	50%	1967	233
Camp Hill Plaza Apartments	Camp Hill	PA	100%	1969	300
Fox Run Apartments	Warminster	PA	50%	1969	196
Lakewood Hills Apartments	Harrisburg	PA	100%	1972	562
Will-O-Hill Apartments	Reading	PA	50%	1984	190
The Woods	Ambler	PA	100%	1998	320
Emerald Point (1) (2)	Virginia Beach	VA	65%	1993	862
Total (19 properties)					7,242

Industrial Properties

	City	State	Ownership Interest	Acquired	Square Feet
Warehouse and Plan (Interstate Container Corp.)	Lowell	MA	100%	1963	197,000
Warehouse (Aramark)	Pennsauken	NJ	100%	1962	12,034
Warehouse (Sears Roebuck & Co.)	Pennsauken	NJ	100%	1963	29,450
Warehouse (Aramark)	Allentown	PA	100%	1962	16,307
Warehouse and Distribution Center (CVS Drug Co.)	Alexandria	VA	100%	1962	294,000
Total (5 properties)					548,791

Major Non-PREIT Owned Managed Properties

	City	State	Total GLA
Christiana Mall	Newark	DE	1,102,711
Fairfield Mall	Chicopee	MA	384,772
Swansea Mall	Swansea	MA	691,042
Cumberland Mall	Vineland	NJ	828,483
Hudson Mall	Jersey City	NJ	375,459
Beaver Valley Mall	Monaca	PA	1,147,605
Susquehanna Valley Mall	Selinsgrove	PA	663,519
Willow Grove Park (3)	Willow Grove	PA	982,255
Total (8 properties)			6,175,846

Managed and Leased Portfolio

	No.	Retail Square Feet	No.	Multifamily Square Feet	No.	Office/Industrial Square Feet	No.	Total Square Feet
PREIT Owned	14	4,575,894	13	4,517,784	5	548,791	32	9,642,469
Non-PREIT Owned	17	7,747,955	3	1,423,750	7	1,938,333	27	11,110,038
Total	31	12,323,849	16	5,941,534	12	2,487,124	59	20,752,507

(1) Emerald Point is a 65%-owned joint venture which is reported on a consolidated basis.

(2) PREIT acquired partner's 35 percent interest in January 2000.

(3) PREIT participated in the purchase of Willow Grove Park in February 2000.

Selected Financial Information

Thousands of dollars, except per share results

Operating Results

	Calendar Year Ended 12/31 1999	Calendar Year Ended 12/31 1998	4-Month Period Ended 12/31 1997	1997	Fiscal Years Ended 8/31 1996	1995
Gross revenues from real estate	\$ 89,220	\$ 61,745	\$ 17,170	\$ 40,231	\$ 38,985	\$ 36,978
Income before gains on sales of interests in real estate	18,976	20,142	3,872	9,166	10,179	11,106
Gains on sales of interests in real estate	1,763	3,043	2,090	1,069	865	119
Net income	20,739	23,185	5,962	10,235	11,044	11,225

Per Share Results

Income before gains on sales of interests in real estate	\$ 1.43	\$ 1.51	\$.43	\$ 1.06	\$ 1.17	\$ 1.28
Gains on sales of interests in real estate	.13	.23	.23	.12	.10	.01
Net income	1.56	1.74	.66	1.18	1.27	1.29

Balance Sheet Data

Investments in real estate, at cost	\$ 577,521	\$ 509,406	\$ 287,926	\$ 202,443	\$ 198,542	\$ 195,929
Total assets	547,590	481,615	265,566	165,657	177,725	181,336
Total mortgage, bank and construction loans payable	364,634	302,276	103,939	117,412	124,148	122,518
Shareholders' equity	133,412	137,082	138,530	40,899	46,505	51,771

Other Data

Cash flows from operating activities	\$ 32,311	\$ 31,138	\$ 4,281	\$ 15,219	\$ 15,090	\$ 16,672
Cash distributions per share	1.88	1.88	.47	1.88	1.88	1.88

Funds from Operations

	Calendar Year Ended 12/31 1999	Calendar Year Ended 12/31 1998	4-Month Period Ended 12/31 1997	1997	Fiscal Years Ended 8/31 1996	1995
Income before minority interest in operating partnership and extraordinary item	\$ 22,861	\$ 24,878	\$ 6,656	\$ 10,235	\$ 11,044	\$ 11,225
Less: Gains on sales of interests in real estate	(1,763)	(3,043)	(2,090)	(1,069)	(865)	(119)
Plus: Provision for losses	—	—	—	500	—	—
Depreciation and amortization:						
Wholly owned and consolidated partnerships	14,005	9,285	2,629	5,989	5,650	5,044
Unconsolidated partnerships and joint ventures	4,573	4,067	1,252	3,380	3,334	3,214
Excess purchase price over net asset acquired	195	115	29	—	—	—
Refinancing prepayment fees	55	—	—	1,133	—	—
Less: Depreciation of non-real estate assets	(240)	(228)	(76)	(222)	(202)	(173)
Amortization of deferred financing costs	(775)	(498)	(254)	(286)	(333)	(228)
Funds from operations ⁽¹⁾	\$ 38,911	\$ 34,576	\$ 8,146	\$ 19,660	\$ 18,628	\$ 18,963

Supplemental Information

For Wholly Owned Properties and the Company's Proportionate Share of Partnerships and Joint Ventures

	Calendar Year Ended 12/31 1999	Calendar Year Ended 12/31 1998	4-Month Period Ended 12/31 1997	1997	Fiscal Years Ended 8/31 1996	1995
Earnings before interest, taxes, depreciation and amortization – EBITDA						
Gross revenues from real estate	\$ 89,220	\$ 61,745	\$ 17,170	\$ 40,231	\$ 38,985	\$ 36,978
Operating expenses	(31,783)	(22,519)	(6,915)	(16,487)	(16,377)	(15,144)
Net operating income: Wholly-owned properties	57,437	39,226	10,255	23,744	22,608	21,834
Company's proportionate share of partnerships and joint ventures net operating income	19,353	18,222	5,886	15,397	15,431	15,678
Combined net operating income	76,790	57,448	16,141	39,141	38,039	37,512
Company's share of PREIT-RUBIN, Inc. net operating (loss) income	(2,504)	762	922	—	—	—
Provision for losses	—	—	—	(500)	—	—
Interest income	1,144	650	82	254	171	176
General and administrative expenses	(3,560)	(3,351)	(1,088)	(3,324)	(3,119)	(3,091)
EBITDA	\$ 71,870	\$ 55,509	\$ 16,057	\$ 35,571	\$ 35,091	\$ 34,597

Mortgage, Bank and Construction Loans Payable

Wholly-owned properties						
Mortgage notes payable	\$ 266,830	\$ 167,003	\$ 99,364	\$ 83,528	\$ 84,833	\$ 78,198
Bank loan payable	91,000	135,273	4,575	33,884	39,315	44,320
Construction loan payable	6,804	—	—	—	—	—
	364,634	302,276	103,939	117,412	124,148	122,518
Company's share of partnerships and joint ventures						
Mortgage notes payable	113,670	106,973	103,237	77,751	63,416	64,741
Bank and Construction loans payable	11,149	2,441	4,112	5,184	5,856	5,413
Total mortgage, bank and construction loans payable	\$ 489,453	\$ 411,690	\$ 211,288	\$200,347	\$ 193,420	\$ 192,672

(1) Funds from operations ("FFO") is defined as income before gains (losses) on investments and extraordinary items (computed in accordance with generally accepted accounting principles "GAAP") plus real estate depreciation and similar adjustments for unconsolidated joint ventures after adjustments for non-real estate depreciation and amortization of financing costs. FFO should not be construed as an alternative to net income (as determined in accordance with GAAP) as an indicator of the company's operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. In addition, the company's measure of FFO as presented may not be comparable to similarly titled measures reported by other companies.

Consolidated Balance Sheets

	Calendar Year Ended 12/31 1999	Calendar Year Ended 12/31 1998
Assets		
Investments in real estate, at cost:		
Multifamily properties	\$ 236,859,000	\$ 230,997,000
Retail properties	294,945,000	261,823,000
Industrial properties	5,078,000	5,078,000
Land and properties under development	40,639,000	11,508,000
Total investments in real estate	577,521,000	509,406,000
Less: Accumulated depreciation	84,577,000	71,129,000
	492,944,000	438,277,000
Investments in PREIT-RUBIN, Inc.	3,888,000	5,372,000
Advances to PREIT-RUBIN, Inc.	6,200,000	4,074,000
Investments in and advances to partnerships and joint ventures, at equity	17,873,000	13,439,000
	520,905,000	461,162,000
Less: Allowance for possible losses	528,000	1,572,000
	520,377,000	459,590,000
Other assets:		
Cash and cash equivalents	3,235,000	6,135,000
Rents and sundry receivables (net of allowance for doubtful accounts of \$559,000 and \$372,000, respectively)	6,249,000	3,498,000
Deferred costs, prepaid real estate taxes and expenses, net	17,729,000	12,392,000
	\$ 547,590,000	\$ 481,615,000
Liabilities and Shareholders' Equity		
Mortgage notes payable	\$ 266,830,000	\$ 167,003,000
Bank loan payable	91,000,000	135,273,000
Construction loan payable	6,804,000	—
Tenants' deposits and deferred rents	2,291,000	1,827,000
Accrued pension and retirement benefits	952,000	972,000
Accrued expenses and other liabilities	13,812,000	11,413,000
	381,689,000	316,488,000
Minority interest	32,489,000	28,045,000
Commitments and contingencies	—	—
Shareholders' equity:		
Shares of beneficial interest, \$1 par; authorized unlimited; issued and outstanding 13,337,549 and 13,299,723 at December 31, 1999 and 1998, respectively	13,338,000	13,300,000
Capital contributed in excess of par	145,697,000	145,103,000
Distributions in excess of net income	(25,623,000)	(21,321,000)
Total shareholders' equity	133,412,000	137,082,000
	\$ 547,590,000	\$ 481,615,000

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

	Calendar Year Ended 12/31 1999	Calendar Year Ended 12/31 1998	4-Month Period Ended 12/31 1997	Fiscal Year Ended 8/31 1997
Revenues				
Gross revenues from real estate	\$ 89,220,000	\$ 61,745,000	\$ 17,170,000	\$ 40,231,000
Interest and other income	1,144,000	650,000	82,000	254,000
	90,364,000	62,395,000	17,252,000	40,485,000
Expenses				
Property operating expenses	31,783,000	22,519,000	6,915,000	16,487,000
Depreciation and amortization	14,223,000	9,406,000	2,695,000	6,259,000
General and administrative expenses	3,560,000	3,351,000	1,088,000	3,324,000
Interest expense	21,842,000	10,591,000	4,349,000	9,086,000
Provisions for losses on investments	—	—	—	500,000
	71,408,000	45,867,000	15,047,000	35,656,000
Income before equity in unconsolidated entities, gains on sales of interests in real estate, minority interest and extraordinary item	18,956,000	16,528,000	2,205,000	4,829,000
Equity in (loss) income of PREIT-RUBIN, Inc.	(4,036,000)	(678,000)	260,000	—
Equity in income of partnerships and joint ventures	6,178,000	5,985,000	2,101,000	4,337,000
Gains on sales of interests in real estate	1,763,000	3,043,000	2,090,000	1,069,000
Income before minority interest and extraordinary item	22,861,000	24,878,000	6,656,000	10,235,000
Minority interest	(2,122,000)	(1,423,000)	(394,000)	—
Income before extraordinary item	20,739,000	23,455,000	6,262,000	10,235,000
Extraordinary item-loss on early extinguishment of debt	—	(270,000)	(300,000)	—
Net Income	\$ 20,739,000	\$ 23,185,000	\$ 5,962,000	\$ 10,235,000
Net income per share:				
Basic	\$ 1.56	\$ 1.74	\$.66	\$ 1.18
Diluted	\$ 1.56	\$ 1.74	\$.66	\$ 1.18

Consolidated Statements of Shareholders' Equity

For the Calendar Years Ended December 31, 1999 and 1998, the 4-Month Period Ended December 31, 1997 and the Fiscal Year Ended August 31, 1997

	Shares of Beneficial Interest \$1 Par	Capital Contributed in Excess of Par	Distributions in Excess of Net Income
Balance, September 1, 1996	\$ 8,676,000	\$ 53,133,000	\$ (15,304,000)
Net income	—	—	10,235,000
Shares issued upon exercise of options	9,000	166,000	—
Issuance of compensatory stock options	—	300,000	—
Distributions paid to shareholders (\$1.88 per share)	—	—	(16,316,000)
Balance, August 31, 1997	8,685,000	53,599,000	(21,385,000)
Net income	—	—	5,962,000
Shares issued upon exercise of options	4,000	64,000	—
New shares issued	4,600,000	91,083,000	—
Distributions paid to shareholders (\$.47 per share)	—	—	(4,082,000)
Balance, December 31, 1997	13,289,000	144,746,000	(19,505,000)
Net income	—	—	23,185,000
Shares issued upon exercise of options	11,000	196,000	—
Option sold to PREIT-RUBIN, Inc.	—	161,000	—
Distributions paid to shareholders (\$1.88 per share)	—	—	(25,001,000)
Balance, December 31, 1998	13,300,000	145,103,000	(21,321,000)
Net income	—	—	20,739,000
Shares issued under the employees' share purchase plans	23,000	270,000	—
Shares issued upon conversion of operating partnership units	15,000	324,000	—
Distributions paid to shareholders (\$1.88 per share)	—	—	(25,041,000)
Balance, December 31, 1999	\$ 13,338,000	\$ 145,697,000	\$ (25,623,000)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

