

The background of the entire page is a light gray topographic map with various contour lines and dashed lines representing paths or boundaries.

PRETT[®]

2013 ANNUAL REPORT





In the pages ahead, we will discuss our progress along the path we mapped out in 2012 and our progress toward achieving our strategic objectives – balance sheet improvement, operational excellence, elevating portfolio quality and positioning for growth. Our direction is clear and we have covered a lot of terrain over the past year, making notable headway in achieving our vision: driving shareholder value through the creation of dynamic and compelling shopping environments for the retailers, consumers and communities we serve.

PREIT is a real estate investment trust specializing in the ownership and management of differentiated retail shopping malls designed to fit the dynamic communities they serve. Founded in 1960 as Pennsylvania Real Estate Investment Trust, the Company currently owns properties in 12 states in the eastern half of the United States with concentration in the Mid-Atlantic region and Greater Philadelphia. The Company's current portfolio is comprised of 35 shopping malls, five community and power centers, and four development sites totaling 44 properties and 30.4 million square feet of space. PREIT is headquartered in Philadelphia, Pennsylvania, and is publicly traded on the NYSE under the symbol PEI. Information about the Company can be found at preit.com or on Twitter and LinkedIn.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST (in thousands, except per share amounts)

Year ended December 31,	2013	2012	2011
Funds from operations*	\$ 121,101	\$ 95,617	\$ 105,585
Total revenue	\$ 438,678	\$ 419,347	\$ 419,138
Loss from continuing operations	\$ (20,449)	\$ (44,319)	\$ (67,876)
Net income (loss) attributable to common shareholders	\$ 20,011	\$ (48,821)	\$ (90,161)
Loss from continuing operations per share – basic and diluted	\$ (0.56)	\$ (0.92)	\$ (1.20)
Net income (loss) per share – basic and diluted	\$ 0.31	\$ (0.89)	\$ (1.66)
Investment in real estate, at cost	\$ 3,527,868	\$ 3,477,540	\$ 3,576,997
Total assets	\$ 2,718,581	\$ 2,877,624	\$ 2,910,254
Distributions paid per common share	\$ 0.74	\$ 0.63	\$ 0.60
Number of common shares and OP Units outstanding	70,422	58,632	58,006
Total market capitalization	\$ 3,368,965	\$ 3,337,292	\$ 2,973,126

*Reconciliation to GAAP can be found on page 16.



"Our contention is that offering people experiences beyond simply shopping will make for a successful and vibrant mall environment."

DEAR FELLOW SHAREHOLDERS

Last year was a standout year for PREIT. We are proud of our accomplishments in 2013 and entered 2014 with confidence and optimism, keenly aware of the challenges facing our industry, yet laser-focused on the execution of our strategy and the path forward.

In late 2012, we charted our course to improving shareholder value consisting of four strategic objectives – balance sheet improvement, operational excellence, elevating portfolio quality and positioning for growth. We are proud to discuss with you our accomplishments along this tactical path since the beginning of 2013.

BALANCE SHEET IMPROVEMENT

PREIT has concentrated on making remarkable improvement to its balance sheet. As a result, our balance sheet is stronger and fundamentally different than it was 18 months ago. We have reduced our debt by over \$500.0 million in the past two years and reduced our bank leverage ratio to 48.4%, the lowest level since 2005.

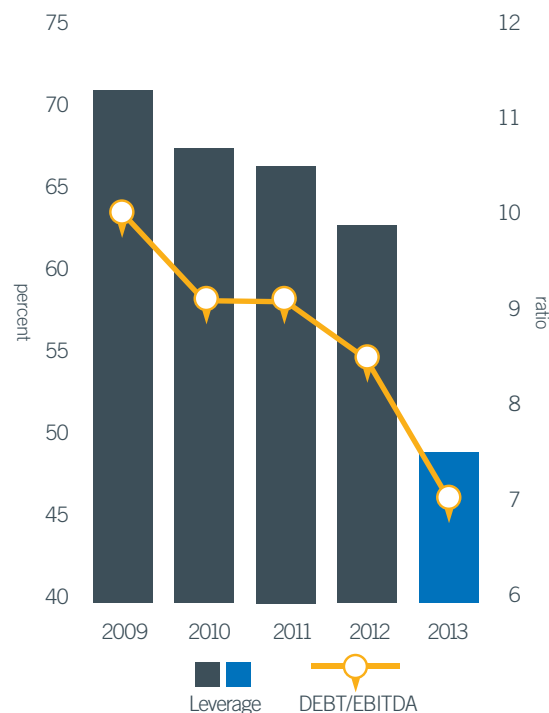
In April 2013, we renegotiated a \$400.0 million credit facility, moving it from secured to unsecured, increasing our borrowing capacity, extending the term, and reducing the interest rate. In May 2013, we launched and closed a common equity offering at our 52-week high that generated \$220.5 million in proceeds.

During the year, we paid off or refinanced \$509.7 million of mortgage loans, creating a growing pool

of unencumbered assets with the payoffs. Within that total, refinanced mortgage loans in 2013 totaled \$291.1 million on five properties with a weighted average interest rate of approximately 4.3%, a 127 basis point reduction versus the previous mortgage loans on those properties.

In January of 2014, we entered into two new term loans to take advantage of favorable pricing and bank credit markets, achieving a rate on the five-year term loan that is 25 basis points lower than

DEBT/EBITDA



Ratios are calculated based on definitions in the Company's 2010 and 2013 Credit Facilities, as applicable.



our credit facility. Tying this all together, our leverage and our interest expense have been reduced substantially.

OPERATIONAL EXCELLENCE

One of my primary objectives as CEO is to lead a performance-driven organization that consistently delivers solid operating results. 2013 was a record-breaking year. We ended last year with record occupancy levels – 95.0% total occupancy and 93.5% non-anchor occupancy.

Same store NOI grew by 2.6%, which was the highest increase in a decade. FFO, as adjusted, increased to \$1.92 per share, an increase of 4.9% from last year.

Renewal spreads were strong at 4.3% for small-shop leases. Average in-place gross rent in our same store mall portfolio was up 3.1%, led by a 4.7% increase in our Premier malls. We were able to share this success with our shareholders by raising the dividend, which has grown by 25% since December 2012.

Highlighting some key leasing accomplishments, we opened Harrisburg's first DSW and the only H&M in the Grand Rapids market; executed new leases with Marshall's, Ross Dress for Less and Jo-Ann Fabric and Craft Store at Washington Crown Center; opened Ulta at Cumberland Mall; signed Dick's Sporting Goods at Francis Scott Key Mall; opened several key new restaurants in our portfolio, including BJ's Brewhouse at Francis Scott Key Mall, Red Robin at Valley Mall, Iron Hill Brewery, Elena Wu, and Burger 21 at Voorhees

Town Center and BurgerMonger at Willow Grove Park; and grew occupancy by 620 basis points at Plymouth Meeting Mall.

Evidencing the favorable supply/demand environment in our sector, at the end of the year we had 212,000 square feet of leases executed to take occupancy in 2014 and we had twice as many new deals in our legal pipeline as we did the year before.

PORTFOLIO QUALITY

We are focused on driving quality at PREIT-quality properties, quality tenants and quality people.

We've substantially improved the quality of our portfolio with the disposition of three non-core malls that had combined average sales of \$227 per square foot and occupancy of 75.5% at the end of 2012. This not only improves our operating metrics but, more importantly, it improves our leasing leverage by eliminating the need to incentivize tenants to stay open at our non-core properties. Additional non-core malls are on the market at this time: North Hanover Mall, South Mall and Nittany Mall.

We are also working to selectively improve the quality of our tenancy throughout our portfolio by developing strategic remerchandising plans.

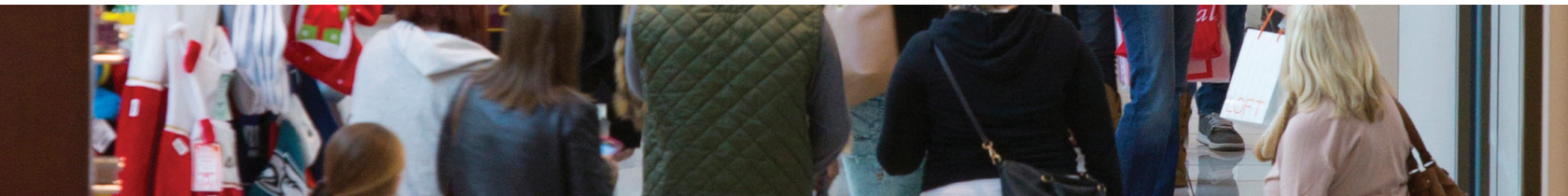
As we continue these efforts, we are evaluating the retail sales environment to make adjustments to our property-level strategies in the face of a changing retail landscape.



"We ended the year 2013 with record occupancy levels, with 95% total occupancy and 93.5% non-anchor occupancy."



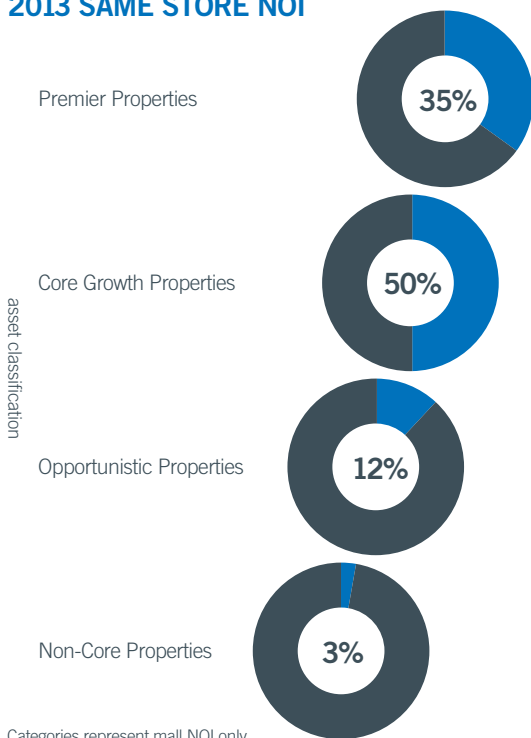
"PREIT is acutely focused on new technology and ways to replicate the convenience and variety shoppers are accustomed to online."





REALIZATION

CONTRIBUTION TO 2013 SAME STORE NOI



Categories represent mall NOI only.

CHANGING RETAIL LANDSCAPE—SOCIALIZATION OF THE MALL

Tenant sales per square foot in our same store portfolio were relatively flat compared to 2012. The impact of winter weather and the shortened 2013 holiday season further drove sales to online merchants, underscoring a key question in our industry – what are we doing to combat the rise of online retailing? The internet, and the variety and convenience it offers

consumers, isn't going away, but we know that people need to socialize. We are focused on the socialization of the shopping mall. This is, we believe, the future of mall life and what will be the mall's distinction when shoppers are making their decision on how and where to make a purchase.

We contend that offering our customers experiences beyond simply shopping will make for a successful and vibrant mall environment. Dining and entertainment are key components in today's thriving shopping center.

Confirming our belief is the performance of the restaurant category in our portfolio. Comparable sales, even during the 2013 snow-plagued holiday season, were up 6.0% for the restaurants in our portfolio. We opened 23 new restaurants last year and have many more in the pipeline and continue to add other amenities designed to increase mall dwell times and provide in-home conveniences like soft-seating lounges, free WiFi and play areas.

PREIT is acutely focused on new technologies and ways to replicate the convenience and variety shoppers are accustomed to online. We are adding retailers to our portfolio that understand the importance of the shopper experience and are deploying the best omni-channel strategies. Long term, we believe that our interests as a property owner are aligned with the retailers who will successfully implement seamless retail strategies, and believe that the mall will continue to be a critical component of those strategies.



FULFILLMENT

On the technology front, we launched a “Product Search” feature as part of our mall app and property websites that allows shoppers to conveniently search for a particular product from mall retailers. Since its launch in September, shoppers have used this feature over 600,000 times.

GROWING OUR PLATFORM

The final prong to our strategy is putting ourselves in a position to grow our portfolio in a strategic manner. With stability in our operations, we have positioned ourselves to begin focusing on growth. This effort is inextricably linked to improving the quality of our portfolio by investing wisely in properties that we believe have the greatest opportunity for value creation and looking strategically at new assets that will improve our metrics, provide stable growth and increase our leasing leverage.

Some of our best opportunities for growth come from within our existing portfolio. Moorestown Mall is a prime example of a redevelopment underway, where we are demonstrating our ability to be creative in a competitive environment. In the fourth quarter of 2013, our vision for this property started to become a reality with the opening of the new Regal RPX Theater and two of four anticipated restaurants, celebrity chef Marc Vetri’s Osteria and Firebird’s Wood Fired Grill. We’re eagerly anticipating the opening of Jose Garces’ Distrito and Rizzieri Salon & Spa later this year.

And the last piece to distinguish this property will be the unveiling of Boutique Row, a collection of the area’s finest boutiques, whose merchandise will cater to the high-end demographics in this area. Upon completion, the Moorestown Mall will be regarded as a beauty, fashion and culinary sanctuary, a model we believe will be replicated in other areas of the country.

A property where we continue to see tremendous potential is The Gallery, which is located above a transit hub that delivers 20 million commuters annually in Philadelphia, the fastest growing downtown in the nation. We have embarked on a strategy that incorporates first-to-market fashion retailers and unique artisanal food and restaurant offerings. Moving forward with this project requires tenant commitments and public financing and we are making progress on both of these fronts.

Another property that represents a long term growth opportunity is Exton Square Mall, where JCPenney announced they will close their store. The trade area contains the best demographics currently in our portfolio, and we are optimistic about the opportunities this presents for us, particularly in light of our plans to recapture an existing Kmart outparcel location at the property, which is ideally located and enjoys extensive frontage along heavily traveled Route 100.

In terms of external growth, our partner, Simon Property Group, is underway with pre-leasing

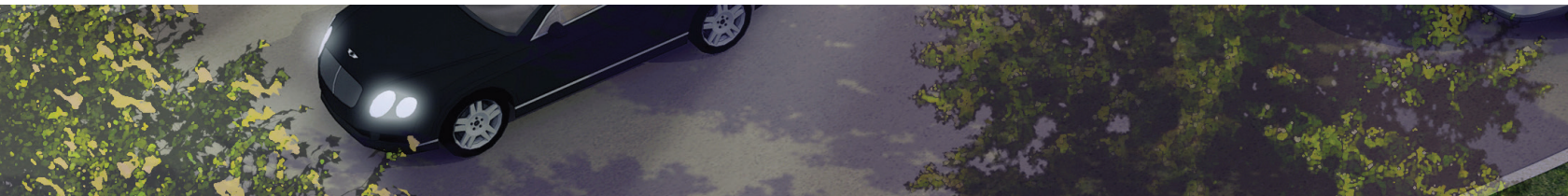




"Some of our best opportunities for growth come from within our existing portfolio."



"We are focused on driving quality at PREIT— quality properties, quality tenants and quality people."



Gloucester Premium Outlets in New Jersey, which we expect will open in late spring of 2015.

INTRODUCING SPRINGFIELD TOWN CENTER

More significantly on the external growth front is our March 2014 announcement of our agreement to acquire Springfield Town Center in Fairfax County, Virginia. This 1.35 million square foot mall is currently undergoing a redevelopment with a scheduled fourth quarter 2014 grand opening. This is an “A” quality mall in a premier demographic market, one of the wealthiest counties in the country that is expected to take its place as one of our top Premier malls upon stabilization. The introduction of this great asset in an unbelievable trade area will provide leasing leverage with the strength of another desirable location proving to be a tremendous benefit to our portfolio with sought-after tenants, including those already signed on like Michael Kors, Yard House, Maggiano’s, Pandora, and the region’s only Topshop. It will also provide flexibility to continue divesting non-core assets while maintaining scale. In our existing portfolio, 2013 NOI at our Premier assets grew at nearly twice the rate as the balance of our portfolio with property values growing at an even faster pace. Springfield Town Center will also expand our presence in another major market, where we already have three strong operating properties.

This transaction will be transformative to PREIT in our evolution into a quality mall owner with a

strong presence in major markets. The opportunity to acquire a property of this caliber is rare and we are well positioned to leverage PREIT’s value creation capabilities to realize this asset’s potential.

MAPPING OUR FUTURE

We have accomplished a great deal since we laid out our strategy in 2012, but we aren’t satisfied with one year of performance. The Company culture has been transformed and we are making progress along our strategic roadmap. Opportunities to add value remain robust and we look forward to continuing to share stories of our innovative efforts and victories. We are thankful to our partners – our shareholders, trustees, retailers, shoppers and employees, whose tireless efforts have resulted in too many successes to list in this report. We look forward to continuing to enhance relationships with all of you for years to come.



Joseph F. Coradino
Chief Executive Officer

April 11, 2014



PROPERTIES

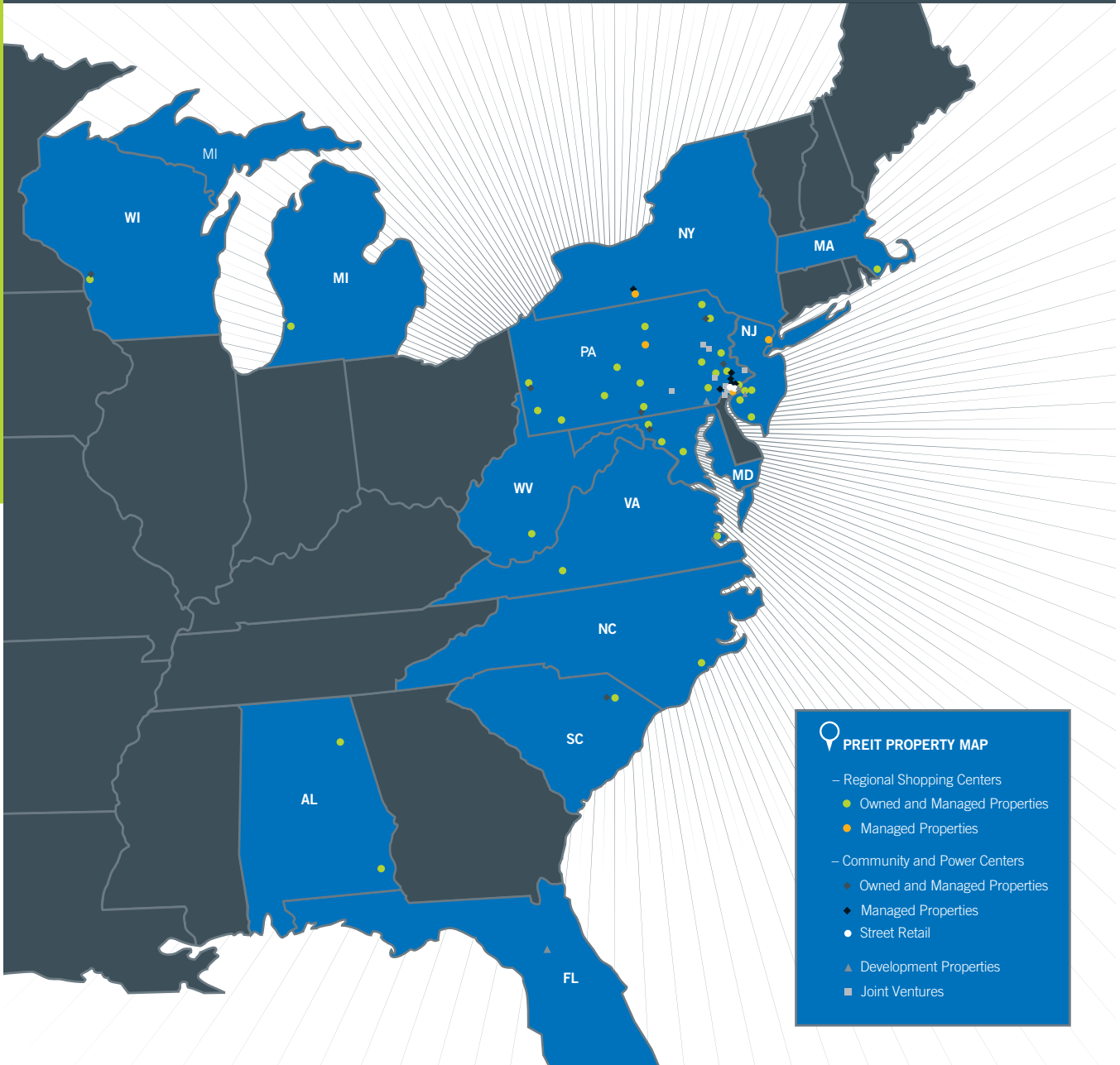
As of December 31, 2013

ENCLOSED MALLS	CITY	STATE	OWNERSHIP INTEREST	ACQUIRED	SQUARE FEET
Beaver Valley Mall	Monaca	PA	100%	2002	1,154,000
Capital City Mall	Camp Hill	PA	100%	2003	614,000
Cherry Hill Mall	Cherry Hill	NJ	100%	2003	1,306,000
Crossroads Mall	Beckley	WV	100%	2003	469,000
Cumberland Mall	Vineland	NJ	100%	2005	941,000
Dartmouth Mall	Dartmouth	MA	100%	1997	669,000
Exton Square Mall	Exton	PA	100%	2003	1,086,000
Francis Scott Key Mall	Frederick	MD	100%	2003	720,000
Gadsden Mall	Gadsden	AL	100%	2005	506,000
The Gallery at Market East	Philadelphia	PA	100%	2003	1,424,000
Jacksonville Mall	Jacksonville	NC	100%	2003	490,000
Lehigh Valley Mall	Allentown	PA	50%	1973	1,169,000
Logan Valley Mall	Altoona	PA	100%	2003	782,000
Lycoming Mall	Pennsdale	PA	100%	2003	814,000
Magnolia Mall	Florence	SC	100%	1997	620,000
The Mall at Prince Georges	Hyattsville	MD	100%	1998	918,000
Moorestown Mall	Moorestown	NJ	100%	2003	1,064,000
New River Valley Mall	Christiansburg	VA	100%	2003	463,000
Nittany Mall	State College	PA	100%	2003	533,000
North Hanover Mall	Hanover	PA	100%	2003	455,000
Palmer Park Mall	Easton	PA	100%	1972/2003	458,000
Patrick Henry Mall	Newport News	VA	100%	2003	717,000
Plymouth Meeting Mall	Plymouth Meeting	PA	100%	2003	948,000
South Mall	Allentown	PA	100%	2003	406,000
Springfield Mall	Springfield	PA	50%	2005	612,000
Uniontown Mall	Uniontown	PA	100%	2003	700,000
Valley Mall	Hagerstown	MD	100%	2003	914,000
Valley View Mall	La Crosse	WI	100%	2003	605,000
Viewmont Mall	Scranton	PA	100%	2003	768,000
Voorhees Town Center	Voorhees	NJ	100%	2003	729,000
Washington Crown Center	Washington	PA	100%	2003	673,000

Willow Grove Park	Willow Grove	PA	100%	2000/2003	1,179,000
Wiregrass Commons Mall	Dothan	AL	100%	2003	636,000
Woodland Mall	Grand Rapids	MI	100%	2005	1,170,000
Wyoming Valley Mall	Wilkes-Barre	PA	100%	2003	910,000
TOTAL MALLS					27,622,000

COMMUNITY AND POWER CENTERS	CITY	STATE	OWNERSHIP INTEREST	DEVELOPED	SQUARE FEET
The Court at Oxford Valley	Langhorne	PA	50%	1996	704,000
Metroplex Shopping Center	Plymouth Meeting	PA	50%	2001	778,000
Red Rose Commons	Lancaster	PA	50%	1998	463,000
Springfield Park	Springfield	PA	50%	1998	287,000
Whitehall Mall	Allentown	PA	50%	1964/1998	580,000
TOTAL COMMUNITY AND POWER CENTERS					2,812,000

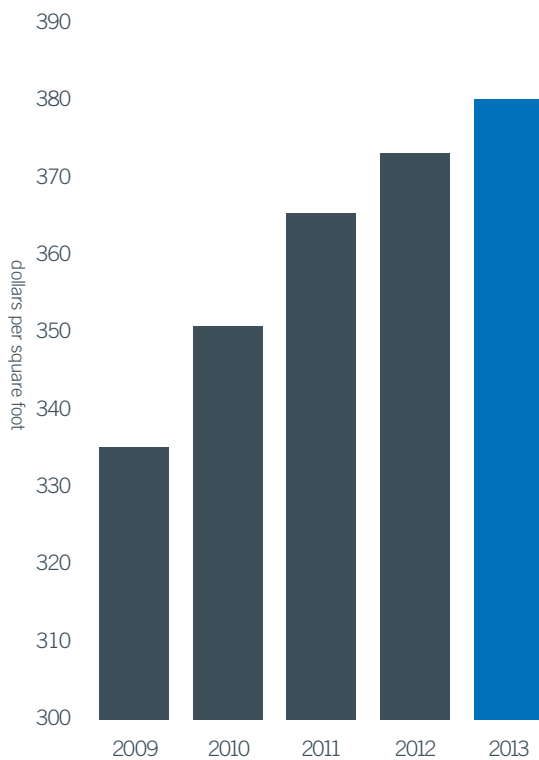
TOTAL PROPERTIES					30,434,000
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CONCLUSION

AVERAGE COMP SALES



TOTAL RETURN PERFORMANCE



The five-year performance graph above compares our cumulative total shareholder return with the S&P 500 Index, the NAREIT Equity Index and the Russell 2000 Index. Equity real estate investment trusts are defined as those which derive more than 75% of their income from equity investments in real estate assets. The graph assumes that the value of the investment in each of the four was \$100 on the last trading day of 2008 and that all dividends were reinvested.

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share amounts)

Year Ended December 31,

	2013	2012	2011	2010	2009
Operating results					
Total revenue	\$ 438,678	\$ 419,347	\$ 419,138	\$ 418,163	\$ 411,877
Loss from continuing operations	\$ (20,449)	\$ (44,319)	\$ (67,876)	\$ (75,529)	\$ (41,443)
Net income (loss)	\$ 37,213	\$ (42,550)	\$ (93,935)	\$ (54,363)	\$ (90,091)
Net income (loss) attributable to PREIT common shareholders	\$ 20,011	\$ (48,821)	\$ (90,161)	\$ (51,927)	\$ (85,738)
Loss from continuing operations per share—					
basic and diluted	\$ (0.56)	\$ (0.92)	\$ (1.20)	\$ (1.44)	\$ (0.99)
Net income (loss) per share—basic and diluted	\$ 0.31	\$ (0.89)	\$ (1.66)	\$ (1.04)	\$ (2.11)
Cash flows					
Cash provided by operating activities	\$ 136,219	\$ 120,324	\$ 105,262	\$ 116,791	\$ 136,148
Cash provided by (used in) investing activities	\$ 30,741	\$ (88,178)	\$ (21,772)	\$ 81,029	\$ (103,405)
Cash (used in) provided by financing activities	\$ (166,720)	\$ (19,954)	\$ (104,019)	\$ (229,736)	\$ 31,714
Cash distributions					
Cash distributions per share—common shares	\$ 0.74	\$ 0.63	\$ 0.60	\$ 0.60	\$ 0.74
Cash distributions per share—Series A Preferred shares	\$ 2.0625	\$ 1.3464	\$ —	\$ —	\$ —
Cash distributions per share—Series B Preferred shares	\$ 1.8438	\$ 0.3278	\$ —	\$ —	\$ —
Funds From Operations⁽¹⁾					
Net income (loss)	\$ 37,213	\$ (42,550)	\$ (93,935)	\$ (54,363)	\$ (90,091)
Dividends on preferred shares	(15,848)	(7,984)	—	—	—
Gains on sales of interests in real estate	—	—	(740)	—	(923)
Gains on sales of discontinued operations	(78,512)	(947)	—	(19,094)	(9,503)
Impairment of assets	29,966	3,805	52,336	—	74,254
Depreciation and amortization of real estate assets:					
Wholly owned and consolidated partnerships, net	139,748	127,020	127,119	147,081	145,361
Unconsolidated partnerships	7,373	7,396	8,403	8,656	8,144
Discontinued operations	1,161	8,877	12,402	16,934	20,099
Funds from operations	\$ 121,101	\$ 95,617	\$ 105,585	\$ 99,214	\$ 147,341
Weighted average number of shares outstanding	63,662	55,122	54,639	50,642	40,953
Weighted average effect of full conversion OP Units	2,194	2,310	2,329	2,329	2,268
Effect of common share equivalents	876	1,131	502	502	12
Total weighted average shares outstanding including OP Units	66,732	58,563	57,470	53,473	43,233
Funds from operations per diluted share and OP Unit	\$ 1.81	\$ 1.63	\$ 1.84	\$ 1.86	\$ 3.41

(in thousands)

As of December 31,

	2013	2012	2011	2010	2009
Balance sheet items					
Investments in real estate, at cost	\$ 3,527,868	\$3,477,540	\$3,576,997	\$3,587,468	\$3,684,313
Total Assets	\$ 2,718,581	\$2,877,624	\$2,910,254	\$3,080,117	\$3,346,580
Long term debt					
Consolidated properties:					
Mortgage loans payable, including debt premium	\$ 1,502,650	\$1,718,052	\$1,691,381	\$1,744,248	\$1,777,121
Revolving facilities	\$ 130,000	\$ —	\$ 95,000	\$ —	\$ 486,000
Exchangeable Notes, net of debt discount	\$ —	\$ —	\$ 136,051	\$ 134,091	\$ 132,236
Term loans	\$ —	\$ 182,000	\$ 240,000	\$ 347,200	\$ 170,000
Company's share of partnerships:					
Mortgage loans payable	\$ 198,451	\$ 201,717	\$ 204,546	\$ 175,693	\$ 181,776

⁽¹⁾ The National Association of Real Estate Investment Trusts ("NAREIT") defines Funds From Operations ("FFO"), which is a non-GAAP measure commonly used by REITs, as net income excluding gains and losses on sales of operating properties, extraordinary items (computed in accordance with GAAP) and significant non-recurring events that materially distort the comparative measurement of company performance over time; plus real estate depreciation and amortization; and after adjustments for unconsolidated partnerships and joint ventures to reflect funds from operations on the same basis. We compute FFO in accordance with standards established by NAREIT, which may not be comparable to FFO 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 we do. NAREIT's established guidance provides that excluding impairment write downs of depreciable real estate is consistent with the NAREIT definition. For additional information about FFO, please refer to page 53.