	Calendar Year Ended 12/31 1999	Calendar Year Ended 12/31 1998	4-Month Period Ended 12/31 1997	Fiscal Year Ended 8/31 1997
Cash Flows from Operating Activities:				
Net income	\$ 20,739,000	\$ 23,185,000	\$ 5,962,000	\$ 10,235,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Minority interest in operating partnerships	2,122,000	1,423,000	394,000	—
Depreciation and amortization	14,223,000	9,406,000	2,695,000	6,259,000
Provision for doubtful accounts	210,000	194,000	—	—
Gains on sales of interests in real estate	(1,763,000)	(3,043,000)	(2,090,000)	(1,069,000)
Provision for losses on investments	—	—	—	500,000
Issuance of compensatory stock options	—	—	—	300,000
Loss on early extinguishment of debt	—	270,000	300,000	—
Equity in loss (income) of PREIT-RUBIN, Inc.	4,036,000	678,000	(260,000)	—
Decrease in allowance for possible losses	(98,000)	(197,000)	(61,000)	(710,000)
Change in assets and liabilities, net of effects from acquisitions:				
Net change in other assets	(7,634,000)	(7,858,000)	(2,926,000)	8,000
Net change in other liabilities	476,000	7,080,000	267,000	(304,000)
Net cash provided by operating activities	32,311,000	31,138,000	4,281,000	15,219,000
Cash Flows from Investing Activities:				
Net investments in wholly-owned real estate	(36,971,000)	(150,793,000)	(47,972,000)	(3,901,000)
Investments in property under development	(26,802,000)	(5,917,000)	(1,246,000)	—
Investments in partnerships and joint ventures	(8,299,000)	(15,030,000)	(9,947,000)	(2,649,000)
Investments in and advances to PREIT-RUBIN, Inc.	(2,126,000)	(1,330,000)	(1,448,000)	—
Cash distributions from partnerships and joint ventures in excess of (less than) equity in income	3,789,000	10,328,000	(518,000)	17,605,000
Cash proceeds from sales of interests in partnerships	1,491,000	3,008,000	3,862,000	2,069,000
Cash proceeds from sales of wholly-owned real estate	4,045,000	—	—	—
Decrease in notes receivable	—	—	—	1,649,000
Deposits on agreement to purchase real estate	—	—	—	(5,336,000)
Deferred acquisition costs	—	—	—	(1,488,000)
Net cash (used in) provided by investing activities	(64,873,000)	(159,734,000)	(57,269,000)	7,949,000
Cash Flows from Financing Activities:				
Principal installments on mortgage notes payable	(3,672,000)	(1,518,000)	(9,318,000)	(1,305,000)
Proceeds from mortgage notes payable	120,500,000	68,314,000	—	—
Proceeds from construction loan payable	6,804,000	—	—	—
Prepayment of mortgage notes payable	(17,000,000)	(33,680,000)	—	—
Net (payment) borrowing from revolving credit facility	(47,873,000)	127,706,000	(29,309,000)	(5,153,000)
Payment of deferred financing costs	(1,438,000)	(1,076,000)	(859,000)	—
Shares of beneficial interest issued	293,000	206,000	96,829,000	175,000
Distributions paid to shareholders	(25,041,000)	(25,001,000)	(4,082,000)	(16,316,000)
Distributions paid to OP unit holders	(2,521,000)	(1,484,000)	(304,000)	—
Distributions to minority partners	(390,000)	(60,000)	(44,000)	(200,000)
Net cash provided by (used in) financing activities	29,662,000	133,407,000	52,913,000	(22,799,000)
Net (decrease) increase in cash and cash equivalents	(2,900,000)	4,811,000	(75,000)	369,000
Cash and cash equivalents, beginning of period	6,135,000	1,324,000	1,399,000	1,030,000
Cash and cash equivalents, end of period	\$ 3,235,000	\$ 6,135,000	\$ 1,324,000	\$ 1,399,000
Supplemental Disclosure of Noncash Investing Activities:				
Accrual of acquisition costs	\$ —	\$ —	\$ —	\$ 778,000

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

For the Calendar Years Ended December 31, 1999 and 1998, the Four-Month Period Ended December 31, 1997 and the Fiscal Year Ended August 31, 1997.

1. Summary of Significant Accounting Policies

Nature of Operations

Pennsylvania Real Estate Investment Trust (collectively with its subsidiaries, the "Company") is a fully integrated, self-administered and self-managed real estate investment trust ("REIT") which acquires, rehabilitates, develops, and operates retail and multifamily properties. Substantially all of the Company's properties are located in the Eastern United States, with concentrations in the Mid-Atlantic states and in Florida.

The Company's interest in its properties is held through PREIT Associates, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership and, as of December 31, 1999, the Company held a 90.7% interest in the Operating Partnership. The Operating Partnership holds a 95% economic interest in PREIT-RUBIN, Inc. (the "Management Company") through its ownership of 95% of the Management Company's stock, which represents all of the nonvoting common stock of the Management Company.

Consolidation

The Company consolidates its accounts and the accounts of the Operating Partnership and reflects the remaining interest in the Operating Partnership as minority interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investment in Management Company

The Company's investment in the Management Company is accounted for using the equity method. See Notes 3 and 5 for further discussion.

Partnership and Joint Venture Investments

The Company accounts for its investment in partnerships and joint ventures which it does not control using the equity method of accounting. These investments, which represent 40% to 70% noncontrolling ownership interests, are recorded initially at the Company's cost and subsequently adjusted for the Company's net equity in income and cash contributions and distributions.

Statements of Cash Flows

The Company considers all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Cash paid for interest was \$22,101,000; \$10,146,000; \$4,412,000; and \$8,963,000 for the calendar years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997, and the fiscal year ended August 31, 1997, respectively. At December 31, 1999 and 1998, cash and cash equivalents totaling \$3,235,000 and \$6,135,000, respectively included tenant escrow deposits of \$724,000 and \$514,000, respectively.

Capitalization of Costs

It is the Company's policy to capitalize interest and real estate taxes related to properties under development and to depreciate these costs over the life of the related assets in order to more properly match revenues and expenses. These items are capitalized for income tax purposes and amortized or depreciated in accordance with the provisions of the Internal Revenue Code. For the calendar years ended December 31, 1999 and 1998 and the four-month period ended December 31, 1997, the Company capitalized interest and real estate taxes of \$2,311,000; \$1,578,000 and \$247,000. No interest or taxes were capitalized for the fiscal year ended August 31, 1997.

The Company capitalized as deferred costs certain expenditures related to the financing and leasing of certain properties. Capitalized loan fees are being amortized over the term of the related loans and leasing commissions are being amortized over the term of the related leases.

The Company capitalizes certain deposits associated with planned future purchases of real estate. These deposits are transferred to the properties upon consummation of the transaction.

Depreciation

The Company, for financial reporting purposes, depreciates its buildings, equipment and leasehold improvements over their estimated useful lives of 10 to 40 years, using the straight-line method of depreciation. For federal income tax purposes, the Company currently uses the straight-line method of depreciation and the useful lives prescribed by the Internal Revenue Code.

Allowance for Possible Losses

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for these assets is based on the estimated fair market value of the assets.

During the fiscal year ended August 31, 1997, an impairment loss of approximately \$500,000 was recorded following the expiration of an option to sell certain land parcels held by a partnership in which the Company held an equity interest.

Benefit Plans

The Company has provided pension benefits since 1970 for all employees, excluding the Chairman, for whom retirement benefits are provided in an employment contract.

With regard to the Chairman's employment contract, no expense provision was required for the calendar years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 or for the fiscal year ended August 31, 1997 with respect to the Chairman's post-termination benefits.

Derivative Financial Instruments

The Company at times enters into interest rate swap and cap agreements in order to manage interest rate exposure on certain floating rate debt. When interest rates change, the differential to be paid or received is accrued as interest expense and is recognized over the life of the swap agreements. The costs of cap transactions are deferred and amortized over the contract period. The amortized costs of cap transactions and interest income and interest expense on swap transactions are included in mortgage and bank loan interest.

The Financial Accounting Standards Board has issued SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company will be required to adopt this statement effective as of January 1, 2001. The Company does not expect the adoption of this Statement to have a material impact on its financial position or results of operations.

Percentage Rental Income

Starting in the second quarter of 1998, the Company began recording percentage rental income for shopping center leases in accordance with the Emerging Issues Task Force guidance on recording contingent rental income. Prior to that date, the Company recorded percentage rental income on a pro rata basis over the annual lease period if the achievement of the specific sales target was probable (see Note 13).

Income Taxes

The Company has elected to qualify as a real estate investment trust under Sections 856-860 of the Internal Revenue Code and intends to remain so qualified. Accordingly, no provision for federal income taxes has been reflected in the accompanying financial statements.

Earnings and profits, which determine the taxability of distributions to shareholders, will differ from net income reported for financial reporting purposes due to differences in cost basis, differences in the estimated useful lives used to compute depreciation and differences between the allocation of the Company's net income and loss for financial reporting purposes and for tax reporting purposes.

The Company is subject to a federal excise tax computed on a calendar year. The excise tax equals 4% of the excess, if any, of 85% of the Company's ordinary income plus 95% of the Company's capital gain net income for the calendar year over cash distributions during the calendar year, as defined. The Company has in the past distributed a substantial portion of its taxable income in the subsequent fiscal year and may also follow this policy in the future.

No provision for excise tax was made for the calendar years ended December 31, 1999 and 1998, the four months ended December 31, 1997 or for the fiscal year ended August 31, 1997 as no tax was due.

The tax status of distributions paid to shareholders was composed of the following for the calendar years ended December 31, 1999, 1998 and 1997:

	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98	Calendar Year Ended 12/31/97
Ordinary income	\$ 1.67	\$ 1.63	\$ 1.66
Capital gains	.21	.25	.22
	\$ 1.88	\$ 1.88	\$ 1.88

The Management Company is subject to federal, state and local income taxes. The operating results of the Management Company include a provision or benefit for income taxes. Tax benefits are recorded by the Management Company to the extent realizable.

Comprehensive Income

Net income as reported by the Company reflects total comprehensive income for the calendar year ended December 31, 1999 and 1998, for the four-month period ended December 31, 1997 and for the fiscal year ended August 31, 1997.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current year presentation.

2. Change in Fiscal Year-End

On October 14, 1997, the Company announced its intention to change its fiscal year-end from August 31 to December 31. On February 17, 1998, the Company filed a Transition Report on Form 10-Q which included its results for the period September 1, 1997 through December 31, 1997 and the comparable period. Listed below is unaudited income statement information with respect to the four-month period ended December 31, 1996:

	4-Month Period Ended 12/31/96
Revenues	\$ 13,397,000
Net income	\$ 4,842,000
Basic income per share	\$.56
Diluted income per share	\$.56

3. The TRO Transaction

On September 30, 1997, the Company completed a series of related transactions pursuant to which the Company: (i) transferred substantially all of its real estate interests to PREIT Associates, L.P. of which the Company is the sole general partner; (ii) the Operating Partnership acquired all of the non-voting common shares of The Rubin Organization, Inc. ("TRO"), a commercial real estate development and management firm (renamed "PREIT-RUBIN, Inc."), constituting 95% of the total equity of PREIT-RUBIN, Inc. in exchange for the issuance of 200,000 Class A Operating Partnership ("OP") Units; (iii) the Operating Partnership acquired the interests of certain affiliates of TRO ("TRO Affiliates") in The Court at Oxford Valley, Magnolia Mall, North Dartmouth Mall and Springfield Park; (iv) the Operating Partnership agreed to acquire the interests of TRO Affiliates in Hillview Shopping Center and Northeast Tower Center, at prices based upon a pre-determined formula; and (v) the Operating Partnership acquired the development rights of certain TRO Affiliates, subject to related obligations, in Christiana Power Center (Phases I and II), Red Rose Commons and Blue Route Metroplex. Subsequent to that date, by mutual agreement with the TRO affiliates, the Operating Partnership did not acquire Hillview Shopping Center.

The following pro forma financial information of the Company for the four-month period ended December 31, 1997 and the fiscal year ended August 31, 1997 gives effect to the acquisitions of the properties as if the purchases had occurred on September 1, 1996.

(Unaudited)	4-Month Period Ended 12/31/97	Fiscal Year Ended 8/31/97
Pro forma total revenues	\$ 18,292,000	\$ 53,209,000
Pro forma net income	\$ 6,692,000	\$ 10,459,000
Basic pro forma net income per common share	\$.71	\$ 1.21
Diluted pro forma net income per common share	\$.71	\$ 1.20

The pro forma financial information presented within this footnote is not necessarily indicative of the results which actually would have occurred if the acquisitions had been consummated on September 1, 1996, nor does the pro forma information purport to represent the results of operations for future periods.

As part of the September 30, 1997 transactions discussed above, the Company entered into a contribution agreement (the "TRO Contribution Agreement") which includes a provision to issue up to 800,000 additional Class A OP units over the five-year period beginning October 1, 1997 and ending September 30, 2002 according to a formula based upon the Company's adjusted funds from operations per share during the five-year period. The TRO Contribution Agreement establishes "hurdle" and "target" levels set forth for the Company's adjusted funds from operations, as defined per share during specified earn-out periods to determine whether, and to what extent, the contingent OP units will be issued. The Company intends to account for the issuance of contingent OP units as additional purchase price when such amounts are determinable. For the four months ended December 31, 1997, 32,500 OP units were earned, resulting in additional purchase price of approximately \$830,000. For the year ended December 31, 1998, 130,000 OP units were earned resulting in additional purchase price of approximately \$2.5 million. For the year ended December 31, 1999, 167,500 OP units were earned resulting in additional purchase price of approximately \$2.4 million.

Pursuant to the terms of the partnership agreement, the limited partners of the Operating Partnership received a conversion right, which enables each limited partner to convert his/her interest in the Operating Partnership into shares of beneficial interest or cash, at the election of the Company on a one for one basis beginning one year following the respective issue date. In 1999, a former TRO partner converted approximately 15,000 OP units to shares of beneficial interest for total consideration of \$339,000. Certain OP units issued in connection with the acquisition of Magnolia Mall can be converted at the option of the limited partner at any time after issuance.

All of the acquisitions described above have been recorded by the Company using the purchase method of accounting. The Company accounts for its noncontrolling investment in PREIT-RUBIN, Inc. using the equity method. The excess of the purchase price of PREIT-RUBIN, Inc. over the fair value of net assets acquired is being amortized over 35 years.

The following table summarizes the consideration paid to acquire the assets and businesses described above:

	Class A OP Units	Cash Paid (Received)	Net Liabilities Assumed	Other Transaction Costs	Total Purchase Price
Investment in PREIT-RUBIN, Inc. ⁽¹⁾	\$ 10,410,000	\$ (878,000)	\$ —	\$ 793,000	\$ 10,325,000
Investment in The Court at Oxford Valley	5,458,000	683,000	—	688,000	6,829,000
Magnolia Mall	5,000,000	15,165,000	25,154,000	977,000	46,296,000
North Dartmouth Mall	—	35,000,000	—	986,000	35,986,000
Development Properties (See Note 11)	—	6,446,000	—	1,859,000	8,305,000
	\$ 20,868,000	\$ 56,416,000	\$ 25,154,000	\$ 5,303,000	\$ 107,741,000

(1) Includes value of OP units issued on September 30, 1997 and issued and accrued in subsequent earn-out periods as described above.

4. Investments in Partnerships & Joint Ventures

The following table presents summarized financial information as to the Company's equity in the assets and liabilities of 16 and 19 partnerships and joint ventures as of December 31, 1999 and 1998, respectively and 2 properties under development at December 31, 1999 and 1998:

	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98
Assets		
Investments in real estate, at cost:		
Multifamily properties	\$ 56,112,000	\$ 54,396,000
Industrial property	—	1,275,000
Retail properties	212,238,000	185,900,000
Properties under development	38,766,000	25,601,000
Land	—	926,000
Total investments in real estate	307,116,000	268,098,000
Less: Accumulated depreciation	70,520,000	64,478,000
	236,596,000	203,620,000
Cash and cash equivalents	7,952,000	7,107,000
Deferred costs, prepaid real estate taxes and other, net	43,677,000	34,923,000
Total assets	288,225,000	245,650,000
Liabilities and Partners' Equity		
Mortgage notes payable	231,611,000	218,278,000
Bank loans payable	—	3,260,000
Construction loans payable	22,298,000	—
Other liabilities	16,707,000	9,675,000
Total liabilities	270,616,000	231,213,000
Net equity (deficit)	17,609,000	14,437,000
Less: Partners' share	(264,000)	998,000
Investment in and advances to partnerships and joint ventures	\$ 17,873,000	\$ 13,439,000

The following table summarizes the Company's equity in income for the calendar years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 and the fiscal year ended August 31, 1997:

	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98	4-Month Period Ended 12/31/97	Fiscal Year Ended 8/31/97
Equity In Income of Partnerships and Joint Ventures				
Gross revenues from real estate:	\$ 58,817,000	\$ 57,792,000	\$ 19,258,000	\$ 52,446,000
Expenses:				
Property operating expenses	19,785,000	20,662,000	7,122,000	20,774,000
Mortgage and bank loan interest	17,475,000	16,647,000	5,205,000	14,908,000
Depreciation and amortization	9,131,000	8,348,000	2,609,000	6,978,000
	46,391,000	45,657,000	14,936,000	42,660,000
	12,426,000	12,135,000	4,322,000	9,786,000
Partners' share	(6,248,000)	(6,150,000)	(2,221,000)	(5,449,000)
Equity in income of partnerships and joint ventures	\$ 6,178,000	\$ 5,985,000	\$ 2,101,000	\$ 4,337,000

The Company has a 50% partnership interest in Lehigh Valley Mall Associates which is included in the amounts above. Summarized financial information as of December 31, 1999 and 1998, the four-month period

Mortgage notes payable, which are secured by 13 of the related properties, are due in installments over various terms extending to the year 2016 with interest rates ranging from 6.55% to 8.35% with an average interest rate of 7.53% at December 31, 1999. Principal payments are due as follows:

	Year Ended 12/31
2000	\$ 4,895,000
2001	4,712,000
2002	5,204,000
2003	26,648,000
2004	5,021,000
2005 and thereafter	185,131,000
	\$ 231,611,000

The liability under each mortgage note is limited to the particular property except for a loan with a balance of \$6,194,000 which is guaranteed by the partners of the respective partnerships, including the Company.

Also, the Company and its joint venture partner have jointly and severally guaranteed the construction loan payable on a development project. The balance of the loan at December 31, 1999 is \$22,298,000 and the remaining commitment from the lender is \$43,702,000 for a total credit line of \$66,000,000. At December 31, 1999 this loan bears interest at the London Interbank Offered Rate ("LIBOR") plus 2.0% or 8.46%. The loan matures in May 2001.

The Company's investments in certain partnerships and joint ventures reflect cash distributions in excess of the Company's net investments totaling \$1,905,000; \$1,824,000; \$5,898,000 and \$5,833,000 for the calendar years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 and the fiscal year ended August 31, 1997, respectively. The Company is generally entitled to a priority return on these investments.

ended December 31, 1997 and the fiscal year ended August 31, 1997 for this investment which is accounted for by the equity method is as follows:

	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98	4-Month Period Ended 12/31/97	Fiscal Year Ended 8/31/97
Total assets	\$ 23,283,000	\$ 24,093,000	\$ 24,943,000	\$ 24,645,000
Mortgages payable	51,518,000	52,369,000	53,157,000	53,406,000
Revenues	17,296,000	15,669,000	4,266,000	14,840,000
Property operating expenses	6,057,000	5,074,000	1,508,000	4,657,000
Interest expense	4,103,000	4,176,000	1,289,000	4,638,000
Net income	6,356,000	5,642,000	2,313,000	4,660,000
Equity in income of partnership	3,178,000	2,821,000	1,157,000	2,330,000

5. Investment in PREIT-RUBIN, Inc.

PREIT-RUBIN, Inc. ("PRI") is responsible for various activities, including management, leasing and real estate development of certain of the Company's properties and for properties on behalf of third parties. Total management fees paid by the Company's properties to PRI are included in property operating expenses in the accompanying consolidated statements of income and amounted to \$634,000; \$249,000 and \$73,000 for the calendar years ended December 31, 1999 and 1998 and for the four-month period ended December 31, 1997. The Company's properties also paid leasing and development fees to PRI totaling \$477,000; \$1,100,000 and \$18,000 for the calendar years ended December 31, 1999 and 1998 and the four-month period ended December 31, 1997.

Leasing and development fees paid by the Company's properties to PRI are capitalized and amortized to expense in accordance with the Company's normal accounting policies as described in Note 1. Intercompany profits earned by PRI related to such activities are deferred and will be recognized as income over these same periods in order to properly match revenues and expenses.

In July 1998, PRI issued 131,500 non-qualified stock options to its employees ("PRI options") to purchase shares of beneficial interest in the Company at a price equal to fair market value of the shares (\$23.85) on the grant date. The options are exercisable over a four year period and vest in equal annual installments commencing July 15, 1999 and on each anniversary thereof. At the same time, the Company sold an option to PRI which will enable PRI to purchase an equal number of shares from

the Company with the same terms and conditions as the PRI options. The purchase price for the option was determined based on the Black-Scholes option pricing model and was valued at \$1.20 per option. There were no stock options issued in 1999.

PRI also provides management, leasing and development services for partnerships and other ventures in which certain officers of the Company and PRI have either direct or indirect ownership interests. Total revenues earned by PRI for such services were \$3,593,000 for the calendar year ended December 31, 1999, \$3,489,000 for the calendar year ended December 31, 1998 and \$1,419,000 for the four-month period ended December 31, 1997. As of December 31, 1999 and 1998, \$988,000 and \$1,682,000, respectively, was due from these affiliates. Of these amounts, approximately \$670,000 and \$1,682,000, respectively, were collected subsequent to December 31, 1999 and 1998.

PRI also leases office space from an affiliate of certain officers of the Company and PRI. Total rent expense under this lease, which expires in 2010, was \$649,000; \$613,000 and \$143,000 for the calendar years ended December 31, 1999 and 1998 and for the four-month period ended December 31, 1997, respectively. Minimum rental payments under this lease are \$770,000 per year from 2000 to 2010.

Summarized unaudited financial information for PRI as of and for the calendar years ended December 31, 1999 and 1998 and the four-month period ended December 31, 1997 is as follows:

(Unaudited)	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98	4-Month Period Ended 12/31/97
Total assets	\$ 7,185,000	\$ 12,142,000	\$ 13,859,000
Management fees	\$ 4,526,000	\$ 4,700,000	\$ 1,377,000
Leasing commissions	5,312,000	8,183,000	1,877,000
Development fees	691,000	1,539,000	124,000
Other revenues	4,382,000	4,131,000	2,334,000
Total revenue	\$ 14,911,000	\$ 18,553,000	\$ 5,712,000
Net income (loss)	\$ (4,237,000)	\$ (707,000)	\$ 303,000
Company's share of net income (loss)	\$ (4,036,000)	\$ (678,000)	\$ 260,000

6. Mortgage Notes, Bank and Construction Loans Payable

Mortgage Notes Payable

Mortgage notes payable which are secured by 18 of the Company's properties are due in installments over various terms extending to the year 2025 with interest at rates ranging from 5.90% to 9.50% with an average interest rate of 7.50% at December 31, 1999. Principal payments are due as follows:

	Year Ended 12/31
2000	\$ 4,436,000
2001	4,776,000
2002	5,105,000
2003	11,486,000
2004	5,498,000
2005 and thereafter	235,529,000
	<u>\$ 266,830,000</u>

The fair value of the mortgage notes payable was approximately \$253,000,000 at December 31, 1999 based on year-end interest rates and market conditions.

Construction Loan Payable

The Company has a construction loan outstanding with a balance of \$6,804,000 at December 31, 1999. The construction loan bears interest at the prime rate of 8.5% at December 31, 1999. The loan is secured by a first mortgage on the property under development. The construction loan has an additional \$23,196,000 available under the total commitment at \$30,000,000.

Credit Facility

On September 30, 1997, the Operating Partnership entered into a \$150 million revolving credit facility (the "Credit Facility"). The obligations of the Operating Partnership under the Credit Facility have been guaranteed by the Company.

The Credit Facility was for an initial term of two years and during 1998 the maturity date was extended to December 31, 2000. The Credit Facility bears interest, at the borrowers' election, at (i) the higher of prime rate, or the Federal Funds lending rate plus .5%, or (ii) the London Interbank Offered Rate plus margins ranging from 1.1% to 1.7%, depending on the Company's consolidated Leverage Ratio, as defined.

As of December 31, 1999, the Operating Partnership had \$91 million outstanding on the Credit Facility. The weighted average interest rate based on amounts borrowed on the Credit Facility was 6.95% and 7.06% for the calendar years ended December 31, 1999 and 1998, respectively and 7.48% for the four-month period ended December 31, 1997.

The Credit Facility requires the Company to maintain ongoing compliance with a number of customary financial and other covenants, including leverage ratios based on gross asset value, fixed charge coverage ratios and a minimum tangible net worth requirement.