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
(in thousands, except per share amounts)		
Assets:		
Investments in real estate, at cost:		
Operating properties	\$ 3,450,317	\$ 3,395,681
Construction in progress	68,835	68,619
Land held for development	8,716	13,240
Total investments in real estate	3,527,868	3,477,540
Accumulated depreciation	(1,012,746)	(907,928)
Net investments in real estate	2,515,122	2,569,612
Investments in Partnerships, at equity:	15,963	14,855
Other Assets:		
Cash and cash equivalents	34,230	33,990
Tenant and other receivables (net of allowance for doubtful accounts of \$13,123 and \$14,042 at December 31, 2013 and 2012, respectively)	46,439	38,473
Intangible assets (net of accumulated amortization of \$14,506 and \$14,940 at December 31, 2013 and 2012, respectively)	9,075	8,673
Deferred costs and other assets	97,752	97,399
Assets held for sale	—	114,622
Total assets	\$ 2,718,581	\$ 2,877,624
Liabilities:		
Mortgage loans payable	\$ 1,502,650	\$ 1,718,052
Term Loans	—	182,000
Revolving Facility	130,000	—
Tenants' deposits and deferred rent	17,896	14,862
Distributions in excess of partnership investments	64,491	64,874
Fair value of derivative instruments	844	9,742
Liabilities on assets held for sale	—	102,417
Accrued expenses and other liabilities	76,248	72,448
Total liabilities	1,792,129	2,164,395
Commitments and Contingencies (Note 11)		
Equity:		
Series A Preferred Shares, \$.01 par value per share; 25,000 shares authorized; 4,600 shares issued and outstanding at December 31, 2013 and 2012; liquidation preference of \$115,000	46	46
Series B Preferred Shares, \$.01 par value per share; 25,000 shares authorized; 3,450 shares issued and outstanding at December 31, 2013 and 2012; liquidation preference of \$86,250	35	35
Shares of beneficial interest, \$1.00 par value per share; 200,000 shares authorized; issued and outstanding 68,293 shares at December 31, 2013 and 56,331 shares at December 31, 2012	68,293	56,331
Capital contributed in excess of par	1,467,460	1,247,730
Accumulated other comprehensive loss	(6,637)	(20,867)
Distributions in excess of net income	(636,939)	(608,634)
Total equity – Pennsylvania Real Estate Investment Trust	892,258	674,641
Noncontrolling interest	34,194	38,588
Total equity	926,452	713,229
Total liabilities and equity	\$ 2,718,581	\$ 2,877,624

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Revenue:			
Real estate revenue:			
Base rent	\$ 283,074	\$ 272,036	\$ 266,880
Expense reimbursements	126,909	119,993	124,103
Percentage rent	5,732	5,713	6,363
Lease termination revenue	1,565	1,753	1,091
Other real estate revenue	14,448	14,318	13,989
Total real estate revenue	431,728	413,813	412,426
Other income	6,950	5,534	6,712
Total revenue	438,678	419,347	419,138
Expenses:			
Operating expenses:			
CAM and real estate taxes	(142,684)	(132,901)	(131,740)
Utilities	(22,028)	(21,838)	(23,818)
Other	(17,567)	(18,391)	(20,281)
Total operating expenses	(182,279)	(173,130)	(175,839)
Depreciation and amortization	(140,880)	(127,845)	(128,028)
Other expenses:			
General and administrative expenses	(36,975)	(37,538)	(38,901)
Provision for employee separation expense	(2,314)	(9,437)	—
Impairment of assets	(6,304)	—	(24,359)
Project costs and other expenses	(1,422)	(1,936)	(964)
Total other expenses	(47,015)	(48,911)	(64,224)
Interest expense, net	(98,731)	(122,118)	(127,148)
Total expenses	(468,905)	(472,004)	(495,239)
Loss before equity in income of partnerships, gains on sales of real estate and discontinued operations	(30,227)	(52,657)	(76,101)
Equity in income of partnerships	9,778	8,338	6,635
Gains on sales of real estate	—	—	1,590
Loss from continuing operations	(20,449)	(44,319)	(67,876)
Discontinued operations:			
Operating results from discontinued operations	2,812	4,627	1,918
Impairment of assets of discontinued operations	(23,662)	(3,805)	(27,977)
Gains on sales of discontinued operations	78,512	947	—
Income (loss) from discontinued operations	57,662	1,769	(26,059)
Net income (loss)	37,213	(42,550)	(93,935)
Less: net (income) loss attributed to noncontrolling interest	(1,354)	1,713	3,774
Net income (loss) attributable to PREIT	35,859	(40,837)	(90,161)
Less: preferred share dividends	(15,848)	(7,984)	—
Net income (loss) attributable to PREIT common shareholders	\$ 20,011	\$ (48,821)	\$ (90,161)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

EARNINGS PER SHARE

(in thousands of dollars, except per share amounts)	For the Year Ended December 31,		
	2013	2012	2011
Loss from continuing operations	\$ (20,449)	\$ (44,319)	\$ (67,876)
Preferred dividends	(15,848)	(7,984)	—
Noncontrolling interest in continuing operations	729	1,778	2,727
Dividends on restricted shares	(439)	(442)	(547)
Loss from continuing operations used to calculate earnings per share – basic and diluted	\$ (36,007)	\$ (50,967)	\$ (65,696)
Income (loss) from discontinued operations	\$ 57,662	\$ 1,769	\$ (26,059)
Noncontrolling interest in discontinued operations	(2,083)	(65)	1,047
Income (loss) from discontinued operations used to calculate earnings per share – basic and diluted	\$ 55,579	\$ 1,704	\$ (25,012)
Basic and diluted earnings (loss) per share:			
Loss from continuing operations	\$ (0.56)	\$ (0.92)	\$ (1.20)
Income (loss) from discontinued operations	0.87	0.03	(0.46)
Basic and diluted earnings (loss) per share	\$ 0.31	\$ (0.89)	\$ (1.66)
(in thousands of shares)			
Weighted average shares outstanding – basic	63,662	55,122	54,639
Effect of dilutive common share equivalents ⁽¹⁾	—	—	—
Weighted average shares outstanding – diluted	63,662	55,122	54,639

⁽¹⁾ For the years ended December 31, 2013, 2012 and 2011, there are net losses allocable to common shareholders from continuing operations, so the effect of common share equivalents of 876, 1,131 and 502 for the years ended December 31, 2013, 2012 and 2011, respectively, is excluded from the calculation of diluted earnings (loss) per share, as their inclusion would be anti-dilutive.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Comprehensive income (loss):			
Net income (loss)	\$ 37,213	\$ (42,550)	\$ (93,935)
Unrealized gain on derivatives	9,647	11,370	6,118
Amortization of losses of settled swaps, net of gains	5,069	2,419	24
Total comprehensive income (loss)	51,929	(28,761)	(87,793)
Less: Comprehensive (income) loss attributable to noncontrolling interest	(1,840)	1,156	3,526
Comprehensive income (loss) attributable to PREIT	\$ 50,089	\$ (27,605)	\$ (84,267)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 & 2011

(in thousands of dollars, except per share amounts)	Total Equity	PREIT Shareholders						
		Series A Preferred Shares, \$.01 Par	Series B Preferred Shares, \$.01 Par	Shares of Beneficial Interest, \$1.00 Par	Capital Contributed in Excess of Par	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Net Income	Non- controlling Interest
Balance January 1, 2011	\$ 704,530	—	—	\$ 55,436	\$1,040,023	\$ (39,993)	\$ (401,193)	\$ 50,257
Net loss	(93,935)	—	—	—	—	—	(90,161)	(3,774)
Comprehensive income	6,142	—	—	—	—	5,894	—	248
Shares issued under employee and trustee compensation plans, net of shares retired	(1,350)	—	—	241	(1,591)	—	—	—
Amortization of deferred compensation	9,055	—	—	—	9,055	—	—	—
Distributions paid to common shareholders (\$0.60 per share)	(33,384)	—	—	—	—	—	(33,384)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders (\$0.60 per unit)	(1,395)	—	—	—	—	—	—	(1,395)
Amortization of historic tax credit	(1,921)	—	—	—	—	—	—	(1,921)
Contributions from noncontrolling interest, net	296	—	—	—	—	—	—	296
Balance December 31, 2011	588,038	—	—	55,677	1,047,487	(34,099)	(524,738)	43,711
Net loss	(42,550)	—	—	—	—	—	(40,837)	(1,713)
Comprehensive income	13,789	—	—	—	—	13,232	—	557
Shares issued under redemption of Operating Partnership units	—	—	—	28	413	—	—	(441)
Shares issued under employee and trustee compensation plans, net of shares retired	(4,722)	—	—	626	(5,348)	—	—	—
Amortization of deferred compensation	11,028	—	—	—	11,028	—	—	—
Series A Preferred share offering	110,896	46	—	—	110,850	—	—	—
Series B Preferred share offering	83,335	—	35	—	83,300	—	—	—
Distributions paid to common shareholders (\$0.63 per share)	(35,735)	—	—	—	—	—	(35,735)	—
Distributions paid to Series A preferred shareholders (\$1.3464 per share)	(6,193)	—	—	—	—	—	(6,193)	—
Distributions paid to Series B preferred shareholders (\$0.3278 per share)	(1,131)	—	—	—	—	—	(1,131)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders (\$0.63 per unit)	(1,459)	—	—	—	—	—	—	(1,459)
Amortization of historic tax credit	(1,810)	—	—	—	—	—	—	(1,810)
Other distributions to noncontrolling interest, net	(257)	—	—	—	—	—	—	(257)
Balance December 31, 2012	713,229	46	35	56,331	1,247,730	(20,867)	(608,634)	38,588
Net income	37,213	—	—	—	—	—	35,859	1,354
Comprehensive income	14,716	—	—	—	—	14,230	—	486
Shares issued in 2013 public common offering, net	220,511	—	—	11,500	209,011	—	—	—
Shares issued upon redemption of Operating Partnership units	—	—	—	172	2,372	—	—	(2,544)
Shares issued under employee and trustee compensation plans, net of shares retired	566	—	—	290	276	—	—	—
Amortization of deferred compensation	8,071	—	—	—	8,071	—	—	—
Distributions paid to common shareholders (\$0.74 per share)	(48,315)	—	—	—	—	—	(48,315)	—
Distributions paid to Series A preferred shareholders (\$2.0625 per share)	(9,488)	—	—	—	—	—	(9,488)	—
Distributions paid to Series B preferred shareholders (\$1.8438 per share)	(6,361)	—	—	—	—	—	(6,361)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders (\$0.74 per unit)	(1,626)	—	—	—	—	—	—	(1,626)
Amortization of historic tax credit	(1,810)	—	—	—	—	—	—	(1,810)
Other distributions to noncontrolling interests, net	(254)	—	—	—	—	—	—	(254)
Balance December 31, 2013	\$ 926,452	\$ 46	\$ 35	\$ 68,293	\$1,467,460	\$ (6,637)	\$ (636,939)	\$ 34,194

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	\$ 37,213	\$ (42,550)	\$ (93,935)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	133,162	128,204	128,378
Amortization	12,903	15,951	19,941
Straight-line rent adjustments	(1,425)	(2,234)	(331)
Provision for doubtful accounts	1,656	1,861	3,320
Amortization of deferred compensation	8,071	11,028	9,055
Loss on hedge ineffectiveness	3,409	—	—
Gain on sales of real estate and discontinued operations	(78,512)	(947)	(1,590)
Equity in income of partnerships in excess of distributions	(2,713)	—	—
Amortization of historic tax credits	(2,494)	(1,810)	(1,921)
Impairment of assets and expensed project costs	30,775	5,057	52,909
Change in assets and liabilities:			
Net change in other assets	(7,779)	(15,167)	(7,143)
Net change in other liabilities	1,953	20,931	(3,421)
Net cash provided by operating activities	136,219	120,324	105,262
Cash flows from investing activities:			
Cash proceeds from sales of real estate investments	181,644	—	7,551
Investments in consolidated real estate acquisitions	(60,879)	—	—
Additions to construction in progress	(36,456)	(38,104)	(25,426)
Investments in real estate improvements	(44,785)	(43,543)	(36,017)
Additions to leasehold improvements	(2,062)	(881)	(364)
Investments in partnerships	(250)	(3,682)	(252)
Capitalized leasing costs	(5,261)	(5,336)	(4,999)
(Increase) decrease in cash escrows	(2,682)	(1,404)	2,210
Cash distributions from partnerships in excess of equity in income	1,472	4,772	35,525
Net cash provided by (used in) investing activities	30,741	(88,178)	(21,772)
Cash flows from financing activities:			
Repayment of 2010 Term Loan	(182,000)	(58,000)	(7,200)
Net borrowings from (repayments of) Revolving Facilities	130,000	(95,000)	(5,000)
Proceeds from mortgage loans	154,692	467,750	27,700
Repayment of mortgage loans	(403,691)	(320,731)	(58,032)
Principal installments on mortgage loans	(16,973)	(20,311)	(21,249)
Payment of deferred financing costs	(4,035)	(1,753)	(4,109)
Net proceeds from shares issued in public common offering	220,511	—	—
Common shares issued	2,983	1,788	533
Net proceeds from issuance of Series A preferred shares	—	110,896	—
Net proceeds from issuance of Series B preferred shares	—	83,335	—
Repayment of Exchangeable Notes	—	(136,900)	—
Dividends paid to common shareholders	(48,315)	(35,735)	(33,384)
Dividends paid to preferred shareholders	(15,849)	(7,324)	—
Distributions paid to Operating Partnership unit holders and noncontrolling interest	(1,626)	(1,459)	(1,395)
Value of shares issued under equity incentive plans, net of shares retired	(2,417)	(6,510)	(1,883)
Net cash used in financing activities	(166,720)	(19,954)	(104,019)
Net change in cash and cash equivalents	240	12,192	(20,529)
Cash and cash equivalents, beginning of year	33,990	21,798	42,327
Cash and cash equivalents, end of year	\$ 34,230	\$ 33,990	\$ 21,798

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 & 2011

1. Organization and Summary of Significant Accounting Policies

NATURE OF OPERATIONS Pennsylvania Real Estate Investment Trust (“PREIT”), a Pennsylvania business trust founded in 1960 and one of the first equity real estate investment trusts (“REITs”) in the United States, has a primary investment focus on retail shopping malls located in the eastern half of the United States, primarily in the Mid-Atlantic region. As of December 31, 2013, our portfolio consisted of a total of 43 properties located in 12 states and operating in 11 states, including 35 shopping malls, five power and strip centers and three development properties, with two of the development properties classified as “mixed use” (a combination of retail and other uses), and one of the development properties classified as “other.” In 2013, we sold three of our mall properties and three of our power and strip centers.