During 1999, the Company amended the Credit Facility. A minimum mortgaged asset debt service coverage ratio was added. Also, the amendment required the recording of the mortgages, assignments of rents, leases, and profits, and UCC-1 Financing Statements that had been delivered by the Borrower with respect to certain properties that, as of April 15, 1999 were unencumbered. These nine properties, along with two additional properties added via the amendment, are now referred to as the Mortgaged Properties. One of the Development Properties will be added to the Mortgaged Properties after it is substantially completed.

As of December 31, 1999, the Company was in compliance with all debt covenants.

The Company has limited its exposure to increases in LIBOR on \$20,000,000 of its floating rate debt by entering into a swap agreement which fixes a rate of 6.12% versus 30-day LIBOR through June 2001. In the event that the Company wanted to terminate the swap agreement referred to above, the amount which would be receivable at December 31, 1999 was approximately \$84,000.

The Company is exposed to credit loss in the event of nonperformance by the counterparty to the agreement; however, the Company does not anticipate nonperformance by the counterparty.

During the calendar year ended December 31, 1998, the Company incurred a prepayment penalty of \$270,000 in connection with a mortgage refinancing. During the four-month period ended December 31, 1997, the Company wrote off unamortized deferred financing costs of \$300,000 in connection with the refinancing of its Credit Facility. These amounts have been reflected as extraordinary items in the accompanying consolidated statements of income for the respective periods.

7. Net Income Per Share

Basic Earnings Per Share ("EPS") is based on the weighted average number of common shares outstanding during the year. Diluted EPS is based on the weighted average number of shares outstanding during the

year, adjusted to give effect to common share equivalents. A reconciliation between basic and diluted EPS is shown below (in thousands, except per share data).

	Calendar Year Ended 12/31/99		Calendar Year Ended 12/31/98		4-Month Period Ended 12/31/97		Fiscal Year Ended 8/31/97	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income before extraordinary item	\$ 20,739	\$ 20,739	\$ 23,455	\$ 23,455	\$ 6,262	\$ 6,262	\$ 10,235	\$ 10,235
Extraordinary item	—	—	(270)	(270)	(300)	(300)	—	—
Net income	<u>\$ 20,739</u>	<u>\$ 20,739</u>	<u>\$ 23,185</u>	<u>\$ 23,185</u>	<u>\$ 5,962</u>	<u>\$ 5,962</u>	<u>\$ 10,235</u>	<u>\$ 10,235</u>
Weighted average shares outstanding	13,318	13,318	13,297	13,297	9,049	9,049	8,679	8,679
Effect of share options issued	—	—	—	17	—	50	—	25
Total weighted average shares outstanding	<u>13,318</u>	<u>13,318</u>	<u>13,297</u>	<u>13,314</u>	<u>9,049</u>	<u>9,099</u>	<u>8,679</u>	<u>8,704</u>
Income per share before extraordinary item	\$ 1.56	\$ 1.56	\$ 1.76	\$ 1.76	\$.69	\$.69	\$ 1.18	\$ 1.18
Extraordinary item per share	—	—	(.02)	(.02)	(.03)	(.03)	—	—
Net income per share	<u>\$ 1.56</u>	<u>\$ 1.56</u>	<u>\$ 1.74</u>	<u>\$ 1.74</u>	<u>\$.66</u>	<u>\$.66</u>	<u>\$ 1.18</u>	<u>\$ 1.18</u>

8. Benefit Plans

The Company maintains a 401(k) Plan (the "Plan") in which substantially all of the officers and employees are eligible to participate. The Plan permits eligible participants, as defined in the plan agreement, to defer up to 15% of their compensation, and the Company, at its discretion, may match a percentage of the employees' contributions. The employees' contributions are fully vested and contributions from the Company vest in accordance with an employee's years of service as defined in the plan agreement. The Company's contributions to the Plan for the calendar years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 and for the fiscal year ended August 31, 1997 were \$ 34,000; \$29,000; \$43,000; and \$41,000, respectively.

The Company also maintains a Supplemental Retirement Plan (the "Supplemental Plan") covering certain senior management employees. The Supplemental Plan provides eligible employees through normal retirement date, as defined in the plan agreement, a benefit amount similar to that which would have been received under the provisions of a pension plan which was terminated in 1994. Contributions due by the Company under the provisions of this plan were \$62,000; \$60,000; \$22,000 and \$92,000 for the calendar years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 and for the fiscal year ended August 31, 1997, respectively.

The Company and PRI also each maintain share purchase plans through which Company and PRI employees may purchase shares of beneficial interest at a discount of the fair market value. In 1999, 23,000 shares were purchased for total consideration of \$293,000.

9. Stock Option Plans

In December 1990, the shareholders approved an incentive stock option plan for key employees (the "Employees Plan") and a stock option plan for nonemployee trustees (the "Nonemployee Trustees Plan"), covering 200,000 and 100,000 shares of beneficial interest, respectively. Under the terms of the plans, the purchase price of shares subject to each option granted will be at least equal to the fair market value of the shares on the date of grant. Options under the incentive stock option plan may be exercised as determined by the Company, but in no event later than 10 years from the date of grant. In December 1993, the Board of Trustees amended the incentive stock option plan for key employees, to increase the number of shares subject to option to 400,000 shares, to change the name of the plan to the "1990 Incentive and Non-Qualifying Stock Option Plan" and to expand some provisions of the plan. The stock option plan for nonemployee trustees provides for annual grants of 2,500 options (becoming exercisable in four equal installments). The options expire 10 years after the date of grant.

In December 1993, the Board of Trustees adopted a nonqualifying stock option plan covering 100,000 shares. The Company granted options on February 1, 1994 having a term of 10 years and subject to the other terms and conditions set forth in the plan. All 100,000 shares are outstanding at December 31, 1999.

On September 30, 1997, the Company adopted an Incentive and Non-Qualified Stock Option Plan (the "1997 Stock Option Plan") in connection with the TRO Transaction. Options on 455,000 Shares were granted to former TRO officers and employees on September 30, 1997 at an exercise price of \$25.41 per share. All options granted on September 30, 1997 vest in four equal annual installments commencing January 1, 1999, and on each anniversary date thereof.

In April, 1999, the Company adopted an Equity Incentive Plan (the "1999 Equity Incentive Plan"). Options to purchase approximately 400,000 shares are available under the 1999 Equity Incentive Plan, including all forfeited options and all unallocated options left over from the Company's 1993 Stock Option Plan and 1997 Stock Option Plan. As of December 31, 1999, no options had been issued under the 1999 Equity Incentive Plan.

See Note 5 for a discussion of stock options at the Management Company. Changes in options outstanding are as follows:

	Exercise Price	1997 Stock Option Plan	1993 Stock Option Plan	Employees Plan	Nonemployee Trustees Plan
Options outstanding at 8/31/97	\$15.75–\$25.375	—	100,000	340,125	38,250
Options granted	\$25.41	455,000	—	—	—
Options exercised	\$15.75–\$20.375	—	—	—	(3,750)
Options outstanding at 12/31/97	\$15.75–\$25.41	455,000	100,000	340,125	34,500
Options granted	\$23.85	—	—	17,500	5,000
Options exercised	\$18.00–\$20.375	—	—	(5,875)	(5,000)
Options forfeited	\$18.00–\$22.75	(23,000)	—	(3,375)	—
Options outstanding at 12/31/98	\$15.75–\$25.41	432,000	100,000	348,375	34,500
Options granted	—	—	—	—	5,000
Options exercised	—	—	—	—	—
Options forfeited	\$18.00–\$25.41	(72,000)	—	(500)	(5,500)
Options outstanding at 12/31/99	\$15.75–\$25.41	360,000	100,000	347,875	34,000

At December 31, 1999, options for 513,500 shares of beneficial interest with an aggregate purchase price of \$11,348,000 (average of \$22.10 per share) were exercisable.

During the fourth quarter of 1997, the Board of Trustees extended the exercise dates for 62,500 options previously granted to an officer of the Company and two retiring trustees. As a result, the Company recorded compensation expense of \$300,000 for the four-month period ended December 31, 1997 relating to this change in terms.

During fiscal year 1997, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 encourages a fair value method of accounting for employee stock options and similar equity instruments. The statement also allows an entity to continue to account for stock-based compensation using the intrinsic value method in APB Opinion No. 25. As provided for in the statement, the Company elected to continue the intrinsic value method of expense recognition. If compensation cost for these plans had been determined using the fair value method prescribed by SFAS No. 123, the Company's net income and net income per share would have reflected the unaudited pro forma amounts indicated below:

	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98	4-Month Period Ended 12/31/97	Fiscal Year Ended 8/31/97
Net income:				
As reported	\$ 20,739,000	\$ 23,185,000	\$ 5,962,000	\$ 10,235,000
Pro forma	\$ 20,435,000	\$ 22,884,000	\$ 5,861,000	\$ 10,212,000
Net income per share:				
As reported—				
Basic	\$ 1.56	\$ 1.74	\$.66	\$ 1.18
Diluted	\$ 1.56	\$ 1.74	\$.66	\$ 1.18
Pro forma—				
Basic	\$ 1.53	\$ 1.72	\$.65	\$ 1.18
Diluted	\$ 1.53	\$ 1.72	\$.65	\$ 1.18

The pro forma effect on the results may not be representative of the impact in future years because the fair value method was not applied to options granted before 1996.

There were no options granted in 1999.

The fair value of each option was estimated on the grant date using the Black-Scholes option pricing model and the assumptions presented below:

	Calendar Year Ended 12/31/98	4-Month Period Ended 12/31/97	Fiscal Year Ended 8/31/97
Expected life in years	5	5	5
Risk-free interest rate	5.52%	6.09%	6.10%
Volatility	17.76%	18.38%	17.31%
Dividend yield	9.67%	7.65%	7.28%

The weighted average fair value of each option granted was \$1.20, \$2.34 and \$2.05 for the calendar year ended December 31, 1998, the four-month period ended December 31, 1997 and the fiscal year ended August 31, 1997, respectively. Outstanding options as of December 31, 1999 have a weighted average remaining contractual life of 6.39 years, an average exercise price of \$23.19 per share and an aggregate purchase price of \$ 19,519,000.

10. Operating Leases

The Company's apartments are typically leased to residents under operating leases for a period of one year. The Company's shopping centers are leased to tenants under operating leases with expiration dates extending to the year 2019.

Future minimum rentals under noncancelable operating leases are as follows:

	Years Ended 12/31
2000	\$ 23,236,000
2001	23,878,000
2002	22,991,000
2003	21,682,000
2004	19,869,000
Thereafter	130,272,000
	<u>\$ 241,928,000</u>

The total future minimum rentals presented above do not include amounts that may be received as tenant reimbursements for charges to cover increases in certain operating costs.

11. Commitments and Contingencies

During 1995, certain environmental matters arose at certain properties in which the Company has an interest. The Company retained environmental consultants in order to investigate these matters. At one property, in which the Company has a 50% ownership interest, groundwater contamination exists which the Company alleges was caused by the former tenant. Estimates to remediate this property, which are subject to the length of monitoring and the extent of remediation required, range in total from \$50,000 to \$100,000. In addition, above normal radon levels had been detected at three wholly-owned properties. Approximately \$250,000 of costs were incurred to remediate two of the properties.

The Company has recorded its share of these liabilities totaling \$94,000 related to the consultants' evaluation of these matters which, in certain instances, are subject to applicable state approvals of the remediation plans. In management's opinion, no material incremental cost will be incurred on these properties. The Company will pursue recovery of remediation costs from all of the responsible parties, including its tenants and partners.

The Company is also involved in a number of development and redevelopment projects which may require equity funding by the Company, or third-party debt or equity financing. In each case, the Company will evaluate the financing opportunities available to it at the time the project requires funding. In cases where the project is undertaken with a joint venture partner, the Company's flexibility in funding the project may be governed by the joint venture agreement or the covenants existing in its line of credit which limit the use of borrowed funds in joint venture projects. At December 31, 1999, the Company had approximately \$73,000,000 committed to complete current development and redevelopment projects. Of this amount, approximately \$40,000,000 of construction financing has been placed.

In connection with certain development properties, including those development properties acquired as part of the TRO Transaction (see Note 3), the Company may be required to issue additional OP units upon the achievement of certain financial results. Further, the Company is obligated to acquire the remaining 11% interest in the Northeast Tower Center by the end of the first quarter of 2002. Finally, the Company is committed to issuing OP units valued at approximately \$3,070,000 in connection with the acquisition of land on which the Christiana Power Center (Phase I) is substantially built. These units are expected to be issued at the completion of building and leasing the shopping center.

12. Acquisitions

During 1999, the Company acquired two shopping centers, three shopping center development sites, and an additional 10% interest in a shopping center in which it now owns a 60% interest. The Company paid approximately \$51.4 million, consisting of \$28.0 million in cash, \$12.5 million in assumed debt, \$9.9 million in new debt and \$1.0 million through the issuance of OP units. Each of these acquisitions was accounted for by the purchase method of accounting. The results of operations for the acquired properties have been included from their respective purchase dates. The 1999 acquisitions did not result in a requirement to present pro forma information. From September 30, 1997 to December 31, 1998 the Company acquired wholly owned interests in eight properties and a 50% interest in two properties. The Company paid approximately \$248.3 million, consisting of \$126.0 million in cash, \$93.5 million in assumed debt, and \$28.8 million of operating partnership units. The Company also acquired the remaining 50% interests in two multifamily properties and a parcel of undeveloped land for cash of \$0.8 million and

assumption of liabilities of \$33.6 million. Each of these acquisitions was accounted for by the purchase method of accounting. The unaudited pro forma information presented within this footnote is not necessarily indicative of the results which actually would have occurred if the acquisitions had been consummated on September 1, 1996, nor does the pro forma information purport to represent the results of operations for future periods.