We hold our interest in our portfolio of properties through our operating partnership, PREIT Associates, L.P. (“PREIT Associates” or the “Operating Partnership”). We are the sole general partner of the Operating Partnership and, as of December 31, 2013, held a 97.0% controlling interest in the Operating Partnership, and consolidated it for reporting purposes. The presentation of consolidated financial statements does not itself imply that the assets of any consolidated entity (including any special-purpose entity formed for a particular project) are available to pay the liabilities of any other consolidated entity, or that the liabilities of any consolidated entity (including any special-purpose entity formed for a particular project) are obligations of any other consolidated entity.

Pursuant to the terms of the partnership agreement of the Operating Partnership, each of the limited partners has the right to redeem such partner’s units of limited partnership interest in the Operating Partnership (“OP Units”) for cash or, at our election, we may acquire such OP Units in exchange for our common shares on a one-for-one basis, in some cases beginning one year following the respective issue date of the OP Units and in other cases immediately. If all of the outstanding OP Units held by limited partners had been redeemed for cash as of December 31, 2013, the total amount that would have been distributed would have been \$40.4 million, which is calculated using our December 31, 2013 closing share price on the New York Stock Exchange of \$18.98 multiplied by the number of outstanding OP Units held by limited partners, which was 2,129,202 as of December 31, 2013.

We provide management, leasing and real estate development services through two of our subsidiaries: PREIT Services, LLC (“PREIT Services”), which generally develops and manages properties that we consolidate for financial reporting purposes, and PREIT-RUBIN, Inc. (“PRI”), which generally develops and manages properties that we do not consolidate for financial reporting purposes, including properties owned by partnerships in which we own an interest and properties that are owned by third parties in which we do not have an interest. PREIT Services and PRI are consolidated. PRI is a taxable REIT subsidiary, as defined by federal tax laws, which means that it is able to offer an expanded menu of services to tenants without jeopardizing our continuing qualification as a REIT under federal tax law.

We evaluate operating results and allocate resources on a property-by-property basis, and do not distinguish or evaluate our consolidated operations on a geographic basis. Due to the nature of our operating properties, which involve retail shopping, we have concluded that our individual properties have similar economic characteristics and meet all other aggregation criteria. Accordingly, we have aggregated our individual properties into one reportable segment. In addition, no single tenant accounts for 10% or more of our consolidated revenue, and none of our properties are located outside the United States.

CONSOLIDATION We consolidate our accounts and the accounts of the Operating Partnership and other controlled subsidiaries, and we reflect the remaining interest in such entities as noncontrolling interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

PARTNERSHIP INVESTMENTS We account for our investments in partnerships that we do not control using the equity method of accounting. These investments, each of which represents a 40% to 50% noncontrolling ownership interest at December 31, 2013, are recorded initially at our cost and subsequently adjusted for our share of net equity in income and cash contributions and distributions. We do not control any of these equity method investees for the following reasons:

- Except for two properties that we co-manage with our partner, the other entities are managed on a day-to-day basis by one of our other partners as the managing general partner in each of the respective partnerships. In the case of the co-managed properties, all decisions in the ordinary course of business are made jointly.
- The managing general partner is responsible for establishing the operating and capital decisions of the partnership, including budgets, in the ordinary course of business.
- All major decisions of each partnership, such as the sale, refinancing, expansion or rehabilitation of the property, require the approval of all partners.
- Voting rights and the sharing of profits and losses are in proportion to the ownership percentages of each partner.

STATEMENTS OF CASH FLOWS We consider all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash and cash equivalents totaled \$34.2 million and \$34.0 million, respectively, and included tenant security deposits of \$3.8 million and \$4.2 million, respectively. Cash paid for interest, including interest related to discontinued operations, was \$94.1 million, \$116.4 million and \$124.1 million for the years ended December 31, 2013, 2012 and 2011, respectively, net of amounts capitalized of \$0.9 million, \$1.5 million and \$2.1 million, respectively.

SIGNIFICANT NON-CASH TRANSACTIONS In December 2012, we sold our remaining interest in Northeast Tower Center in exchange for the cancellation of a \$3.8 million note payable to the buyer. We recorded a gain of \$0.9 million from this sale in 2012.

In connection with the June 2011 amendment to the 2010 Credit Facility, we reduced the amount outstanding under the 2010 Term Loan by \$100.0 million and increased the amount outstanding under the 2010 Revolving Facility by \$100.0 million.

Accrued construction costs increased by \$2.4 million in the year ended December 31, 2013, and decreased by \$0.3 million and \$0.1 million in the years ended December 31, 2012 and 2011, respectively, representing non-cash changes in construction in progress.

ACCOUNTING POLICIES USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts 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 expense during the reporting periods. Actual results could differ from those estimates. We believe that our most significant and subjective

accounting estimates and assumptions are those relating to asset impairment, fair value and accounts receivable reserves.

Our management makes complex or subjective assumptions and judgments in applying its critical accounting policies. In making these judgments and assumptions, our management considers, among other factors, events and changes in property, market and economic conditions, estimated future cash flows from property operations, and the risk of loss on specific accounts or amounts.

REVENUE RECOGNITION We derive over 95% of our revenue from tenant rent and other tenant-related activities. Tenant rent includes base rent, percentage rent, expense reimbursements (such as reimbursements of costs of common area maintenance (“CAM”), real estate taxes and utilities), amortization of above-market and below-market lease intangibles (as described below under “Intangible Assets”) and straight-line rent. We record base rent on a straight-line basis, which means that the monthly base rent revenue according to the terms of our leases with our tenants is adjusted so that an average monthly rent is recorded for each tenant over the term of its lease. When tenants vacate prior to the end of their lease, we accelerate amortization of any related unamortized straight-line rent balances, and unamortized above-market and below-market intangible balances are amortized as a decrease or increase to real estate revenue, respectively. The straight-line rent adjustment increased revenue by \$1.4 million, \$2.2 million and \$0.3 million in the years ended December 31, 2013, 2012 and 2011, respectively. The straight-line rent receivable balances included in tenant and other receivables on the accompanying balance sheet as of December 31, 2013 and 2012 were \$26.5 million and \$27.7 million, respectively.

Percentage rent represents rental revenue that the tenant pays based on a percentage of its sales, either as a percentage of its total sales or as a percentage of sales over a certain threshold. In the latter case, we do not record percentage rent until the sales threshold has been reached.

Revenue for rent received from tenants prior to their due dates is deferred until the period to which the rent applies.

In addition to base rent, certain lease agreements contain provisions that require tenants to reimburse a fixed or pro rata share of certain CAM costs, real estate taxes and utilities. Tenants generally make expense reimbursement payments monthly based on a budgeted amount determined at the beginning of the year. During the year, our income increases or decreases based on actual expense levels and changes in other factors that influence the reimbursement amounts, such as occupancy levels. As of December 31, 2013 and 2012, our accounts receivable included accrued income of \$7.7 million and \$4.0 million, respectively, because actual reimbursable expense amounts eligible to be billed to tenants under applicable contracts exceeded amounts actually billed.

Certain lease agreements contain cotenancy clauses that can change the amount of rent or the type of rent that tenants are required to pay, or, in some cases, can allow a tenant to terminate their lease, in the event that certain events take place, such as a decline in property occupancy levels below certain defined levels or the vacating of an anchor store. Cotenancy clauses do not generally have any retroactive effect when they are triggered. The effect of cotenancy clauses is applied on a prospective basis to recognize the new rent that is in effect.

Payments made to tenants as inducements to enter into a lease are treated as deferred costs that are amortized as a reduction of rental revenue over the term of the related lease.

Lease termination fee revenue is recognized in the period when a termination agreement is signed, collectibility is assured and we are no longer obligated to provide space to the tenant. In the event that a tenant is in bankruptcy when the termination agreement is signed, termination fee income is deferred and recognized when it is received.

We also generate revenue by providing management services to third parties, including property management, brokerage, leasing and development. Management fees generally are a percentage of managed property revenue or cash receipts. Leasing fees are earned upon the consummation of new leases. Development fees are earned over the time period of the development activity and are recognized on the percentage of completion method. These activities are collectively included in “Other income” in the consolidated statements of operations.

FAIR VALUE Fair value accounting applies to reported balances that are required or permitted to be measured at fair value under existing accounting authority.

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, these accounting requirements establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs might include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability and are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. We utilize the fair value hierarchy in our accounting for derivatives (Level 2) and financial instruments (Level 2) and in our reviews for impairment of real estate assets (Level 3) and goodwill (Level 3).

FINANCIAL INSTRUMENTS Carrying amounts reported on the balance sheet for cash and cash equivalents, tenant and other receivables, accrued expenses, other liabilities and the 2013 Revolving Facility approximate fair value due to the short-term nature of these instruments. The majority of our variable rate debt is subject to interest rate derivative instruments that have effectively fixed the interest rates on the underlying debt. The estimated fair value for fixed rate debt, which is calculated for disclosure purposes, is based on the borrowing rates available to us for fixed rate mortgage loans with similar terms and maturities.

IMPAIRMENT OF ASSETS Real estate investments and related intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the property might not be recoverable, which is referred to as a “triggering event.” In connection with our review of our long-lived assets for impairment, we utilize qualitative and quantitative factors in order to estimate fair value. The significant qualitative factors that we use include age and condition of the property, market conditions in the property’s trade area, competition with other shopping centers within the property’s trade area and the creditworthiness and performance of the property’s tenants. The significant quantitative factors that we use include historical and forecasted financial and operating information relating to the property, such as net operating income, occupancy statistics, vacancy projections and tenants’ sales levels. Our fair value assumptions relating to real estate assets are within Level 3 of the fair value hierarchy.

If there is a triggering event in relation to a property to be held and used, we will estimate the aggregate future cash flows, less estimated capital expenditures, to be generated by the property, undiscounted and without interest charges. In addition, this estimate may consider a probability weighted cash flow estimation approach when alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or when a range of possible values is estimated.

The determination of undiscounted cash flows requires significant estimates by our management, including the expected course of action at the balance sheet date that would lead to such cash flows. Subsequent changes in estimated undiscounted cash flows arising from changes in the anticipated action to be taken with respect to the property could affect the determination of whether an impairment exists and whether the effects of such changes could materially affect our net income. If the estimated undiscounted cash flows are less than the carrying value of the property, the carrying value is written down to its fair value.

In determining the estimated undiscounted cash flows of the properties that are being analyzed for impairment of assets, we take the sum of the estimated undiscounted cash flows, generally assuming a holding period of 10 years, plus a terminal value calculated using the estimated net operating income in the eleventh year and terminal capitalization rates, which in 2012 and 2013 ranged from 6.25% to 12.0%. In 2013, two properties had triggering events that required further review for impairment. The fair values of the properties (Chambersburg Mall and North Hanover Mall) were determined based on negotiated sale prices of the properties as discussed further in note 2. In 2012, one property had a triggering event that required further review for impairment. The fair value of the property (Phillipsburg Mall) was determined based on the sale price of the property as further discussed in note 2. In 2011, after two properties had triggering events that required further review for impairment, we estimated the fair value of the properties that experienced triggering events using discount rates applied to estimated cash flows ranging from 13% to 14%.

Assessment of our ability to recover certain lease related costs must be made when we have a reason to believe that a tenant might not be able to perform under the terms of the lease as originally expected. This requires us to make estimates as to the recoverability of such costs.

An other than temporary impairment of an investment in an unconsolidated joint venture is recognized when the carrying value of the investment is not considered recoverable based on evaluation of the severity and duration of the decline in value. To the extent impairment has occurred, the excess carrying value of the asset over its estimated fair value is recorded as a reduction to income.

We conduct an annual review of our goodwill balances for impairment to determine whether an adjustment to the carrying value of goodwill is required. We have determined the fair value of our properties and the amount of goodwill that is associated with certain of our properties, and we have concluded that goodwill was not impaired as of December 31, 2013. Fair value is determined by applying a capitalization rate to our estimate of projected income at those properties. We also consider factors such as property sales performance, market position and current and future operating results. This amount is compared to the aggregate of the property basis and the goodwill that has been assigned to that property. If the fair value is less than the property basis and the goodwill, we evaluate whether impairment has occurred.

REAL ESTATE Land, buildings, fixtures and tenant improvements are recorded at cost and stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to operations as incurred. Renovations or replacements, which improve or extend the life of an asset, are capitalized and depreciated over their estimated useful lives. For financial reporting purposes, properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	20-40 years
Land improvements	15 years
Furniture/fixtures	3-10 years
Tenant improvements	Lease term

We are required to make subjective assessments as to the useful lives of our real estate assets for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those assets based on various factors, including industry standards, historical experience and the condition of the asset at the time of acquisition. These assessments affect our annual net income. If we were to determine that a different estimated useful life was appropriate for a particular asset, it would be depreciated over the newly estimated useful life, and, other things being equal, result in changes in annual depreciation expense and annual net income.

Gains from sales of real estate properties and interests in partnerships generally are recognized using the full accrual method, provided that various criteria are met relating to the terms of sale and any subsequent involvement by us with the properties sold.

REAL ESTATE ACQUISITIONS We account for our property acquisitions by allocating the purchase price of a property to the property’s assets based on management’s estimates of their fair value. Debt assumed in connection with property acquisitions is recorded at fair value at the acquisition date, and the resulting premium or discount is amortized through interest expense over the remaining term of the debt, resulting in a non-cash decrease (in the case of a premium) or increase (in the case of a discount) in interest expense. The determination of the fair value of intangible assets requires significant estimates by management and considers many factors, including our expectations about the underlying property, the general market conditions in which the property operates and conditions in the economy. The judgment and subjectivity inherent in such assumptions can have a significant effect on the magnitude of the intangible assets or the changes to such assets that we record.

INTANGIBLE ASSETS Our intangible assets on the accompanying consolidated balance sheets as of December 31, 2013 and 2012 included \$5.7 million and \$7.2 million, respectively (in each case, net of \$1.1 million of amortization expense recognized prior to January 1, 2002), of goodwill recognized in connection with the acquisition of The Rubin Organization in 1997.

Changes in the carrying amount of goodwill for the three years ended December 31, 2013 were as follows:

(in thousands of dollars)	Basis	Accumulated Amortization	Impairment Write-Offs	Divestitures	Total
Balance,					
January 1, 2011	\$12,877	\$(1,073)	\$(4,648)	\$ —	\$7,156
Changes in Goodwill	—	—	—	—	—
Balance,					
December 31, 2011	12,877	(1,073)	(4,648)	—	7,156
Changes in Goodwill	—	—	—	—	—
Balance,					
December 31, 2012	12,877	(1,073)	(4,648)	—	7,156
Changes in Goodwill	—	—	—	(1,494)	(1,494)
Balance,					
December 31, 2013	\$12,877	\$(1,073)	\$(4,648)	\$(1,494)	\$5,662

In 2013, we divested goodwill of \$0.7 million and \$0.8 million in connection with the sales of Paxton Towne Centre and Christiana Center, respectively (see note 2).

We allocate a portion of the purchase price of a property to intangible assets. Our methodology for this allocation includes estimating an “as-if vacant” fair value of the physical property, which is allocated to land, building and improvements. The difference between the purchase price and the “as-if vacant” fair value is allocated to intangible assets. There are three categories of intangible assets to be considered: (i) value of in-place leases, (ii) above- and below-market value of in-place leases and (iii) customer relationship value.