	Calendar Year Ended 12/31/98	4-Month Period Ended 12/31/97	Fiscal Year Ended 8/31/97
Pro forma			
total revenues	\$ 76,846,000	\$ 24,626,000	\$ 70,819,000
Pro forma			
net income	\$ 23,664,000	\$ 6,889,000	\$ 9,790,000
Basic pro forma			
net income per share	\$ 1.78	\$.51	\$.74
Diluted pro forma			
net income per share	\$ 1.78	\$.50	\$.74

13. Summary of Quarterly Results (unaudited)

The following presents a summary of the unaudited quarterly financial information for the calendar year ended December 31, 1999 and 1998.

In thousands of dollars, except per share data

	1st Quarter	2nd Quarter	3rd Quarter	Calendar Year Ended 12/31/99 4th Quarter Total	
Revenues ⁽¹⁾	\$ 21,739	\$ 22,061	\$ 22,242	\$ 24,322	\$ 90,364
Income before gains on sales of interests in real estate ⁽¹⁾	\$ 4,524	\$ 4,918	\$ 4,902	\$ 4,632	\$ 18,976
Gains on sales of interests in real estate	1,346	—	162	255	1,763
Net income	\$ 5,870	\$ 4,918	\$ 5,064	\$ 4,887	\$ 20,739
Basic net income per share:					
Income before gains on sales of interests in real estate	\$.34	\$.37	\$.37	\$.35	\$ 1.43
Gains on sales of interests in real estate	.10	—	.01	.02	.13
Total	\$.44	\$.37	\$.38	\$.37	\$ 1.56
Diluted income per share:					
Income before gains on sales of interests in real estate	\$.34	\$.37	\$.37	\$.35	\$ 1.43
Gains on sales of interests in real estate	.10	—	.01	.02	.13
Total	\$.44	\$.37	\$.38	\$.37	\$ 1.56

(1) 1st Quarter reclassified to conform with current year presentation.

In thousands of dollars, except per share data

	1st Quarter	2nd Quarter	3rd Quarter	Calendar Year Ended 12/31/98 4th Quarter Total	
Revenues ⁽¹⁾	\$ 13,647	\$ 13,916	\$ 14,913	\$ 19,269	\$ 61,745
Income before gains on sales of interests in real estate	\$ 4,593	\$ 4,439	\$ 5,739	\$ 5,371	\$ 20,142
Gains on sales of interests in real estate	—	1,766	1,277	—	3,043
Net income ⁽²⁾	\$ 4,593	\$ 6,205	\$ 7,016	\$ 5,371	\$ 23,185
Basic net income per share:					
Income before gains on sales of interests in real estate	\$.35	\$.34	\$.43	\$.39	\$ 1.51
Gains on sales of interests in real estate	—	.13	.10	—	.23
Total	\$.35	\$.47	\$.53	\$.39	\$ 1.74
Diluted income per share:					
Income before gains on sales of interests in real estate	\$.34	\$.34	\$.43	\$.39	\$ 1.51
Gains on sales of interests in real estate	—	.13	.10	—	.23
Total	\$.34	\$.47	\$.53	\$.39	\$ 1.74

(1) In May 1998, the Emerging Issues Task Force reached a consensus that a lessor should defer recognition of percentage rental income in interim periods until the specified target that triggers the contingent rental income is achieved. The Company recorded percentage rental income of \$260,000, \$402,000, \$79,000 and \$1,045,000 in the first, second, third and fourth quarters, respectively.

(2) In the fourth quarter of 1998, the Company expensed \$270,000 of prepayment fees relating to a mortgage which was refinanced.

14. Segment Information

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement established standards for reporting financial information about operating segments in interim and annual financial reports and provides for a "management approach" in identifying the reportable segments.

The Company has four reportable segments: (1) retail properties, (2) multifamily properties, (3) other, and (4) corporate. The retail segment includes the operation and management of 22 regional and community shopping centers (12 wholly-owned and 10 owned in joint venture form). The multifamily segment includes the operation and management of 19 apartment communities (13 wholly-owned and 6 owned in joint venture

form). The other segment includes the operation and management of 6 retail properties under development (4 wholly-owned and 2 owned in joint venture form) and 5 industrial properties (all wholly-owned). The corporate segment is responsible for cash and investment management and certain other general support functions.

The accounting policies for the segments are the same as those described in Note 1, except that for segment reporting purposes, the Company uses the "proportionate-consolidation method" of accounting (a non-GAAP measure) for joint venture properties, instead of the equity method of accounting. The Company calculates the proportionate-consolidation method by applying their percentage ownership interest to the historical financial statements of their equity method investments.

Calendar Year Ended 12/31/99	Retail	Multifamily	Other	Corporate	Total	Adjustments to Equity Method	Total Consolidated
Real estate operating revenues	\$ 64,870	\$ 51,891	\$ 1,534	\$ —	\$ 118,295	\$ (29,075)	\$ 89,220
Real estate operating expenses	19,857	21,617	31	—	41,505	(9,722)	31,783
Net operating income	45,013	30,274	1,503	—	76,790	(19,353)	57,437
General and administrative expenses	—	—	—	(3,560)	(3,560)	—	(3,560)
Interest income	—	—	—	1,144	1,144	—	1,144
PRI net operating income	—	—	—	(2,504)	(2,504)	2,504	—
EBIDTA	45,013	30,274	1,503	(4,920)	71,870	(16,849)	55,021
Interest expense	(17,261)	(12,534)	(263)	(1,107)	(31,165)	9,323	(21,842)
Depreciation and amortization	(10,615)	(7,712)	(98)	(1,238)	(19,663)	5,440	(14,223)
PRI income taxes	—	—	—	56	56	(56)	—
Gains on sales of interests in real estate	445	—	1,318	—	1,763	—	1,763
Minority interest in operating partnership	—	—	—	(2,122)	(2,122)	—	(2,122)
Equity in interest of partnerships and joint ventures	—	—	—	—	—	6,178	6,178
Equity in loss of PRI	—	—	—	—	—	(4,036)	(4,036)
Net income	\$ 17,582	\$ 10,028	\$ 2,460	\$ (9,331)	\$ 20,739	\$ —	\$ 20,739
Investments in real estate, at cost	\$ 402,154	\$ 265,165	\$ 75,819	\$ —	\$ 743,138	\$ (165,617)	\$ 577,521
Total assets	\$ 384,417	\$ 208,020	\$ 72,796	\$ 15,812	\$ 681,045	\$ (133,455)	\$ 547,590
Capital expenditures	\$ 293	\$ 3,332	\$ —	\$ —	\$ 3,625	\$ (432)	\$ 3,193

Calendar Year Ended 12/31/98	Retail	Multifamily	Other	Corporate	Total	Adjustments to Equity Method	Total Consolidated
Real estate operating revenues	\$ 42,272	\$ 46,167	\$ 1,619	\$ —	\$ 90,058	\$ (28,313)	\$ 61,745
Real estate operating expenses	13,030	19,545	35	—	32,610	(10,091)	22,519
Net operating income	29,242	26,622	1,584	—	57,448	(18,222)	39,226
General and administrative expenses	—	—	—	(3,351)	(3,351)	—	(3,351)
Interest income	—	—	—	650	650	—	650
PRI net operating income	—	—	—	762	762	(762)	—
EBIDTA	29,242	26,622	1,584	(1,939)	55,509	(18,984)	36,525
Interest expense	(11,067)	(7,050)	(341)	(973)	(19,431)	8,840	(10,591)
Depreciation and amortization	(6,182)	(6,869)	(117)	(1,198)	(14,366)	4,960	(9,406)
PRI income taxes	—	—	—	123	123	(123)	—
Gains on sales of interests in real estate	1,277	1,766	—	—	3,043	—	3,043
Minority interest in operating partnership	—	—	—	(1,423)	(1,423)	—	(1,423)
Equity in interest of partnerships and joint ventures	—	—	—	—	—	5,985	5,985
Equity in loss of PRI	—	—	—	—	—	(678)	(678)
Loss on early extinguishment of debt	—	(270)	—	—	(270)	—	(270)
Net income	\$ 13,270	\$ 14,199	\$ 1,126	\$ (5,410)	\$ 23,185	\$ —	\$ 23,185
Investments in real estate, at cost	\$ 356,243	\$ 258,195	\$ 33,712	\$ —	\$ 648,150	\$ (138,744)	\$ 509,406
Total assets	\$ 269,829	\$ 137,125	\$ 9,410	\$ 179,517	\$ 595,881	\$ (114,266)	\$ 481,615
Capital expenditures	\$ 831	\$ 3,777	\$ —	\$ —	\$ 4,608	\$ (974)	\$ 3,634

4-Month Period Ended 12/31/97	Retail	Multifamily	Other	Corporate	Total	Adjustments to Equity Method	Total Consolidated
Real estate operating revenues	\$ 11,076	\$ 14,902	\$ 538	\$ —	\$ 26,516	\$ (9,346)	\$ 17,170
Real estate operating expenses	3,714	6,654	7	—	10,375	(3,460)	6,915
Net operating income	7,362	8,248	531	—	16,141	(5,886)	10,255
General and administrative expenses	—	—	—	(1,088)	(1,088)	—	(1,088)
Interest income	—	—	—	82	82	—	82
PRI net operating income	—	—	—	922	922	(922)	—
EBIDTA	7,362	8,248	531	(84)	16,057	(6,808)	9,249
Interest expense	(2,290)	(4,534)	(57)	(195)	(7,076)	2,727	(4,349)
Depreciation and amortization	(1,588)	(2,126)	(39)	(434)	(4,187)	1,492	(2,695)
PRI income taxes	—	—	—	(228)	(228)	228	—
Gains on sales of interests in real estate	2,090	—	—	—	2,090	—	2,090
Minority interest in operating partnership	—	—	—	(394)	(394)	—	(394)
Equity in interest of partnerships and joint ventures	—	—	—	—	—	2,101	2,101
Equity in income of PRI	—	—	—	—	—	260	260
Loss on early extinguishment of debt	—	—	—	(300)	(300)	—	(300)
Net income	\$ 5,574	\$ 1,588	\$ 435	\$ (1,635)	\$ 5,962	\$ —	\$ 5,962
Investments in real estate, at cost	\$ 190,928	\$ 214,587	\$ 20,093	\$ —	\$ 425,608	\$ (137,681)	\$ 287,927
Total assets	\$ 104,099	\$ 107,474	\$ 5,344	\$ 161,461	\$ 378,378	\$ (112,812)	\$ 265,566
Capital expenditures	\$ 114	\$ 1,405	\$ —	\$ —	\$ 1,519	\$ (308)	\$ 1,211

Fiscal Year Ended 8/31/97	Retail	Multifamily	Other	Corporate	Total	Adjustments to Equity Method	Total Consolidated
Real estate operating revenues	\$ 20,186	\$ 44,158	\$ 1,426	\$ —	\$ 65,770	\$ (25,539)	\$ 40,231
Real estate operating expenses	6,911	19,686	32	—	26,629	(10,142)	16,487
Net operating income	13,275	24,472	1,394	—	39,141	(15,397)	23,744
General and administrative expenses	—	—	—	(3,324)	(3,324)	—	(3,324)
Provision for losses on investments	—	—	—	(500)	(500)	—	(500)
Interest income	—	—	—	254	254	—	254
EBIDTA	13,275	24,472	1,394	(3,570)	35,571	(15,397)	20,174
Interest expense	(4,446)	(12,161)	(159)	—	(16,766)	7,680	(9,086)
Depreciation and amortization	(3,151)	(6,264)	(118)	(106)	(9,639)	3,380	(6,259)
Gains on sales of interests in real estate	1,069	—	—	—	1,069	—	1,069
Equity in interest of partnerships and joint ventures	—	—	—	—	—	4,337	4,337
Net income	\$ 6,747	\$ 6,047	\$ 1,117	\$ (3,676)	\$ 10,235	\$ —	\$ 10,235
Investments in real estate, at cost	\$ 94,185	\$ 212,521	\$ 9,486	\$ —	\$ 316,192	\$ (113,749)	\$ 202,443
Total assets	\$ 52,781	\$ 150,833	\$ 5,091	\$ 43,598	\$ 252,303	\$ (86,646)	\$ 165,657
Capital expenditures	\$ 794	\$ 3,258	\$ —	\$ —	\$ 4,052	\$ (1,330)	\$ 2,722

15. Subsequent Events

In 2000, the Company and an unrelated third-party formed a partnership and purchased the Willow Grove Park shopping center in Willow Grove, Pennsylvania for approximately \$140 million. Upon completion of certain investment requirements, including the funding of an expansion of the shopping center, the Company's current 0.01% interest in the partnership that owns the shopping center will increase to a subordinated 50% interest.