The value of in-place leases is estimated based on the value associated with the costs avoided in originating leases comparable to the acquired in-place leases, as well as the value associated with lost rental revenue during the assumed lease-up period. The value of in-place leases is amortized as real estate amortization over the remaining lease term.

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimates of fair market lease rates for comparable in-place leases, based on factors such as historical experience, recently executed transactions and specific property issues, measured over a period equal to the remaining non-cancelable term of the lease. Above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases. Below-market lease values are amortized as an increase to rental income over the remaining terms of the respective leases, including any below-market optional renewal periods, and are included in “Accrued expenses and other liabilities” in the consolidated balance sheets.

We allocate purchase price to customer relationship intangibles based on management’s assessment of the value of such relationships.

The following table presents our intangible assets and liabilities, net of accumulated amortization, as of December 31, 2013 and 2012:

(in thousands of dollars)	As of December 31,	
	2013	2012
Value of in-place lease intangibles	\$ 3,151	\$ 1,009
Above-market lease intangibles	262	508
Subtotal	3,413	1,517
Goodwill	5,662	7,156
Total intangible assets	\$ 9,075	\$ 8,673
Below-market lease intangibles	\$ (4,815)	\$ (3,083)

Amortization of in-place lease intangibles was \$1.6 million, \$0.8 million and \$2.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Amortization of above-market and below-market lease intangibles increased revenue by \$1.0 million for the year ended December 31, 2013, increased revenue by \$0.3 million for the year ended December 31, 2012 and decreased revenue by \$0.1 million for the year ended December 31, 2011. In the normal course of business, our intangible assets will amortize in the next five years and thereafter as follows:

(in thousands of dollars) For the Year Ending December 31,	Value of In-Place Lease Intangibles	Above/(Below) Market Leases, net
2014	\$ 1,391	\$ (960)
2015	371	(441)
2016	288	(421)
2017	282	(456)
2018	259	(438)
2019 and thereafter	560	(1,837)
Total	\$ 3,151	\$ (4,553)

ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The determination to classify an asset as held for sale requires significant estimates by us about the property and the expected market for the property, which are based on factors including recent sales of comparable properties, recent expressions of interest in the property, financial metrics of the property and the physical condition of the property. We must also determine if it will be possible under those market conditions to sell the property for an acceptable price within one year. When assets are identified by our management as held for sale, we discontinue depreciating the assets and estimate the sales price, net of selling costs, of such assets. We generally consider operating properties to be held for sale when they meet criteria such as whether the sale transaction has been approved by the appropriate level of management and there are no known material contingencies relating to the sale such that the sale is probable and is expected to qualify for recognition as a completed sale within one year. If, in management’s opinion, the expected net sales price of the asset that has been identified as held for sale is less than the net book value of the asset, the asset is written down to fair value less the cost to sell. Assets and liabilities related to assets classified as held for sale are presented separately in the consolidated balance sheet.

Assuming that there is no significant continuing involvement, an operating real estate property that is classified as held for sale or sold is considered a discontinued operation. Operating properties classified as discontinued operations are reclassified as such in the consolidated statements of operations for each period presented. Interest expense that is specifically identifiable to the property is used in the computation of interest expense attributable to discontinued operations. See note 2 for a description of the properties included in discontinued operations. Land parcels and other portions of operating properties, non-operating real estate and investments in partnerships are excluded from discontinued operations treatment.

CAPITALIZATION OF COSTS Costs incurred in relation to development and redevelopment projects for interest, property taxes and insurance are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. Costs incurred for such items after the property is substantially complete and ready for its intended use are charged to expense as incurred. Capitalized costs, as well as tenant inducement amounts and internal and external commissions, are recorded in construction in progress. We capitalize a portion of development department employees’ compensation and benefits related to time spent involved in development and redevelopment projects.

We capitalize payments made to obtain options to acquire real property. Other related costs that are incurred before acquisition that are expected to have ongoing value to the project are capitalized if the acquisition of the property is probable. If the property is acquired, such costs are included in the amount recorded as the initial value of the asset. When it is probable that the property will not be acquired, capitalized pre-acquisition costs are charged to expense.

We capitalize salaries, commissions and benefits related to time spent by leasing and legal department personnel involved in originating leases with third-party tenants.

The following table summarizes our capitalized salaries, commissions and benefits, real estate taxes and interest for the years ended December 31, 2013, 2012 and 2011:

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Development/Redevelopment:			
Salaries and benefits	\$ 1,059	\$ 805	\$ 765
Real estate taxes	\$ 5	\$ 277	\$ 280
Interest	\$ 874	\$ 1,549	\$ 2,087
Leasing:			
Salaries, commissions and benefits	\$ 5,261	\$ 5,336	\$ 4,999

TENANT RECEIVABLES We make estimates of the collectibility of our tenant receivables related to tenant rent including base rent, straight-line rent, expense reimbursements and other revenue or income. We specifically analyze accounts receivable, including straight-line rent receivable, historical bad debts, customer creditworthiness and current economic and industry trends, when evaluating the adequacy of the allowance for doubtful accounts. The receivables analysis places particular emphasis on past-due accounts and considers the nature and age of the receivables, the payment history and financial condition of the payor, the basis for any disputes or negotiations with the payor, and other information that could affect collectibility. In addition, with respect to tenants in bankruptcy, we make estimates of the expected recovery of pre-petition and post-petition claims in assessing the estimated collectibility of the related receivable. In some cases, the time required to reach an ultimate resolution of these claims can exceed one year. For straight-line rent, the collectibility analysis considers the probability of collection of the unbilled deferred rent receivable, given our experience regarding such amounts.

INCOME TAXES We have elected to qualify as a real estate investment trust, or REIT, under Sections 856-860 of the Internal Revenue Code of 1986, as amended, and intend to remain so qualified.

In some instances, we follow methods of accounting for income tax purposes that differ from generally accepted accounting principles.

Earnings and profits, which determine the taxability of distributions to shareholders, will differ from net income or loss 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 our net income or loss for financial reporting purposes and for tax reporting purposes.

The following table summarizes the aggregate cost basis and depreciated basis for federal income tax purposes of our investment in real estate for the years ended December 31, 2013 and 2012:

(in millions of dollars)	As of December 31,	
	2013	2012
Aggregate cost basis for federal income tax purposes	\$ 3,710.1	\$ 3,979.2
Aggregate depreciated basis for federal income tax purposes	\$ 2,692.9	\$ 2,908.5

We are subject to a federal excise tax computed on a calendar year basis in accordance with the Internal Revenue Code. We have, in the past, distributed a substantial portion of our taxable income in the subsequent fiscal year and might also follow this policy in the future. No provision for excise tax was made for the years ended December 31, 2013, 2012 and 2011, as no excise tax was due in those years.

The per share distributions paid to common shareholders had the following components for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,		
	2013	2012	2011
Ordinary income	\$ —	\$ —	\$ 0.37
Capital gains	—	—	0.01
Non-dividend distributions	0.74	0.63	0.22
	\$ 0.74	\$ 0.63	\$ 0.60

In April 2012, we issued Series A Preferred Shares and in October 2012, we issued Series B Preferred Shares. The per share distributions paid to Series A preferred shareholders and Series B preferred shareholders had the following components for the years ended December 31, 2013 and 2012:

	For the Year Ended December 31,	
	2013	2012
Series A Preferred Share Dividends		
Ordinary income	\$ 1.96	\$ —
Capital gains	—	—
Non-dividend distributions	0.10	1.35
	\$ 2.06	\$ 1.35
Series B Preferred Share Dividends		
Ordinary income	\$ 1.75	\$ —
Capital gains	—	—
Non-dividend distributions	0.09	0.33
	\$ 1.84	\$ 0.33

We follow accounting requirements that prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. We must determine whether it is "more likely than not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the "more likely than not" recognition threshold, the position is measured at the largest amount of benefit that is greater than 50% likely to be realized upon settlement to determine the amount of benefit to recognize in the financial statements.

PRI is subject to federal, state and local income taxes. We had no provision or benefit for federal or state income taxes in the years ended December 31, 2013, 2012 and 2011. We had net deferred tax assets of \$8.7 million and \$9.1 million for the years ended December 31, 2013 and 2012, respectively. The deferred tax assets are primarily the result of net operating losses. A valuation allowance has been established for the full amount of the net deferred tax assets, since it is more likely than not that these assets will not be realized

because we anticipate that the net operating losses that we have historically experienced at our taxable REIT subsidiaries will continue to occur.

DEFERRED FINANCING COSTS Deferred financing costs include fees and costs incurred to obtain financing. Such costs are amortized to interest expense over the terms of the related indebtedness. Interest expense is determined using the effective interest method in the case of costs associated with mortgage loans, or on a straight line basis in the case of costs associated with our 2013 Revolving Facility (see note 4).

DERIVATIVES In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest-bearing liabilities. We attempt to limit these risks by following established risk management policies, procedures and strategies, including the use of derivative financial instruments. We do not use derivative financial instruments for trading or speculative purposes.

Currently, we use interest rate swaps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

Derivative financial instruments are recorded on the balance sheet as assets or liabilities based on the fair value of the instrument. Changes in the fair value of derivative financial instruments are recognized currently in earnings, unless the derivative financial instrument meets the criteria for hedge accounting. If the derivative financial instruments meet the criteria for a cash flow hedge, the gains and losses in the fair value of the instrument are deferred in other comprehensive income. Gains and losses on a cash flow hedge are reclassified into earnings when the forecasted transaction affects earnings. A contract that is designated as a hedge of an anticipated transaction that is no longer likely to occur is immediately recognized in earnings.

The anticipated transaction to be hedged must expose us to interest rate risk, and the hedging instrument must reduce the exposure and meet the requirements for hedge accounting. We must formally designate the instrument as a hedge and document and assess the effectiveness of the hedge at inception and on a quarterly basis. Interest rate hedges that are designated as cash flow hedges are designed to mitigate the risks associated with future cash outflows on debt.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by us and our counterparties. As of December 31, 2013, we have assessed the significance of the effect of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

OPERATING PARTNERSHIP UNIT REDEMPTIONS Shares issued upon redemption of OP Units are recorded at the book value of the OP Units surrendered.

SHARE-BASED COMPENSATION EXPENSE Share based payments to employees and non-employee trustees, including grants of share options and restricted shares, are valued at fair value on the date of grant, and are expensed over the applicable vesting period.

EARNINGS PER SHARE The difference between basic weighted average shares outstanding and diluted weighted average shares outstanding is the dilutive effect of common share equivalents. Common share equivalents consist primarily of shares that are issued under employee share compensation programs and outstanding share options whose exercise price is less than the average market price of our common shares during these periods.

CORRECTION OF PRIOR PERIOD PRESENTATION Certain prior period amounts have been reclassified to conform with the current year presentation.

Our previously reported results of operations for the years ended December 31, 2012 and 2011 and interim periods for 2013 and 2012 have been corrected to eliminate certain immaterial intercompany revenues and expenses. These immaterial corrections had no effect on net income (loss), basic or diluted earnings (loss) per share amounts, comprehensive income (loss), shareholders' equity or cash flows. The immaterial corrections reduced other real estate revenue and other operating expenses by approximately \$2.1 million for each of the years ended December 31, 2012 and 2011.

NEW ACCOUNTING DEVELOPMENTS In 2013, we adopted new accounting requirements relating to the presentation of comprehensive income. The new accounting requirements mandate disclosure about items reclassified out of accumulated other comprehensive income and into net income, and require reference to other disclosures about items that are not reclassified in their entirety into net income. The adoption of these new accounting requirements did not have a material effect on our financial statements.

Effective January 1, 2012, in conjunction with our implementation of updates to the fair value measurements guidance, we made an accounting policy election to measure derivative financial instruments that are subject to master netting agreements on a net basis. This accounting policy election did not have a material effect on our financial statements.

In 2011, we adopted new accounting requirements relating to the presentation of comprehensive income. These accounting requirements have increased the prominence of other comprehensive income in our financial statements. We now present the components of net income and comprehensive income in two financial statements under the heading "Consolidated Statements of Operations."

2. Real Estate Activities

Investments in real estate as of December 31, 2013 and 2012 were comprised of the following:

(in thousands of dollars)	As of December 31,	
	2013	2012
Buildings, improvements and construction in progress	\$ 3,049,758	\$ 2,996,301
Land, including land held for development	478,110	481,239
Total investments in real estate	3,527,868	3,477,540
Accumulated depreciation	(1,012,746)	(907,928)
Net investments in real estate	\$ 2,515,122	\$ 2,569,612

IMPAIRMENT OF ASSETS During the years ended December 31, 2013, 2012, and 2011, we recorded asset impairment losses of \$30.0 million, \$3.8 million and \$52.3 million, respectively. Such impairment losses are recorded in either “Impairment of assets” or “Impairment of assets of discontinued operations” based upon the classification of the property in the consolidated statements of operations. The assets that incurred impairment losses and the amount of such losses are as follows:

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Chambersburg Mall ⁽¹⁾	\$ 23,662	\$ —	\$ —
Phillipsburg Mall ⁽¹⁾	—	3,805	27,977
North Hanover Mall ⁽²⁾	6,304	—	24,134
Other ⁽¹⁾	—	—	225
Total Impairment of Assets	\$ 29,966	\$ 3,805	\$ 52,336

⁽¹⁾ Impairment of assets of this property is recorded in discontinued operations.

⁽²⁾ Impairment of assets of this property is recorded in continuing operations.

CHAMBERSBURG MALL In September 2013, we recorded a loss on impairment of assets at Chambersburg Mall in Chambersburg, Pennsylvania of \$23.7 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of \$8.2 million. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property. As a result of this factor, we determined that the holding period for the property was less than had been previously estimated, which we concluded to be a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on this factor, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Chambersburg Mall were less than the carrying value of the property, and recorded the impairment loss. We recorded the impairment loss in discontinued operations in the third quarter of 2013 and sold this property in the fourth quarter of 2013.

NORTH HANOVER MALL In 2011, we recorded a loss on impairment of assets at North Hanover Mall in Hanover, Pennsylvania of \$24.1 million to write down the carrying value of the property's long-lived assets to the property's then estimated fair value of \$22.5 million. In 2008, we had constructed anchor space that was to be leased and occupied by department store Boscov's, Inc. (“Boscov's”). Prior to taking occupancy of the newly built store, Boscov's declared bankruptcy, and the lease was subsequently rejected. We had attempted to execute a lease with a suitable retail replacement or non-retail user for this anchor location. In 2011, a newly-constructed power center opened in the trade area, increasing the competition for new tenants. After entering into lease negotiations in 2011, in January 2012, we entered into a lease with J.C. Penney Company, Inc. for it to move from its then-current location to a significant portion of the newly constructed anchor space. The economic terms of this transaction, which were substantially completed in 2011, were less favorable than the terms of the original Boscov's lease. During the third quarter of 2011, in connection with our 2012 business plan and budgeting process, we concluded that there was a low likelihood that we would be able to lease the vacant department store space on favorable terms. We further concluded that these factors constituted a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on these factors, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for North Hanover Mall were less than the carrying value of the property, and recorded the impairment loss.

In September 2013, we recorded a further loss on impairment of assets at North Hanover Mall of \$6.3 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of \$16.7 million. Since 2011, the property experienced further declines in net operating income and occupancy. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property, which are ongoing and could result in changes to our underlying assumptions. As a result of these factors, we determined that the holding period for the property was less than had previously been estimated, which we concluded to be a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on these factors, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for North Hanover Mall were less than the carrying value of the property, and recorded the impairment loss.

PHILLIPSBURG MALL In 2011, we recorded a loss on impairment of assets at Phillipsburg Mall in Phillipsburg, New Jersey of \$28.0 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of \$15.0 million. During 2011, Phillipsburg Mall experienced significant decreases in non anchor occupancy and net operating income as a result of unfavorable economic conditions in the Phillipsburg, New Jersey trade area, combined with negative trends in the retail sector. The occupancy declines resulted from store closings of underperforming tenants. Net operating income at this property was also affected by an increase in the number of tenants paying a percentage of their sales in lieu of minimum rent, combined with declining tenant sales. As a result of these conditions, during the third quarter of 2011, in connection with the preparation of our 2012 business plan and budgets, we determined that the estimated undiscounted future cash flows, net of estimated capital expenditures, to be generated by the property were less than the carrying value of the property, and recorded the impairment loss.

In the fourth quarter of 2012, we recorded an additional impairment loss on Phillipsburg Mall of \$3.8 million. The amount of the impairment loss was determined based on the sale price of the property. We sold this property in the first quarter of 2013.

DISCONTINUED OPERATIONS We have presented as discontinued operations the operating results of Phillipsburg Mall, Orlando Fashion Square, Chambersburg Mall, Paxton Towne Centre, Christiana Center and Commons at Magnolia, which are properties that were sold in 2013.

The following table summarizes revenue and expense information for the years ended December 31, 2013, 2012 and 2011 for our discontinued operations:

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Real estate revenue	\$ 10,014	\$ 33,046	\$ 35,270
Expenses:			
Operating expenses	(4,288)	(15,340)	(15,842)
Depreciation and amortization	(1,161)	(8,877)	(12,402)
Interest expense	(1,753)	(4,202)	(5,108)
Total expenses	(7,202)	(28,419)	(33,352)
Operating results from discontinued operations	2,812	4,627	1,918
Impairment of assets of discontinued operations	(23,662)	(3,805)	(27,977)
Gains on sales of discontinued operations	78,512	947	—
Income (loss) from discontinued operations	\$ 57,662	\$ 1,769	\$ (26,059)

ACQUISITIONS In April 2013, we acquired a building located contiguous to The Gallery at Market East in Philadelphia, Pennsylvania for \$59.6 million, representing a capitalization rate of approximately 5.7%.

DISPOSITIONS The table below presents our dispositions since January 1, 2011:

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate	(in millions of dollars)	
				Sale Price	Gain/(Loss)
2013 Activity:					
January	Phillipsburg Mall, Phillipsburg, New Jersey	Mall ⁽¹⁾	9.8%	\$ 11.5	\$ —
	Paxton Towne Centre, Harrisburg, Pennsylvania	Power center ⁽²⁾⁽³⁾	6.9%	76.8	32.7
February	Orlando Fashion Square, Orlando, Florida	Mall ⁽⁴⁾	9.8%	35.0	0.7
September	Commons at Magnolia, Florence, South Carolina	Strip Center ⁽⁵⁾	8.9%	12.3	4.3
	Christiana Center, Newark, Delaware	Power Center ⁽²⁾⁽⁵⁾⁽⁶⁾	6.5%	75.0	40.8
November	Chambersburg Mall, Chambersburg, Pennsylvania	Mall ⁽⁷⁾	NM ⁽⁸⁾	8.5	—
2011 Activity:					
May	Voorhees Town Center, Voorhees, New Jersey	Condominium interest in the mall	—	5.9	0.7
May	Pitney Road Plaza, Lancaster, Pennsylvania	Parcel and land improvements	—	1.4	0.7
December	New River Valley Mall, Christiansburg, Virginia	Unimproved land parcel	—	0.2	0.1

⁽¹⁾ We used proceeds of \$11.5 million plus \$4.5 million of available working capital to pay for the release of the lien on this collateral property, which secured a portion of our 2010 Credit Facility (as defined in note 4).

⁽²⁾ We divested goodwill of \$0.7 million and \$0.8 million in connection with the dispositions of Paxton Towne Centre and Christiana Center, respectively.

⁽³⁾ We used proceeds from the sale of this property to repay the \$50.0 million mortgage loan secured by the property.

⁽⁴⁾ We used proceeds of \$35.0 million plus a nominal amount of available working capital to pay for the release of the lien on this collateral property, which secured a portion of our 2010 Credit Facility.

⁽⁵⁾ We used combined proceeds from the sales of these properties to repay \$35.0 million of amounts outstanding under our 2013 Revolving Facility and we used the remaining proceeds for general corporate purposes.

⁽⁶⁾ The buyer of this property assumed the \$49.2 million mortgage loan secured by this property.

⁽⁷⁾ In the third quarter of 2013, we recorded a loss on impairment of assets at Chambersburg Mall of \$23.7 million. We used proceeds from the sale of this property for general corporate purposes.

⁽⁸⁾ The capitalization rate was not meaningful in the context of this transaction.

DISPOSITIONS—OTHER ACTIVITY In September 2013, we sold a condominium interest in connection with a ground lease located at Voorhees Town Center in Voorhees, New Jersey for \$10.5 million. No gain or loss was recorded in connection with this sale.

In December 2012, we sold our remaining interest in Northeast Tower Center in Philadelphia, Pennsylvania in exchange for cancellation of a \$3.8 million note payable to the buyer. We recorded a gain of \$0.9 million from this sale in 2012.

THE GALLERY AT MARKET EAST RACP GRANT We were awarded a total grant of \$13.5 million from the Pennsylvania Redevelopment Assistance Capital Program (“RACP”) in connection with our redevelopment of The Gallery at Market East in Philadelphia, Pennsylvania. We were originally awarded \$10.5 million in 2011. In 2013, the award was amended to provide an additional grant amount of \$3.0 million. Of this total grant amount, \$3.0 million was received through December 31, 2013 and was used to offset the cost of the improvements that we made with respect to one tenant who took possession of its rental space in 2012. We will recognize the \$3.0 million grant associated with this tenant as income over the 20-year useful life of the improvements. We recognized income related to

the grant of \$0.2 million and \$0.1 million in the years ended December 31, 2013 and 2012, respectively.

DEVELOPMENT ACTIVITIES As of December 31, 2013 and 2012, we had capitalized amounts related to construction and development activities. The following table summarizes certain capitalized construction and development information for our consolidated properties as of December 31, 2013 and 2012:

(in millions of dollars)	As of December 31,	
	2013	2012
Construction in progress	\$ 68.8	\$ 68.6
Land held for development	8.7	13.2
Deferred costs and other assets	1.1	3.7
Total capitalized construction and development activities	\$ 78.6	\$ 85.5

As of December 31, 2013, we had \$1.1 million of refundable deposits and \$0.2 million in non-refundable deposits on land and building purchase contracts.

3. Investments in Partnerships

The following table presents summarized financial information of the equity investments in our unconsolidated partnerships as of December 31, 2013 and 2012:

(in thousands of dollars)	As of December 31,	
	2013	2012
Assets:		
Investments in real estate, at cost:		
Retail properties	\$ 416,964	\$ 414,515
Construction in progress	2,298	2,003
Total investments in real estate	419,262	416,518
Accumulated depreciation	(169,369)	(157,361)
Net investments in real estate	249,893	259,157
Cash and cash equivalents	15,327	9,833
Deferred costs and other assets, net	19,474	18,605
Total assets	284,694	287,595
Liabilities and Partners' Equity (Deficit):		
Mortgage loans	398,717	405,297
Other liabilities	9,667	9,130
Total liabilities	408,384	414,427
Net deficit	(123,690)	(126,832)
Partners' share	(66,325)	(67,735)
Company's share	(57,365)	(59,097)
Excess investment ⁽¹⁾	8,837	9,078
Net investments and advances	\$ (48,528)	\$ (50,019)
Investment in partnerships, at equity	\$ 15,963	\$ 14,855
Distributions in excess of partnership investments	(64,491)	(64,874)
Net investments and advances	\$ (48,528)	\$ (50,019)

⁽¹⁾ Excess investment represents the unamortized difference between our investment and our share of the equity in the underlying net investment in the partnerships. The excess investment is amortized over the life of the properties, and the amortization is included in "Equity in income of partnerships."

We record distributions from our equity investments up to an amount equal to the equity in income of partnerships as cash from operating activities. Amounts in excess of our share of the income in the equity investments are treated as a return of partnership capital and recorded as cash from investing activities.

The following table summarizes our share of equity in income of partnerships for the years ended December 31, 2013, 2012 and 2011:

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Real estate revenue	\$ 81,020	\$ 77,533	\$ 76,134
Expenses:			
Operating expenses	(24,104)	(23,023)	(22,994)
Interest expense	(22,228)	(22,573)	(22,789)
Depreciation and amortization	(14,401)	(14,447)	(15,894)
Total expenses	(60,733)	(60,043)	(61,677)
Net income	20,287	17,490	14,457
Less: Partners' share	(10,096)	(8,738)	(7,189)
Company's share	10,191	8,752	7,268
Amortization of excess investment	(413)	(414)	(633)
Equity in income of partnerships	\$ 9,778	\$ 8,338	\$ 6,635

FINANCING ACTIVITY OF UNCONSOLIDATED PROPERTIES Mortgage loans, which are secured by eight of the partnership properties (including one property under development), are due in installments over various terms extending to the year 2023. Five of the mortgage loans bear interest at a fixed interest rate and three of the mortgage loans bear interest at a variable interest rate. The balances of the fixed interest rate mortgage loans have interest rates that range from 5.00% to 7.00% and had a weighted average interest rate of 5.56% at December 31, 2013. The variable interest rate mortgage loans have interest rates that range from 2.93% to 3.27% and had a weighted average interest rate of 3.20% at December 31, 2013. The weighted average interest rate of all partnership mortgage loans was 5.08% at December 31, 2013. The liability under each mortgage loan is limited to the partnership that owns the particular property. Our proportionate share, based on our respective partnership interest, of principal payments due in the next five years and thereafter is as follows:

(in thousands of dollars)	Company's Proportionate Share			
	Principal Amortization	Balloon Payments	Total	Property Total
For the Year Ending December 31,				
2014	\$ 3,411	\$ —	\$ 3,411	\$ 6,870
2015	3,452	35,221	38,673	77,395
2016	3,004	—	3,004	6,056
2017	3,145	3,283	6,428	14,527
2018	3,184	4,145	7,329	14,658
2019 and thereafter	8,948	130,658	139,606	279,211
	\$25,144	\$173,307	\$198,451	\$398,717

We have a 50% partnership interest in Lehigh Valley Associates LP, the owner of Lehigh Valley Mall, which is a significant unconsolidated subsidiary, and that is included in the amounts above. Summarized financial information as of or for the year ended December 31, 2013 for this property, which is accounted for by the equity method, is as follows:

(in thousands of dollars)	As of or for the Year Ended December 31, 2013
Total assets	\$ 60,653
Mortgages payable	133,542
Revenues	36,030
Property operating expenses	9,817
Interest expense	7,962
Net income	14,759
PREIT's share of equity in income of partnership	7,380

MORTGAGE LOAN ACTIVITY—UNCONSOLIDATED PROPERTIES The following table presents the mortgage loans secured by our unconsolidated properties entered into since January 1, 2012:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2012 Activity:				
July	Pavilion East ⁽¹⁾	\$ 9.4	LIBOR plus 2.75%	August 2017

⁽¹⁾ The unconsolidated entity that owns Pavilion East entered into the mortgage loan. Our interest in the unconsolidated entity is 40%. The mortgage loan has a term of five years. In connection with this new mortgage loan financing, the unconsolidated entity repaid the previous \$9.2 million mortgage loan using proceeds from the new mortgage loan.

4. Financing Activity

2013 REVOLVING FACILITY, AS AMENDED In April 2013, PREIT, PREIT Associates and PRI (collectively, the “Borrower”) entered into a Credit Agreement (the “2013 Revolving Facility”) with Wells Fargo Bank, National Association, and the other financial institutions signatory thereto, for a \$400.0 million senior unsecured revolving credit facility. The 2013 Revolving Facility replaced the previously existing 2010 Credit Facility. In December 2013, we amended the 2013 Revolving Facility to make certain terms of the 2013 Revolving Facility consistent with the terms of the 2014 Term Loans (discussed below). All capitalized terms used in this note 4 and not otherwise defined herein have the meanings ascribed to such terms in the 2013 Revolving Facility, as amended.

As of December 31, 2013, \$130.0 million was outstanding under our 2013 Revolving Facility and the unused portion that was available to us was \$270.0 million.

The weighted average interest rate on outstanding 2013 Revolving Facility borrowings as of December 31, 2013 was 1.87%. Interest expense related to the 2013 Revolving Facility was \$2.5 million for the year ended December 31, 2013. Deferred financing fee amortization associated with the 2013 Revolving Facility was \$1.1 million for the year ended December 31, 2013.

The initial maturity of the 2013 Revolving Facility is April 17, 2016, and the Borrower has options for two one-year extensions of the initial maturity date, subject to certain conditions and to the payment of extension fees of 0.15% and 0.20% of the Facility Amount for the first and second options, respectively.

The Borrower has the option to increase the maximum amount available under the 2013 Revolving Facility, through an accordion option, from \$400.0 million to as much as \$600.0 million, in increments of \$5.0 million (with a minimum increase of \$25.0 million), based on Wells Fargo Bank's ability to obtain increases in Revolving Commitments from the current lenders or Revolving Commitments from new lenders. No increase to the maximum amount available under the 2013 Revolving Facility has been exercised by the Borrower.

Amounts borrowed under the 2013 Revolving Facility bear interest at a rate between 1.50% and 2.05% per annum, depending on PREIT's leverage, in excess of LIBOR, with no floor, as set forth in the table below. The rate in effect at December 31, 2013 was 1.70% per annum in excess of LIBOR. In determining PREIT's leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is (a) 6.50% for each Property having an average sales per square foot of more than \$500 for the most recent period of 12 consecutive months, and (b) 7.50% for any other Property.

Level	Ratio of Total Liabilities to Gross Asset Value	Applicable Margin
1	Less than 0.450 to 1.00	1.50%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.70%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.85%
4	Equal to or greater than 0.550 to 1.00	2.05%

In the event that we seek and obtain an investment grade credit rating, alternative interest rates would apply. The unused portion of the 2013 Revolving Facility is subject to a facility fee of 0.30% per annum. In the event that we seek and obtain an investment grade credit rating, alternative facility fees would apply.

PREIT and the subsidiaries of PREIT that either (1) account for more than 2.5% of adjusted Gross Asset Value (other than an Excluded Subsidiary), (2) own or lease an Unencumbered Property, or (3) own, directly or indirectly, a subsidiary described in clause (2) will serve as guarantors for funds borrowed under the 2013 Credit Facility. In the event that we seek and obtain an investment grade credit rating, we may request that a subsidiary guarantor be released, unless such guarantor becomes obligated in respect of the debt of the Borrower or another subsidiary or owns Unencumbered Property or incurs recourse debt.