In 2000, the Company purchased, for \$11 million, including the assumption of debt, its partner's 35% interest in the Emerald Point Multifamily Community. The property is now 100% owned and operated by the Company.

Report of Independent Public Accountants

To the Shareholders and Trustees of
Pennsylvania Real Estate Investment Trust:

We have audited the accompanying consolidated balance sheets of Pennsylvania Real Estate Investment Trust (a Pennsylvania Trust) and Subsidiaries as of December 31, 1999 and December 31, 1998 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, the four-month period ended December 31, 1997 and the fiscal year ended August 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements for Lehigh Valley Mall Associates, a partnership in which the Company has a 50% interest which is reflected in the accompanying financial statements using the equity method of accounting. The equity in net income of Lehigh Valley Mall Associates represents 15%, 12%, 19% and 23% of net income for the years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 and for the fiscal year ended August 31, 1997, respectively. The financial statements of Lehigh Valley Mall Associates were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Lehigh Valley Mall Associates, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Real Estate Investment Trust and Subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999 and 1998, the four-month period ended December 31, 1997 and the fiscal year ended August 31, 1997, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Philadelphia, Pennsylvania
March 1, 2000

Management's Discussion & Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto included elsewhere in this report.

Acquisitions

The Company is actively involved in pursuing and evaluating a number of individual property and portfolio acquisition opportunities. In addition, the Company has stated that a key strategic goal is to obtain managerial control of all of its assets. In certain cases where existing joint venture assets are managed by outside partners, the Company is considering the possible acquisition of these outside interests. In certain cases where that opportunity does not exist, the Company is considering the disposition of its interests. There can be no assurance that the Company will consummate any such acquisition or disposition.

1999 Acquisitions

Significant 1999 acquisitions include the purchase of land for three development properties: Creekview Shopping Center, a 418,000 square-foot power center in Warrington, PA; Metroplex Shopping Center, a 780,000 square-foot power center in Plymouth Meeting, PA; and Paxton Towne Centre, a 695,000 square-foot power center in Harrisburg, PA. Other acquisitions during 1999 include the Home Depot at the Northeast Tower Center in Philadelphia, PA and Florence Commons, a 197,000 square-foot strip center adjacent to Magnolia Mall in Florence, SC. On December 15, 1999, the Company also acquired an additional 10% interest (60% total interest) in Rio Mall, a 166,000 square-foot strip center in Rio Grande, NJ.

1998 Acquisitions

Significant 1998 acquisitions include Prince Georges Plaza, a 745,000 square-foot regional shopping center in Hyattsville, MD; Festival at Exton, a 140,000 square-foot community shopping center in Chester County, PA; The Woods, a 320-unit apartment complex in Ambler, PA; and Northeast Tower Center (an 89% interest), a 479,000 square-foot power center in Philadelphia, PA, plus an adjacent parcel of land for the development of an additional 100,000 square feet. The Company also concluded the acquisitions of strip centers in Springfield, PA (a 50% interest) and

Valleyview in Wilmington, DE with 67,000 and 56,000 square-feet, respectively. The Company also opened Phase I of its Christiana Power Center with approximately 300,000 square-feet in Newark, DE in September 1998, which had been acquired as undeveloped land in early 1998. On December 18, 1998, the Company also acquired the remaining 50% interests in two multifamily properties and a parcel of undeveloped land.

Dispositions

Consistent with management's stated long-term strategic plan to review and evaluate all joint venture real estate holdings and non-core properties, the Company sold its interest in four properties and also sold surplus land at Crest Plaza in Allentown, PA. The four properties sold by the Company include 135 Commerce Drive, a 141,000 square-foot warehouse in Fort Washington, PA; 54 acres of undeveloped land in Rancocas, NJ; 14 acres of undeveloped land in Coral Springs, FL; and 22 acres of undeveloped land in Elizabethtown, PA. The combined cash proceeds of \$6.6 million were applied and reduced outstanding borrowings under the Company's Credit Facility.

Development, Expansions and Renovations

The Company is involved in a number of development and redevelopment projects, which may require equity funding by the Company or third-party debt or equity financing (see Note 11 to the Consolidated Financial Statements). In each case, the Company will evaluate the financing opportunities available to it at the time a project requires funding. In cases where the project is undertaken with a joint venture partner, the Company's flexibility in funding the project may be governed by the joint venture agreement or the covenants existing in its line of credit which limit the use of borrowed funds in joint venture projects.

The following tables summarize the financial terms of the 1999 and 1998 acquisitions (in thousands):

Acquisition Date	Property Name	Property Type	Property Location City	State	Purchase Price	Capital Resources		
						Credit Facility	New/Assumed Debt	OP Units
1/12/99	Creekview Shopping Center	Power Center	Warrington	PA	\$ 1,380	\$ 1,380	\$ —	\$ —
4/1/99	Northeast Tower Center (Home Depot)	Power Center	Philadelphia	PA	13,500	—	12,500	1,000
6/8/99	Metroplex Shopping Center	Power Center	Plymouth Meeting	PA	9,880	—	9,880	—
6/25/99	Paxton Towne Centre	Power Center	Harrisburg	PA	20,000	20,000	—	—
12/15/99	Florence Commons	Shopping Center	Florence	SC	6,417	6,417	—	—
12/15/99	Rio Mall	Shopping Center	Rio Grande	NJ	260	260	—	—
Total Completed 1999 Acquisitions					\$ 51,437	\$ 28,057	\$ 22,380	\$ 1,000
1/26/98	Christiana Power Center	Power Center	Newark	DE	\$ 8,700	\$ 6,000	\$ —	\$ 3,070 ⁽¹⁾
5/12/98	Springfield Park	Shopping Center	Springfield	PA	3,700	3,700	—	—
7/21/98	Valleyview	Shopping Center	Wilmington	DE	4,300	1,300	—	3,000
8/7/98	The Woods	Apartments	Ambler	PA	21,200	12,200	7,300	1,700
8/27/98	Festival at Exton	Shopping Center	Exton	PA	18,400	18,400	—	—
9/17/98	Prince Georges Plaza	Regional Mall	Hyattsville	MD	65,000	19,000	43,000	3,000
12/18/98	Fox Run	Apartments	Bear	DE	15,388	388	15,000	—
12/18/98	Eagle's Nest	Apartments	Coral Springs	FL	16,087	387	15,700	—
12/18/98	Turtle Run	Land	Coral Springs	FL	2,900	—	2,900	—
12/23/98	Northeast Tower Center	Shopping Center	Philadelphia	PA	25,000	3,700	18,000	3,300
Total Completed 1998 Acquisitions					\$ 180,675	\$ 65,075	\$ 101,900	\$14,070

(1) Estimate of OP units to be issued upon completion of Phase I of the project (see Note 11 to the Consolidated Financial Statements).

Results of Operations

Operating Results

(In thousands)

Revenues

	Calendar Year Ended 12/31/99	Calendar Year Ended 12/31/98
Gross revenues from real estate	\$ 89,220	\$ 61,745
Interest and other income	1,144	650
	90,364	62,395

Expenses

Property operating expenses	31,783	22,519
Depreciation and amortization	14,223	9,406
General and administrative expenses	3,560	3,351
Interest expense	21,842	10,591
	71,408	45,867

Equity in loss of PREIT-RUBIN, Inc.	18,956	16,528
Equity in income of partnerships and joint ventures	(4,036)	(678)
Minority interest in operating partnership	6,178	5,985
Loss on early extinguishment of debt	(2,122)	(1,423)
	—	(270)
Net income before gains on sales of interests in real estate	18,976	20,142
Gains on sales of interests in real estate	1,763	3,043
Net Income	\$ 20,739	\$ 23,185

Calendar Year December 31, 1999 compared with Calendar Year December 31, 1998

Net income for the calendar year ended December 31, 1999 before gains on sales of interests in real estate, decreased 5% to \$19.0 million from \$20.1 million for the calendar year of 1998. In 1999, net gains on the sales of interests in real estate were \$1.8 million as compared to \$3.0 million in 1998. In 1999, gains were recognized from the sales of interests in 135 Commerce Drive, Fort Washington, PA and undeveloped land in Rancocas, NJ, Coral Springs, FL, Elizabethtown, PA and Allentown, PA. In 1998, gains resulted from sales of the Company's interests in Punta Gorda Mall, Punta Gorda, FL; Ormond Beach Mall, Daytona Beach, FL and Charter Pointe Apartments in Altamonte Springs, FL.

Gross revenues from real estate increased by \$27.5 million or 44% to \$89.2 million for the year ended December 31, 1999, as compared to the year ended December 31, 1998. The 1999 period included an increase of \$25.8 million of revenues attributable to the 1998 acquisitions. The balance of the increase in revenues of \$1.7 million is attributable to an increase in revenues from properties owned during both periods. This was primarily the result of an increase in multifamily revenues of \$1.2 million.

In 1999, property operating expenses increased by \$9.3 million to \$31.8 million. The 1999 period included \$8.7 million of expenses attributable to the 1998 acquisitions. The balance of the increase of \$0.6 million is attributable to operating expenses from properties owned during both periods. This increase was primarily due to an increase in multifamily operating costs.

In 1999, depreciation and amortization increased by \$4.8 million to \$14.2 million primarily as a result of the 1998 acquisitions. Depreciation and amortization for properties owned during both periods increased by \$0.3 million.

In 1999, interest expense increased by \$11.2 million to \$21.8 million. Interest expense attributable to mortgaged properties increased by \$10.9 million due to the 1998 acquisitions (\$5.6 million) and the refinance of multifamily properties in the second quarter of 1999 (\$5.3 million). Interest expense incurred against the Company's Credit Facility increased by \$0.3 million.

Equity in income of partnerships and joint ventures increased by \$0.2 million to \$6.2 million primarily as a result of an increase in multifamily revenues from partnerships and joint ventures.

Equity in net loss of PREIT-RUBIN, Inc. for the 1999 period was \$4.0 million compared with \$0.7 million for the 1998 period primarily attributable to a decrease in leasing commissions of \$2.8 million due to several large, non-recurring leasing commissions earned in the 1998 period and a decrease in development fees of \$0.8 million due to the completion of several development projects that generated fees in 1998 only.

Minority interest in the operating partnership increased \$0.7 million as a result of the Units issued in connection with the Company's acquisition of The Rubin Organization and Units issued in connection with five acquisitions during 1998 and one transaction during 1999.

In 1998, loss on early extinguishment of debt was due to a refinancing prepayment fee on Fox Run Apartments of \$0.3 million.

Calendar Year December 31, 1998 compared with Calendar Year December 31, 1997

Net income for the calendar year ended December 31, 1998 before gains on sales of interests in real estate, increased 107% to \$20.1 million from \$9.7 million for the comparable period of 1997. In 1998, net gains on the sales of interests in real estate were \$3.0 million as compared to \$1.7 million in 1997. In 1998, gains were recognized from the sales of interests in Punta Gorda Mall, Punta Gorda, FL, Ormond Beach Mall, Daytona Beach, FL and Charter Pointe Apartments in Altamonte Springs, FL. In 1997, gains resulted from sales of the Company's interest in Gateway Mall, St. Petersburg, FL offset by a loss on the sale of property in Margate, FL.

Gross revenues from real estate increased by \$17.7 million or 40% to \$61.7 million for the year ended December 31, 1998, as compared to the year ended December 31, 1997. The 1998 period included \$17.1 million of revenues attributable to new properties acquired. Of that amount, \$10.8 million of revenues were attributable to Magnolia Mall and North Dartmouth Mall, which the Company acquired on September 30, 1997. The balance of the increase in revenues of \$6.3 million was attributable to the 1998 acquisitions. Revenues from properties owned during both periods increased by \$0.6 million primarily as a result of an increase in apartment revenues of \$0.5 million.

In 1998, property operating expenses increased by \$4.6 million to \$22.5 million. The 1998 period included \$4.8 million of expenses attributable to new properties acquired. Of that increase, \$3.0 million of expenses were attributable to Magnolia Mall and North Dartmouth Mall. The balance of the increase of \$1.8 million was attributable to the 1998 acquisitions. Operating expenses from properties owned during both periods decreased by \$0.2 million primarily due to decreases in operating costs for apartments.

In 1998, depreciation and amortization increased by \$2.5 million to \$9.4 million primarily as a result of depreciation of \$2.2 million from the addition of Magnolia Mall and North Dartmouth Mall and the 1998 acquisitions. Depreciation and amortization for properties owned during both periods increased by \$0.3 million.

In 1998, interest expense increased by \$0.3 million to \$10.6 million. Interest expense attributable to mortgaged properties increased by \$0.5 million due to the acquisition of Magnolia Mall, The Woods Apartments and Prince Georges Plaza, offset by the repayment of the mortgage on Cobblestone Apartments in December 1997. Interest expense incurred against the Company's Credit Facility decreased by \$0.2 million.

Equity in income of partnerships and joint ventures increased by \$0.2 million to \$6.0 million primarily as a result of the Company's purchase of a 50% interest in Oxford Valley Road Associates on September 30, 1997 and Springfield Mall, acquired during the second quarter of 1998, which together contributed \$0.6 million for the period. Equity in the income of properties owned during both periods decreased by \$0.3 million. This decrease was caused by a \$0.6 million reduction from Whitehall Mall which was being redeveloped, offset by increases of \$0.3 million from other joint ventures.

In 1997, loss on early extinguishment of partnerships and joint venture debt of \$1.2 million related to refinancing fees paid on Lehigh Valley Mall and Regency Apartments.

Equity in net loss of PREIT-RUBIN, Inc. for the 1998 period was \$0.7 million compared with income of \$0.3 million for the 1997 period.

Minority interest in the operating partnership increased \$1.0 million as a result of the Units issued in connection with the Company's acquisition of The Rubin Organization and Units issued in connection with five acquisitions during 1998.

In 1998, loss on early extinguishment of debt was due to a refinancing prepayment fee on Fox Run Apartments of \$0.3 million.

Calendar Year December 31, 1998 compared with

Fiscal Year August 31, 1997

Net income for the calendar year ended December 31, 1998 before gains on sales of interests in real estate, increased 118% to \$20.1 million from \$9.2 million for the fiscal year 1997. In 1998, net gains on the sales of interests in real estate were \$3.0 million as compared to \$1.0 million in 1997. In 1998, gains were recognized from the sales of interests in Punta Gorda Mall, Punta Gorda, FL, Ormond Beach Mall, Daytona Beach, FL and Charter Pointe Apartments in Altamonte Springs, FL. In 1997, gains on sales of the Company's interest in shopping centers in Lancaster, Beaver Falls and Waynesburg, PA of \$1.5 million were offset by a loss on sale of shopping center in Margate, FL of \$0.4 million.

Gross revenues from real estate increased by \$21.5 million or 53% to \$61.7 million for the year ended December 31, 1998, as compared to \$40.2 million for the year ended August 31, 1997. The 1998 period included \$20.5 million of revenues attributable to properties acquired. Of that amount, \$14.2 million of revenues were attributable to Magnolia Mall and North Dartmouth Mall. The balance of the increase of \$6.3 million was attributable to the 1998 acquisitions. Revenues from properties owned during both periods increased by \$1.0 million primarily as a result of an increase in apartment revenues of \$0.7 million.

In 1998, property operating expenses increased by \$6.0 million to \$22.5 million. The 1998 period included \$6.1 million of expenses attributable to properties acquired. Of that increase, \$4.3 million of expenses were attributable to Magnolia Mall and North Dartmouth Mall. The balance of the increase of \$1.8 million was attributable to the 1998 acquisitions. Operating expenses from properties owned during both periods decreased by \$0.1 million primarily due to decreases in operating costs for apartments.

In 1998, depreciation and amortization increased by \$3.1 million to \$9.4 million primarily as a result of additional depreciation expense of \$2.6 million from the acquisition of Magnolia Mall and North Dartmouth Mall in 1997 and the 1998 acquisitions. Depreciation and amortization from properties owned during both periods increased by \$0.3 million.

In 1998, interest expense increased by \$1.5 million to \$10.6 million. Interest expense attributable to properties increased by \$3.8 million due to the acquisition of Magnolia Mall, The Woods Apartments and Prince Georges Plaza, offset by the repayment of the mortgage on Cobblestone Apartments in December 1997. Interest expense incurred against the Company's Credit Facility decreased by \$2.3 million.

Equity in income of partnerships and joint ventures increased by \$1.6 million to \$6.0 million as a result of the Company's purchase of a 50% interest in Oxford Valley Road Associates on September 30, 1997 and three other properties, which contributed \$0.7 million for the period. Equity in the income of properties owned during both periods increased by \$0.9 million. This increase was net of a \$0.8 million decrease from Whitehall Mall which was being redeveloped.

Equity in net loss of PREIT-RUBIN, Inc. for the 1998 period was \$0.7 million.

Minority interest in the operating partnership was \$1.4 million as a result of the Units issued in connection with the Company's acquisition of The Rubin Organization and Units issued in connection with five 1998 acquisitions (see Notes 3 and 12 to the Consolidated Financial Statements).

In 1998, loss on early extinguishment of debt was due to a refinancing prepayment fee on Fox Run Apartments of \$0.3 million.

Four-Month Periods Ended December 31, 1997 and 1996

Net income for the four months ended December 31, 1997 increased to \$6.0 million from \$4.9 million as reported in the comparable period in the prior year.

Gross revenues from real estate increased by \$3.9 million to \$17.0 million for the four month period ended December 31, 1997 as compared to the same period in the prior year. The 1997 period included \$3.5 million of revenues attributable to Magnolia Mall and North Dartmouth Mall. Revenues from properties owned during both periods increased by \$0.3 million primarily as a result of an increase in apartment revenues.

Operating expenses increased by \$1.4 million to \$6.9 million. The 1997 period included \$1.3 million of expenses attributable to Magnolia Mall and North Dartmouth Mall. Operating expenses from properties owned during both periods increased by \$0.1 million.

Depreciation and amortization increased by \$0.6 million to \$2.7 million primarily as a result of the addition of the Magnolia Mall and North Dartmouth Mall properties of \$0.4 million, and increased amortization of financing costs of approximately \$0.1 million.

Interest expense increased by \$1.2 million to \$4.3 million as a result of interest on borrowings against the Company's Credit Facility for acquisitions and working capital needs.

Equity in income of partnerships and joint ventures increased by \$0.3 million to \$2.1 million primarily as a result of the Company's acquisition of a 50% interest in Oxford Valley Road Associates on September 30, 1997 generating additional income of \$0.1 million. Also, the 1996 period includes a prepayment penalty in the amount of \$0.2 million due to the refinancing of debt for Lehigh Valley Mall.

Equity in income of PREIT-RUBIN, Inc. for the 1997 period was \$0.3 million.

The gain on the sale of interest in real estate of \$2.1 million in the 1997 period relates to the sale of the Company's 60% interest in Gateway Mall, St. Petersburg, Florida. The prior year gains of \$1.5 million consist of the sale of the Company's 50% interest in three shopping centers in Pennsylvania.

Minority interest increased by \$0.4 million to \$0.4 million as a result of the Units issued in connection with the Company's acquisition of The Rubin Organization.

Extraordinary loss of \$0.3 million is due to the write-off of remaining deferred financing costs following the early extinguishment of the Company's previous credit facility.

Liquidity and Capital Resources

The Company expects to meet its short-term liquidity requirements generally through its available working capital and net cash provided by operations. The Company believes that its net cash provided by operations will be sufficient to allow the Company to make any distributions necessary to enable the Company to continue to qualify as a REIT under the Internal Revenue Code of 1986, as amended. The Company also believes that the foregoing sources of liquidity will be sufficient to fund its short-term liquidity needs for the foreseeable future, including capital expenditures, tenant improvements and leasing commissions.

The Company expects to meet certain long-term liquidity requirements such as property acquisitions, scheduled debt maturities, renovations, expansions and other non-recurring capital improvements through long-term secured and unsecured indebtedness and the issuance of additional equity securities. The Company also expects to use the remaining funds available under the \$150 million revolving credit facility (the "Credit Facility") to fund acquisitions, development activities and capital improvements on an interim basis.

At December 31, 1999 the Company had borrowed \$91 million against its Credit Facility and had pledged \$7 million under the Credit Facility as collateral for several letters of credit. The proceeds of the \$91 million in borrowings were used to fund 1997, 1998 and 1999 acquisitions and several development projects. The letters of credit were drawn to facilitate several development projects and a new acquisition. Of the unused portion of approximately \$52 million, as of December 31, 1999, the Company's loan covenant restrictions allow the Company to borrow approximately an additional \$23 million based on the existing property collateral pool.

In order to secure additional funds for its acquisition and development activities, the Company is exploring a number of financing alternatives with the current bank group as well as other financial institutions and intermediaries. The Company expects these activities to be ongoing throughout 2000.

The Credit Facility

The Company's operating partnership has entered into the Credit Facility with a group of banks led by First Union National Bank. The obligations of the Company's operating partnership under the Credit Facility have been guaranteed by the Company.

During 1998, the Credit Facility's original maturity date was extended to December 31, 2000. The Credit Facility bears interest, at the borrower's election, at (i) the higher of First Union's prime rate, or the Federal Funds lending rate plus 0.5%, in each case as in effect from time to time, or (ii) the London Interbank Offered Rate (LIBOR) plus margins ranging from 1.1% to 1.7%, depending on the ratio of the Company's consolidated liabilities to gross asset value (the "Leverage Ratio"), each as determined pursuant to the terms of the Credit Facility.

The Credit Facility contains affirmative and negative covenants customarily found in facilities of this type, as well as requirements that the Company maintain, on a consolidated basis: (i) a maximum Leverage Ratio of 65%; (ii) a maximum ratio of Senior Liabilities (as defined in the Credit Facility) to Mortgaged Asset Value (as defined in the Credit Facility) of 71% at December 31, 1999; (iii) minimum tangible net worth of \$115 million plus 75% of cumulative net proceeds from the sale of equity securities; (iv) a minimum ratio of annualized consolidated property net operating income to total annual debt service of 1.40:1; and (v) a minimum ratio of annualized consolidated property net operating income to pro forma debt service of 1.30:1.

During 1999, the Company executed the Third Amendment to the Credit Facility. In addition to the covenants indicated in the preceding paragraph, a new covenant, referred to as the "Minimum Mortgaged Asset Debt Service Ratio," was added. This covenant requires the Company to maintain the ratio of aggregated annualized net operating income for the Mortgaged Properties (as defined in the Third Amendment) to the product of the Indebtness (which includes any amounts due under the Credit Facility, including Letters of Credit) and 8.75% of at least 1.45 to 1 on December 31, 1999.

The Third Amendment also required the recording of the mortgages, assignments of rents, leases, and profits, and UCC-1 Financing Statements that had been delivered by the Borrower with respect to those properties that, as of April 15, 1999 were part of the Unencumbered Property Pool (as defined in the Third Amendment). These nine properties, along with two additional properties added via the Third Amendment, are now referred to as the Mortgaged Properties. One of the Development Properties will be added to the Mortgaged Properties after the date of Substantial Completion (as defined in the Third Amendment).

Mortgage Notes

In addition to amounts due under the Credit Facility, during the next three years construction and mortgage loans, secured by properties owned by two partnerships in which the Company has an interest, mature by their terms. Balloon payments on these loans total \$22.9 million of which the Company's proportionate share is \$11.8 million. Construction and mortgage loans on properties wholly-owned by the Company also mature by their terms. Balloon payments on these loans total \$21.7 million.

In order to secure additional funds for its acquisition and development activities, on April 13, 1999, the Company concluded the financing of eight multifamily communities with \$108.0 million of permanent, fixed-rate, long-term debt. With the financing, the Company replaced short-term floating rate debt with fixed rate, mortgage debt. The new debt carries a weighted average fixed interest rate of approximately 6.77%. The eight properties secure the non-recourse loans, which amortize over 30 years and mature in May 2009. Proceeds from these newly-placed loans were used to (i) repay approximately \$88.0 million of the Credit Facility, (ii) pay off a short-term floating rate loan of approximately \$17.0 million and (iii) fund approximately \$3.0 million in closing costs.

Commitments

At December 31, 1999, the Company had approximately \$73 million committed to complete current development and redevelopment projects. Of this amount, approximately \$40.0 million of construction financing has been placed. In connection with certain development properties, including those development properties acquired as part of the Company's acquisition of The Rubin Organization (see Note 3 to the Consolidated Financial Statements), the Company may be required to issue additional Units upon the achievement of certain financial results.

Cash Flows

During the year ended December 31, 1999, the Company generated \$32.3 million in cash flow from operating activities. Other sources and uses of cash flow included: (i) \$120.5 million in net proceeds from mortgage notes payable, and (ii) \$6.8 million proceeds from a construction loan payable; offset by (i) \$47.9 million net repayments of the Company's Credit Facility, (ii) \$17.0 million of prepayments of mortgage notes payable, (iii) \$3.7 million of other principal installments, and (iv) \$27.6 million of distributions to shareholders and Unit holders. During the year ended December 31, 1999, the Company had net investing activities of \$64.9 million including: (i) investments in wholly-owned real estate assets (\$37.0 million), (ii) investments in property under development (\$26.8 million), (iii) investments in partnerships and joint ventures (\$8.3 million), (iv) investments in the affiliated management company (\$2.1 million), offset by (i) cash proceeds from gains on sales of real estate interests of \$5.5 million and (ii) cash distributions from partnerships and joint ventures in excess of equity in income of \$3.8 million.

Contingent Liabilities

The Company along with certain of its joint venture partners has guaranteed debt totaling \$6.2 million (see Note 4 to Consolidated Financial Statements).