PREIT may not permit the amount of the Gross Asset Value attributable to assets directly owned by the Borrowers and the guarantors to be less than 95% of Gross Asset Value excluding assets owned by Excluded Subsidiaries or Unconsolidated Affiliates.

The 2013 Revolving Facility and the 2014 Term Loans (discussed below) are cross-defaulted with one another.

The 2013 Revolving Facility and the 2014 Term Loans contain certain affirmative and negative covenants which are identical and which are described in detail below in the section entitled “Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans.” As of December 31, 2013, the Borrower was in compliance with all such financial covenants.

The Borrower may prepay the 2013 Revolving Facility at any time without premium or penalty, subject to reimbursement obligations for the lenders’ breakage costs for LIBOR borrowings. The Borrower must repay the entire principal amount outstanding under the 2013 Revolving Facility at the end of its term, as the term may have been extended.

Upon the expiration of any applicable cure period following an event of default, the lenders may declare all of the obligations in connection with the 2013 Revolving Facility immediately due and payable, and the Commitments of the lenders to make further loans under the 2013 Revolving Facility will terminate. Upon the occurrence of a voluntary or involuntary bankruptcy proceeding of PREIT, PREIT Associates, PRI, any Material Subsidiary, any subsidiary that owns or leases an Unencumbered Property or certain other subsidiaries, all outstanding amounts will automatically become immediately due and payable and the Commitments of the lenders to make further loans will automatically terminate.

The Borrower used the initial proceeds from the 2013 Revolving Facility to repay both \$97.5 million outstanding under the 2010 Term Loan and \$95.0 million outstanding under the 2010 Revolving Facility.

2014 TERM LOANS On January 8, 2014, the Borrower entered into two unsecured term loans in the initial aggregate amount of \$250.0 million, comprised of:

- (1) a 5 Year Term Loan Agreement (the “5 Year Term Loan”) with Wells Fargo Bank, National Association, U.S. Bank National Association and the other financial institutions signatory thereto, for a \$150.0 million senior unsecured 5 year term loan facility; and
- (2) a 7 Year Term Loan Agreement (the “7 Year Term Loan” and, together with the 5 Year Term Loan, the “2014 Term Loans”) with Wells Fargo Bank, National Association, Capital One, National Association and the other financial institutions signatory thereto, for a \$100.0 million senior unsecured 7 year term loan facility.

Amounts borrowed under the 5 Year Term Loan and the 7 Year Term Loan bear interest at the rate specified below per annum, depending on PREIT’s leverage, in excess of LIBOR, with no floor. In determining PREIT’s leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is (a) 6.50% for each Property having an average sales per square foot of more than \$500 for the most recent period of 12 consecutive months, and (b) 7.50% for any other Property.

Level	Ratio of Total Liabilities to Gross Asset Value	5 Year Term Loan Applicable Margin	7 Year Term Loan Applicable Margin
1	Less than 0.450 to 1.00	1.35%	1.80%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.45%	1.95%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.60%	2.15%
4	Equal to or greater than 0.550 to 1.00	1.90%	2.35%

The initial rate in effect under the 5 Year Term Loan was 1.45% per annum in excess of LIBOR. The initial rate in effect under the 7 Year Term Loan was 1.95% per annum in excess of LIBOR.

If PREIT seeks and obtains an investment grade credit rating and so notifies the lenders under the respective 2014 Term Loans, alternative interest rates would apply.

The table set forth below presents the initial amount outstanding, initial interest rate (inclusive of the initial LIBOR spread) in effect and the maturity dates of the 2014 Term Loans:

(in millions of dollars)	5 Year Term Loan	7 Year Term Loan
Total facility	\$ 150.0	\$ 100.0
Initial borrowing	\$ 100.0	\$ 30.0
Initial interest rate	1.61%	2.11%
Maturity date	January 2019	January 2021

Under the 2014 Term Loans, there is a deferred draw feature that enables PREIT to borrow the amounts specified in each of the term loans over a period of up to one year. From the effective date until either one year later or until the maximum amount under the respective loan is borrowed (or until the lenders’ commitments are otherwise terminated), the unused portion of the 2014 Term Loans is subject to a fee of 0.20%, in the case of the 5 year Term Loan, and 0.35%, in the case of the 7 Year Term Loan, per annum. There is an additional commitment termination fee under the 7 Year Term Loan if the maximum amount is not borrowed within one year.

PREIT and the subsidiaries of PREIT that either (1) account for more than 2.5% of adjusted Gross Asset Value (other than an Excluded Subsidiary), (2) own or lease an Unencumbered Property, (3) own, directly or indirectly, a subsidiary described in clause (2), or (4) are guarantors under the 2013 Revolving Facility will serve as guarantors for funds borrowed under the 2014 Term Loans.

The Borrower has the option to increase the maximum amount available under the 5 Year Term Loan, through an accordion option (subject to certain conditions), from \$150.0 million to as much as \$300.0 million, in increments of \$5.0 million (with a minimum increase of \$25.0 million), based on Wells Fargo Bank’s ability to obtain increases in commitments from the current lenders or from new lenders.

The Borrower has the option to increase the maximum amount available under the 7 Year Term Loan, through an accordion option (subject to certain conditions), from \$100.0 million to as much as \$200.0 million, in increments of \$5.0 million (with a minimum increase of \$25.0 million), based on Wells Fargo Bank’s ability to obtain increases in commitments from the current lenders or from new lenders.

The 2014 Term Loans and the 2013 Revolving Facility contain certain affirmative and negative covenants which are identical and are described in detail below in the section “Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans.” The 2014 Term Loans also contain an additional covenant that PREIT may not permit the amount of the Gross Asset Value attributable to assets directly owned by PREIT, PREIT Associates, PRI and the guarantors to be less than 95% of Gross Asset Value excluding assets owned by Excluded Subsidiaries or Unconsolidated Affiliates.

The Borrower may prepay the 5 Year Term Loan at any time without premium or penalty, subject to reimbursement obligations for the lenders’ breakage costs for LIBOR borrowings. The payment of the 7 Year Term Loan prior to its maturity is subject to reimbursement obligations for the lenders’ breakage costs for LIBOR borrowings and a declining prepayment penalty ranging from 3% for one year after closing, to 2% after two years, to 1% after three years and without penalty thereafter.

Upon the expiration of any applicable cure period following an event of default, the lenders may declare all of the obligations in connection with the 2014 Term Loans immediately due and payable, and before the one year anniversary of the effective date, the commitments of the lenders to make further loans, if any, under the 2014 Term Loans would terminate. Upon the occurrence of a voluntary or involuntary bankruptcy proceeding of PREIT, PREIT Associates, PRI, any material subsidiary, any subsidiary that owns or leases an Unencumbered Property or certain other subsidiaries, all outstanding amounts would automatically become immediately due and payable and, before the one year anniversary of the effective date, the commitments of the lenders to make further loans will automatically terminate.

PREIT may use the proceeds of the 2014 Term Loans for the repayment of debt, for the payment of development or redevelopment costs and for working capital and general corporate purposes.

IDENTICAL COVENANTS CONTAINED IN THE 2013 REVOLVING FACILITY AND 2014 TERM LOANS

The 2013 Revolving Facility and the 2014 Term Loans contain certain affirmative and negative covenants which are identical, including, without limitation, requirements that PREIT maintain, on a consolidated basis: (1) minimum Tangible Net Worth of not less than 75% of the Company's tangible net worth on December 31, 2012, plus 75% of the Net Proceeds of all Equity Issuances effected at any time after December 31, 2012; (2) maximum ratio of Total Liabilities to Gross Asset Value of 0.60:1, provided that it will not be a Default if the ratio exceeds 0.60:1 but does not exceed 0.625:1 for more than two consecutive quarters on more than two occasions during the term; (3) minimum ratio of Adjusted EBITDA to Fixed Charges of 1.45:1 on or before June 30, 2014, or 1.50:1 thereafter; (4) minimum Unencumbered Debt Yield of 12.0%; (5) minimum Unencumbered NOI to Unsecured Interest Expense of 1.75:1; (6) maximum ratio of Secured Indebtedness to Gross Asset Value of 0.60:1; (7) maximum Investments in unimproved real estate and predevelopment costs not in excess of 5.0% of Gross Asset Value; (8) maximum Investments in Persons other than Subsidiaries, Consolidated Affiliates and Unconsolidated Affiliates not in excess of 5.0% of Gross Asset Value; (9) maximum Mortgages in favor of the Borrower or any other Subsidiary not in excess of 5.0% of Gross Asset Value; (10) the aggregate value of the Investments and the other items subject to the preceding clauses (7) through (9) not in excess of 10.0% of Gross Asset Value; (11) maximum Investments in Consolidation Exempt Entities not in excess of 25.0% of Gross Asset Value; (12) maximum Projects Under Development not in excess of 15.0% of Gross Asset Value; (13) the aggregate value of the Investments and the other items subject to the preceding clauses (7) through (9) and (11) and (12) not in excess of 35.0% of Gross Asset Value; and (14) Distributions may not exceed (A) with respect to our preferred shares, the amounts required by the terms of the preferred shares, and (B) with respect to our common shares, the greater of (i) 95.0% of Funds From Operations (FFO) and (ii) 110% of REIT taxable income for a fiscal year. These covenants and restrictions limit PREIT's ability to incur additional indebtedness, grant liens on assets and enter into negative pledge agreements, merge, consolidate or sell all or substantially all of its assets and enter into certain transactions with affiliates. The 2014 Term Loans and the 2013 Revolving Facility are subject to customary events of default and are cross-defaulted with one another.

2010 CREDIT FACILITY Prior to the 2013 Revolving Facility, we had a secured credit facility consisting of a revolving line of credit with a capacity of \$250.0 million (the "2010 Revolving Facility") and term loans with an aggregate balance prior to repayment of \$97.5 million (collectively, the "2010 Term Loan" and, together with the 2010 Revolving Facility, the "2010 Credit Facility").

Interest expense related to the 2010 Revolving Facility was \$0.4 million, \$2.6 million and \$2.6 million for the years ended December 31, 2013, 2012, and 2011, respectively, excluding non-cash amortization of deferred financing fees.

The weighted average effective interest rates based on amounts borrowed under the 2010 Term Loan for 2013, 2012 and 2011 were 3.95%, 4.82% and 5.58%, respectively. Interest expense excluding non-cash amortization and accelerated amortization of deferred financing fees related to the 2010 Term Loan was \$2.4 million, \$14.4 million and \$17.5 million for 2013, 2012 and 2011, respectively.

Deferred financing fee amortization associated with the 2010 Credit Facility for the years ended December 31, 2013, 2012 and 2011 was \$0.8 million, \$3.5 million and \$3.6 million, respectively. Accelerated deferred financing fee amortization associated with the 2010 Credit Facility for the years ended December 31, 2013, 2012 and 2011 was \$0.9 million, \$0.7 million and \$0.1 million, respectively, in connection with permanent paydowns of the 2010 Term Loan of \$182.0 million, \$58.0 million and \$7.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

MORTGAGE LOANS Our mortgage loans, which are secured by 18 of our consolidated properties, are due in installments over various terms extending to the year 2023. Twelve of these mortgage loans bear interest at fixed interest rates that range from 3.90% to 6.34% and had a weighted average interest rate of 5.05% at December 31, 2013. Six of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.68% at December 31, 2013. The weighted average interest rate of all consolidated mortgage loans was 4.65% at December 31, 2013. Mortgage loans for properties owned by unconsolidated partnerships are accounted for in "Investments in partnerships, at equity" and "Distributions in excess of partnership investments," and are not included in the table below.

The following table outlines the timing of principal payments and balloon payments pursuant to the terms of our mortgage loans of our consolidated properties as of December 31, 2013:

(in thousands of dollars) For the Year Ending December 31,	Principal Amortization	Balloon Payments ⁽¹⁾	Total
2014	\$ 17,457	\$ 51,000	\$ 68,457
2015	22,198	270,799	292,997
2016	13,321	243,745	257,066
2017	12,401	150,000	162,401
2018	12,075	141,532	153,607
2019 and thereafter	47,477	520,645	568,122
	\$ 124,929	\$ 1,377,721	\$ 1,502,650

⁽¹⁾ The maturity date for the balloon payment due in 2014 may be extended pursuant to the terms of the applicable loan agreement.

The estimated fair values of mortgage loans based on year-end interest rates and market conditions at December 31, 2013 and 2012 are as follows:

	2013		2012	
(in millions of dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans	\$ 1,502.7	\$ 1,467.9	\$ 1,718.1	\$ 1,739.1

The mortgage loans contain various customary default provisions. As of December 31, 2013, we were not in default on any of the mortgage loans.

MORTGAGE LOAN ACTIVITY The following table presents the mortgage loans we have entered into or extended since January 1, 2012 relating to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2013 Activity:				
February	Francis Scott Key Mall ⁽¹⁾⁽²⁾	\$ 62.6	LIBOR plus 2.60%	March 2018
February	Lycoming Mall ⁽³⁾	35.5	LIBOR plus 2.75%	March 2018
February	Viewmont Mall ⁽¹⁾	48.0	LIBOR plus 2.60%	March 2018
March	Dartmouth Mall	67.0	3.97% fixed	April 2018
September	Logan Valley Mall ⁽⁴⁾	51.0	LIBOR plus 2.10%	September 2014
December	Wyoming Valley Mall ⁽⁵⁾	78.0	5.17% fixed	December 2023
2012 Activity:				
January	New River Valley Mall ⁽⁶⁾	28.1	LIBOR plus 3.00%	January 2019
February	Capital City Mall	65.8	5.30% fixed	March 2022
July	Christiana Center ⁽⁷⁾	50.0	4.64% fixed	August 2022
August	Cumberland Mall	52.0	4.40% fixed	August 2022
August	Cherry Hill Mall ⁽⁸⁾	300.0	3.90% fixed	September 2022

⁽¹⁾ Interest only payments.

⁽²⁾ The mortgage loan may be increased by \$7.9 million subject to certain prescribed conditions.

⁽³⁾ The initial amount of the mortgage loan was \$28.0 million. We took additional draws of \$5.0 million in October 2009 and \$2.5 million in March 2010. The mortgage loan was amended in February 2013 to lower the interest rate to LIBOR plus 2.75% and to extend the maturity date to March 2018. In February 2013, the unamortized balance of the mortgage loan was \$33.4 million before we borrowed an additional \$2.1 million to bring the total amount financed to \$35.5 million.

⁽⁴⁾ The initial amount of the mortgage loan was \$68.0 million. We repaid \$5.0 million in September 2011 and \$12.0 million in September 2013. We exercised our right under the loan in September 2013 to extend the maturity date to September 2014.

⁽⁵⁾ Interest only payments until March 2015. Principal and interest payments commencing in April 2015.

⁽⁶⁾ Extension option modified the mortgage rate and payment terms. Interest only payments for the first five years. Principal and interest commence January 2017 based on a 25 year amortization schedule, with a balloon payment due in January 2019.