Also, the Company and its joint venture partner have jointly and severally guaranteed the construction loan payable on a development project. The balance of the loan at December 31, 1999 is \$22.3 million and the remaining commitment from the lender is \$43.7 million for a total credit line of \$66.0 million.

Interest Rate Protection

In order to reduce exposure to variable interest rates, the Company entered into a six-year interest rate swap agreement with First Union, on \$20 million of indebtedness which fixes a rate of 6.12% per annum versus 30-day LIBOR until June 2001.

Financial Instruments Sensitivity Analysis

The analysis below presents the sensitivity of the market value of the Company's financial instruments to selected changes in the general level of market interest rates. In order to mitigate the impact of fluctuation in market interest rates, the Company's derivative and other financial instruments consist of long-term debt (including current portion) and an interest rate swap agreement. All financial instruments are entered into for other than trading purposes and the net market value of these financial instruments combined is referred to as the net financial instrument position. As of December 31, 1999, the Company's consolidated debt portfolio consisted of \$266.8 million in fixed rate mortgage notes and \$91.0 million borrowed under its revolving Credit Facility. The Company has limited its exposure to increases in LIBOR on its floating rate debt by entering into a \$20.0 million interest rate swap agreement which expires in June 2001 and carries a fixed interest rate of 6.12% versus 30-day LIBOR. Management does not foresee any significant changes in the Company's exposure to interest rate fluctuations or how such exposure will be managed in the near future.

Changes in market interest rates have different impacts on the fixed and variable portions of the Company's debt portfolio. A change in market interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, however, it has no impact on interest incurred or cash flows. A change in market interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position. The sensitivity analysis, related to the fixed debt portfolio, assumes an immediate 100 basis point move in interest rates from their actual December 31, 1999 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the net financial instrument position of \$13.5 million at December 31, 1999. A 100 basis point decrease in market interest rates would result in an increase in the net financial instrument position of \$14.6 million at December 31, 1999. Based on the variable-rate debt included in the Company's debt portfolio, including an interest rate swap agreement, as of December 31, 1999, a 100 basis point increase in interest rates would result in an additional \$0.7 million in interest incurred at December 31, 1999. A 100 basis point decrease would reduce interest incurred by \$0.7 million at December 31, 1999.

Funds From Operations

The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.

Funds from operations increased 12.5% to \$38.9 million for the year ended December 31, 1999, as compared to \$34.6 million in 1998. The increase is primarily due to an improvement in net operating income from residential properties and newly acquired properties in 1998 and 1999.

Capital Expenditures

During calendar 1999, the Company expended \$3.6 million for capital expenditures; \$3.3 million (\$517 per unit owned adjusted for partnership interests) for multifamily communities and \$0.3 million for shopping centers. The Company's policy is to capitalize expenditures for floor coverings, appliances and major exterior preparation and painting for apartments. During the year, \$1.3 million (\$229 per unit owned) was expended for floor covering and \$0.65 million (\$108 per unit owned) for appliances.

Environmental Matters

In 1994, the Company established a reserve of \$0.6 million for environmental remediation costs. In addition, the Company received a credit of \$0.4 million for environmental matters in connection with the acquisition of two properties. Since 1994 a total of \$0.7 million was charged against the reserve. The Company also reduced the reserve by \$0.2 million leaving a balance of \$0.1 million, which is the Company's share of the estimated remaining environmental liability. There can be no assurance that these amounts will be adequate to cover future environmental costs.

Year 2000

The Company expended approximately \$0.2 million in connection with hardware, software and equipment upgrades and repairs relating to the Year 2000 issue. The Company did not incur any significant interruption of services in connection with the Year 2000, nor does the Company expect to incur any in the future.

Competition

The Company's shopping centers compete with other shopping centers in their trade areas as well as alternative retail formats, including catalogues, home shopping networks and internet commerce. Apartment properties compete for tenants with other multifamily properties in their markets. Economic factors, such as employment trends and the level of interest rates, impact shopping center sales as well as a prospective tenant's choice to rent or own his/her residence.

Inflation

Inflation can have many effects on the financial performance of the Company. Shopping center leases often provide for the payment of rents based on a percentage of sales which may increase with inflation. Leases may also provide for tenants to bear all or a portion of operating expenses which may reduce the impact of such increases on the Company. Apartment leases are normally for a one-year term which may allow the Company to seek increased rents as leases are renewed or when new tenants are obtained.

Forward-Looking Statements

The matters discussed in this report, as well as news releases issued from time to time by the Company use forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "estimate," "plan," or "continue" or the negative thereof or other variations thereon, or comparable terminology which constitute "forward-looking statements." Such forward-looking statements (including without limitation, information concerning the Company's planned acquisition, development and divestiture activities, short- and long-term liquidity position, ability to raise capital through public and private offerings of debt and/or equity securities, availability of adequate funds at reasonable cost, revenues and operating expenses for some or all of the properties, leasing activities, occupancy rates, changes in local market conditions or other competitive factors) involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company's results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Trustees



Sylvan M. Cohen, Chairman
Age 85; Trustee since 1960; Chairman of Property Committee

Founding Trustee; Chief Executive Officer until 1997. Of counsel to Drinker Biddle & Reath LLP and former partner in the Philadelphia law firm of Cohen, Shapiro, Polisher, Shiekman and Cohen. Trustee and former President of the International Council of Shopping Centers and the National Association of Real Estate Investment Trusts. Trustee of Orleans Homebuilders, Inc. and EQK Realty Investors I. Member of Advisory Board of the Real Estate Center at the Wharton School. Former President of the Jewish Federation of Greater Philadelphia and trustee or director of United Way, March of Dimes, University of Pennsylvania Medical Center, National Conference of Christians and Jews and Police Athletic League of Philadelphia.



William R. Dimeling
Age 58; Trustee since 1982; Member of the Audit Committee and Executive Compensation and Human Resources Committee

Partner and co-founder, Dimeling, Schreiber and Park (private investment partnership); Former Executive Vice President of the Reading Company and partner in the law firm of Townsend, Elliot and Munson. Director of New Piper Aircraft Corporation, Burlingame Motor Carriers and a number of the DS&P portfolio firms.



Rosemarie B. Greco
Age 53; Trustee since 1997; Member of Audit Committee

Principal, GRECOventures (business investment and leadership development); former CEO and President, CoreStates Bank, N.A. Director of Cardone Industries, Inc., Genuardi Markets, Inc., PECO Energy Corp., PRWT Comserve, Inc., Radian, Inc. and Sunoco, Inc. Past chair of the Greater Philadelphia Chamber of Commerce, former interim president and CEO of Philadelphia Private Industry Council and former chair of Philadelphia Women's Commission. Former member of Philadelphia Planning Commission and Board of Education.



Lee H. Javitch
Age 69; Trustee since 1985; Member of Audit Committee and Executive Compensation and Human Resources Committee

Private Investor and former Chairman and Chief Executive Officer, Giant Food Stores, Inc. Director of Jewish Theological Seminary of America, Allfirst Financial Inc., and Jewish Community Center of Harrison, NY. Former director of MAZON: A Jewish Response to Hunger, Rye Country Day School, Pennsylvania Council on Arts, and executive committee member of Boy Scouts of America.



Leonard I. Korman
Age 64; Trustee since 1996; Member of Property Committee and Executive Compensation and Human Resources Committee

Chairman and Chief Executive Officer, Korman Commercial Properties, Inc. (real estate development and management). Member of regional advisory board of First Union National Bank. Trustee of Albert Einstein Health Care Network, Thomas Jefferson University, and Korman Family Foundation.



Jeffrey P. Orleans
Age 53; Trustee since 1986; Member of Property Committee and Audit Committee

Chairman and Chief Executive Officer, Orleans Homebuilders, Inc. (residential development); Partner, Orleans Builders and Developers. Director of Builders League of South Jersey, the National Association of Home Builders, New Jersey National Bank, Mainard, Inc., and Resort at Palm Aire, Inc. Member of Board of Federation of Jewish Agencies, The Baldwin School, The William Penn Charter School, The American Committee for the Weizmann Institute of Science, Albert Einstein Medical Center and Children's Hospital.



George F. Rubin
Age 57; President, PREIT-RUBIN, Inc.; Trustee since 1997

Joined The Rubin Organization, Inc. in 1970. Board member of Lafayette College, Elwyn Institute, the Central Philadelphia Development Corporation, the Foundation for Architecture, and The Philadelphia Vietnam Veteran's Memorial. Chairman of the Board of Thorncroft Therapeutic Horseback Riding, Inc.



Ronald Rubin
Age 68; Chief Executive Officer; Trustee since 1997; Member of Property Committee

Joined Richard I. Rubin and Co., Inc. in 1953 and served as chairman and chief executive officer of The Rubin Organization, Inc. for over 25 years. Trustee of International Council of Shopping Centers. Director of PECO Energy Corp. Chairman of Center City District and past Chairman of the Greater Philadelphia Chamber of Commerce. Served on boards of Franklin Institute, Philadelphia Orchestra, Albert Einstein Medical Center, Tel Aviv University, American Friends of Hebrew University, Midlantic Bank (now PNC), University of the Arts and the United Jewish Appeal.



Jonathan B. Weller
Age 53; President and Chief Operating Officer; Trustee since 1994; Member of Property Committee

Joined the Company in 1994; former Executive Vice President and Director of Eastdil Realty, Inc. (real estate investment banking). Member of National Association of Real Estate Investment Trusts, Urban Land Institute and International Council of Shopping Centers. Director of Lower Merion Conservancy.

Officers

Pennsylvania Real Estate Investment Trust

Sylvan M. Cohen
Chairman

Ronald Rubin
Chief Executive Officer

Jonathan B. Weller
President and Chief Operating Officer

Edward A. Glickman
Executive Vice President and Chief Financial Officer

Jeffrey A. Linn
Senior Vice President – Acquisitions and Secretary

Dante J. Massimini
Senior Vice President – Finance and Treasurer

Raymond J. Trost
Vice President – Asset Management

PREIT–RUBIN, Inc.

George F. Rubin
President

Joseph F. Coradino
Executive Vice President – Retail Division

Douglas S. Grayson
Executive Vice President – Development

Leonard B. Shore
Executive Vice President – Special Projects

Powell W. Arms III
Vice President – Development

Judith E. Baker
Vice President – Human Resources

Jonathen Bell
Vice President – Financial Services

Elaine Berger
Vice President – Specialty Leasing

Vernon Bowen
Vice President – Risk Management

David Bryant
Vice President – Financial Services

Nicolina Columbo
Vice President – Director of Mall Leasing

Harvey Diamond
Vice President – Site Acquisition

Cheryl K. Dougherty
Vice President – Marketing

R. Scott Petrie
Vice President – Retail Management

Timothy R. Rubin
Vice President – Director of Strip Center Leasing

Larry Trachtman
Vice President – Legal

Mario C. Ventresca, Jr.
Vice President – Retail Asset Management

PREIT is a member of:

National Association of Real Estate Investment Trusts

International Council of Shopping Centers

National Multi-Housing Council

Pension Real Estate Association

Urban Land Institute

Investor Information

Headquarters

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Philadelphia, PA 19102-3803
215.875.0700
215.546.7311 Fax
www.preit.com

Independent Public Accountants

Arthur Andersen LLP
1601 Market Street
Philadelphia, PA 19103-2499

Legal Counsel

Drinker Biddle & Reath LLP
One Logan Square
18th & Cherry Streets
Philadelphia, PA 19103-6996

Transfer Agent and Registrar

For change of address, lost dividend checks, shareholder records and other shareholder matters, contact:

American Stock Transfer & Trust Co.
40 Wall Street
New York, NY 10005
800.937.5449
718.331.1852 Fax
info@amstock.com

Investor Inquiries

Shareholders, prospective investors and analysts seeking information about the company should direct their inquiries to:

Jean Dardzinski
Director of Investor Relations
Pennsylvania Real Estate Investment Trust
200 South Broad Street
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215.875.0735
215.549.8562 Fax
Email: Dardzins@preit.com

Annual Meeting

The Annual Meeting of Shareholders is scheduled for 11 am on Wednesday, May 10, 2000 at the Park Hyatt at the Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania.

Forms 10-K and 10-Q

The Company's Annual Report on Form 10-K, including financial statements and schedules, and Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission, may be obtained without charge from the Company.

Market Price and Distribution Record

The following table shows the high and low sales prices for PREIT shares and cash distributions paid for the periods indicated.

Quarters Ended 12/31/99	High	Low	Distributions Paid
March 31	20.25	18.56	\$ 0.47
June 30	21.69	18.56	0.47
September 30	21.00	18.56	0.47
December 31	18.88	14.00	0.47
			\$ 1.88

Quarters Ended 12/31/98	High	Low	Distributions Paid
March 31	25.25	23.50	\$ 0.47
June 30	24.69	21.50	0.47
September 30	24.13	18.63	0.47
December 31	21.50	18.75	0.47
			\$ 1.88

As of December 31, 1999, there were approximately 1,260 shareholders of record of the company's shares of beneficial interest.

Stock Market

New York Stock Exchange





Pennsylvania Real Estate Investment Trust

200 South Broad Street
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www.preit.com