⁽⁷⁾ The property was sold in September 2013 and the buyer assumed the remaining \$49.2 million mortgage loan.

⁽⁸⁾ Interest only payments for the first two years. Principal and interest payments commencing on October 1, 2014, with a balloon payment due in September 2022.

OTHER 2013 ACTIVITY In February 2013, we repaid a \$53.2 million mortgage loan on Moorestown Mall in Moorestown, New Jersey using \$50.0 million from our 2010 Revolving Facility and \$3.2 million from available working capital.

In May 2013, we repaid a \$56.3 million mortgage loan on Jacksonville Mall in Jacksonville, North Carolina using \$35.0 million from our 2013 Revolving Facility and \$21.3 million from available working capital. See note 6 for additional information on the \$2.9 million loss on hedge ineffectiveness that was recorded during the three months ended June 30, 2013 in connection with this transaction.

In September 2013, we repaid a \$65.0 million mortgage loan on Wyoming Valley Mall in Wilkes-Barre, Pennsylvania using \$65.0 million from our 2013 Revolving Facility.

In October 2013, we repaid a \$66.9 million mortgage loan on Exton Square Mall in Exton, Pennsylvania using \$60.0 million from our 2013 Revolving Facility and \$6.9 million from available working capital.

In December 2013, we repaid a \$42.2 million mortgage loan on Beaver Valley Mall in Monaca, Pennsylvania using proceeds from the December 2013 financing of Wyoming Valley Mall.

5. Equity Offerings

2013 COMMON SHARE OFFERING In May 2013, we issued 11,500,000 common shares in a public offering at \$20.00 per share. We received net proceeds from the offering of \$220.5 million after deducting payment of the underwriting discount of \$0.80 per share and offering expenses. We used a portion of the net proceeds from this offering to repay all \$192.5 million of then-outstanding borrowings under the 2013 Revolving Facility.

2012 PREFERRED SHARE OFFERINGS In April 2012, we issued 4,600,000 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the "Series A Preferred Shares") in a public offering at \$25.00 per share. We received net proceeds from the offering of \$110.9 million after deducting payment of the underwriting discount of \$3.6 million (\$0.7875 per Series A Preferred Share) and estimated offering expenses of \$0.5 million. We used a portion of the net proceeds from this offering to repay all \$30.0 million of then-outstanding borrowings under the 2010 Revolving Facility.

In October 2012, we issued 3,450,000 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares (the "Series B Preferred Shares") in a public offering at \$25.00 per share. We received net proceeds from the offering of \$83.3 million after deducting payment of the underwriting discount of \$2.7 million (\$0.7875 per Series B Preferred Share) and estimated offering expenses of \$0.3 million. We used a portion of the net proceeds from this offering to repay all \$15.0 million of then-outstanding borrowings under the 2010 Revolving Facility and \$58.0 million of borrowings under the 2010 Term Loan.

We may not redeem the Series A Preferred Shares or the Series B Preferred Shares before April 20, 2017 and October 11, 2017, respectively, except to preserve our status as a REIT or upon the occurrence of a Change of Control, as defined in the Trust Agreement addendums designating the Series A and Series B Preferred Shares, respectively. On and after April 20, 2017 and October 11, 2017, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares, respectively, at \$25.00 per share plus any accrued and unpaid dividends. In addition, upon the occurrence of a Change of Control, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares for cash within 120 days after the first date on which such Change of Control occurred at \$25.00 per share plus any accrued and unpaid dividends. The Series A Preferred Shares and the Series B Preferred Shares have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless we redeem or otherwise repurchase them or they are converted.

As of December 31, 2012, there was \$0.7 million in accumulated but unpaid dividends relating to the Series A and Series B Preferred Shares. This amount was deducted from net loss to determine net loss attributable to common shareholders.

6. Derivatives

In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest bearing liabilities. We attempt to limit these risks by following established risk management policies, procedures and strategies, including the use of financial instruments such as derivatives. We do not use financial instruments for trading or speculative purposes.

CASH FLOW HEDGES OF INTEREST RATE RISK Our outstanding derivatives have been designated under applicable accounting authority as cash flow hedges. The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in

"Accumulated other comprehensive income (loss)" and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. To the extent these instruments are ineffective as cash flow hedges, changes in the fair value of these instruments are recorded in "Interest expense, net." We recognize all derivatives at fair value as either assets or liabilities in the accompanying consolidated balance sheets. Our derivative assets are recorded in "Deferred costs and other assets" and our derivative liabilities are recorded in "Fair value of derivative instruments."

Amounts reported in "Accumulated other comprehensive income (loss)" that are related to derivatives will be reclassified to "Interest expense, net" as interest payments are made on our corresponding debt. During the next twelve months, we estimate that \$2.5 million will be reclassified as an increase to interest expense in connection with derivatives.

INTEREST RATE SWAPS As of December 31, 2013, we had entered into six interest rate swap agreements with a weighted average interest swap rate of 1.61% on a notional amount of \$198.6 million maturing on various dates through January 1, 2018. We entered into these interest rate swap agreements in order to hedge the interest payments associated with our issuances of variable interest rate long term debt. We have assessed the effectiveness of these interest rate swap agreements as hedges at inception and do so on a quarterly basis. On December 31, 2013, we considered these interest rate swap agreements to be highly effective as cash flow hedges. The interest rate swap agreements are net settled monthly.

In January 2014, we entered into six forward starting interest rate swap agreements with a weighted average interest swap rate of 1.78% on a notional amount of \$130.0 million, each with an effective date of February 3, 2014 and each maturing on January 2, 2019. We entered into these forward starting swap agreements in order to hedge the interest payments associated with our initial borrowings under our 2014 Term Loans.

In the year ended December 31, 2013, we recorded net losses on hedge ineffectiveness of \$3.4 million. We recorded \$2.9 million in net losses on hedge ineffectiveness relating to a forward starting swap that was cash settled in 2008 in connection with the May 2013 Jacksonville Mall mortgage loan repayment. The mortgage loan repayment made it probable that the hedged transaction identified in our original hedge documentation would not occur, and we therefore reclassified \$2.9 million from "Accumulated other comprehensive income (loss)" to "Interest expense, net." We also recorded \$0.5 million in net losses on hedge ineffectiveness due to the accelerated amortization of \$0.5 million in connection with the partial mortgage loan repayments at Logan Valley Mall.

In the year ended December 31, 2012, we recorded net losses on hedge ineffectiveness of \$1.2 million. As the result of our permanent paydown of a portion of our 2010 Credit Facility in 2012 and expected repayments of mortgage loans secured by properties expected to be sold in 2013, we anticipated that we would not have sufficient 1-month LIBOR based interest payments to meet the entire swap notional amount related to three of our swaps. Therefore, it was probable that a portion of the hedged forecasted transactions (1-month LIBOR interest payments) associated with the three swaps would not occur by the end of the originally specified time period as documented at the inception of the hedging relationships. As such, previously deferred losses in other comprehensive income in the amount of \$0.6 million related to these three interest rate swaps were reclassified into interest expense during 2012. One of those swaps with a notional amount of \$40.0 million no longer qualified for hedge accounting as a result of the missed forecasted transactions and was marked to

market through earnings prospectively. These swaps expired by their terms in March 2013. Additionally, certain of the properties that were under contract to be sold as of December 31, 2012 served as security for mortgage loans that were previously hedged. Since it was probable because of the pending sales that the hedged transactions as identified in our original hedge documentation would not occur, we reclassified \$0.6 million from other comprehensive income to interest expense.

Accumulated other comprehensive income (loss) as of December 31, 2013 includes a net loss of \$4.4 million relating to forward-starting swaps that we cash settled in prior years that are being amortized over 10 year periods commencing on the closing dates of the debt instruments that are associated with these settled swaps.

The following table summarizes the terms and estimated fair values of our interest rate swap derivative instruments at December 31, 2013 and December 31, 2012. The notional values provide an indication of the extent of our involvement in these instruments, but do not represent exposure to credit, interest rate or market risks.

(in millions of dollars) Notional Value	Fair Value at December 31, 2013 ⁽¹⁾	Fair Value at December 31, 2012 ⁽¹⁾	Interest Rate	Maturity Date
Interest Rate Swaps				
\$ 60.0	\$ N/A	\$ (0.2)	1.74%	March 11, 2013
200.0	N/A	(1.0)	2.96%	March 11, 2013
40.0	N/A	(0.1)	1.82%	March 11, 2013
65.0	N/A	(1.5)	3.60%	September 9, 2013
68.0	N/A	(1.6)	3.69%	September 9, 2013
35.0	N/A	(1.4)	3.73%	September 9, 2013
55.0	N/A	(1.3)	2.90%	November 29, 2013
48.0	N/A	(1.2)	2.90%	November 29, 2013
25.0	(0.3)	(0.5)	1.10%	July 31, 2016
28.1	(0.5)	(0.9)	1.38%	January 2, 2017
34.9	0.2	N/A	3.72%	December 1, 2017
7.6	0.1	N/A	1.00%	January 1, 2018
48.0	0.2	N/A	1.12%	January 1, 2018
55.0	0.2	N/A	1.12%	January 1, 2018
	\$ (0.1)	\$ (9.7)		

⁽¹⁾ As of December 31, 2013 and December 31, 2012, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. As of December 31, 2013 and December 31, 2012, we do not have any significant recurring fair value measurements related to derivative instruments using significant unobservable inputs (Level 3).

The table below presents the effect of our derivative financial instruments on our consolidated statements of operations for the years ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31,			Consolidated Statement of Operations Location
(in millions of dollars)	2013	2012	2011	
Derivatives in cash flow hedging relationships:				
Interest rate products				
Gain (loss) recognized in Other Comprehensive Income (Loss) on derivatives	\$ 8.2	\$ (3.8)	\$ (11.1)	N/A
Loss reclassified from Accumulated Other Comprehensive Income (Loss) into income (effective portion)	9.9	18.8	17.2	Interest expense
Gain (loss) recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)	(3.4)	(1.2)	—	Interest expense

CREDIT-RISK-RELATED CONTINGENT FEATURES We have agreements with some of our derivative counterparties that contain a provision pursuant to which, if our entity that originated such derivative instruments defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations. As of December 31, 2013, we were not in default on any of our derivative obligations.

We have an agreement with a derivative counterparty that incorporates the loan covenant provisions of our loan agreement with a lender affiliated with the derivative counterparty. Failure to comply with the loan covenant

provisions would result in our being in default on any derivative instrument obligations covered by the agreement.

As of December 31, 2013, the fair value of derivatives in a net liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was \$0.1 million. If we had breached any of the default provisions in these agreements as of December 31, 2013, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of \$0.2 million. We had not breached any of these provisions as of December 31, 2013.

7. Benefit Plans

401(k) PLAN We maintain a 401(k) Plan (the “401(k) Plan”) in which substantially all of our employees are eligible to participate. The 401(k) Plan permits eligible participants, as defined in the 401(k) Plan agreement, to defer up to 15% of their compensation, and we, at our discretion, may match a specified percentage of the employees’ contributions. Our and our employees’ contributions are fully vested, as defined in the 401(k) Plan agreement. Our contributions to the 401(k) Plan were \$1.0 million for each of the years ended December 31, 2013, 2012 and 2011.

SUPPLEMENTAL RETIREMENT PLANS We maintain Supplemental Retirement Plans (the “Supplemental Plans”) covering certain senior management employees. Expenses under the provisions of the Supplemental Plans were \$0.5 million, \$0.7 million and \$0.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

EMPLOYEE SHARE PURCHASE PLAN We maintain a share purchase plan through which our employees may purchase common shares at a 15% discount to the fair market value (as defined therein). In the years ended December 31, 2013, 2012 and 2011, approximately 29,000, 44,000 and 43,000 shares, respectively, were purchased for total consideration of \$0.4 million in each year. We recorded expense of \$0.1 million, \$0.3 million and \$0.1 million in the years ended December 31, 2013, 2012 and 2011, respectively, related to the share purchase plan.

PERFORMANCE INCENTIVE UNIT PROGRAM In 2009, we made awards of Performance Incentive Units (“PIUs”) that were subject to market based vesting. The PIUs vested in equal installments over a three year period if specified total return to shareholders goals (as defined in the PIU plan) established at the time of the award were met each year. Payments under the PIU program were made in cash. The amount of the payments varied based upon the total return to our shareholders relative to the total return achieved for the companies in an index of real estate investment trusts, as defined in the PIU plan. We recorded compensation expense for the PIU program pro rata over the vesting period based on estimates of future cash payments under the plan. We issued 221,022 PIUs in 2009 with an initial value of \$0.8 million, and recorded compensation expense relating to these awards of \$0.1 million and \$0.8 million for the years ended December 31, 2011 and 2010, respectively.

When the measurement period for the PIUs issued in 2009 expired on December 31, 2011, our total return to our shareholders relative to the total return achieved by the companies in an index of real estate investment trusts was at the 50th percentile, and in February 2012, an aggregate of \$1.1 million was paid to participants in the program in respect of the PIUs issued to participants. After this payment, we had no PIUs outstanding.

8. Share Based Compensation

SHARE BASED COMPENSATION PLANS As of December 31, 2013, we make share based compensation awards using our Second Amended and Restated 2003 Equity Incentive Plan, which is a share based compensation plan that was approved by our shareholders in 2012. Previously, we maintained five other plans pursuant to which we granted equity awards in various forms. Certain restricted shares and certain options granted under these previous plans remain subject to restrictions or remain outstanding and exercisable, respectively. In addition, we previously maintained two plans pursuant to which we granted options to our non-employee trustees.

We recognize expense in connection with share based awards to employees and trustees by valuing all share based awards at their fair value on the date of grant, and then expensing them over the applicable vesting period.

For the years ended December 31, 2013, 2012 and 2011, we recorded aggregate compensation expense for share based awards of \$7.3 million (including \$0.7 million of accrued amortization relating to employee separation), \$11.1 million (including \$2.1 million of accrued amortization relating to employee separation) and \$9.1 million, respectively, in connection with the equity incentive programs described below. There was no income tax benefit recognized in the income statement for share based compensation arrangements. For each of the years ended December 31, 2013, 2012 and 2011, we capitalized compensation costs related to share based awards of \$0.1 million, respectively.

2003 EQUITY INCENTIVE PLAN Subject to any future adjustments for share splits and similar events, the total remaining number of common shares that may be issued to employees or trustees under our Second Amended and Restated 2003 Equity Incentive Plan (the “2003 Equity Incentive Plan”) (pursuant to options, restricted shares, shares issuable pursuant to current or future RSU Programs, or otherwise) was 1,775,584 as of December 31, 2013. Other than a portion of the 2012 annual awards to trustees, the share based awards described below in this section were all made under the 2003 Equity Incentive Plan.

RESTRICTED SHARES The aggregate fair value of the restricted shares that we granted to our employees in 2013, 2012 and 2011 was \$4.1 million, \$6.2 million and \$4.7 million, respectively. As of December 31, 2013, there was \$4.6 million of total unrecognized compensation cost related to unvested share based compensation arrangements granted under the 2003 Equity Incentive Plan. The cost is expected to be recognized over a weighted average period of 0.8 years. The total fair value of shares vested during the years ended December 31, 2013, 2012 and 2011 was \$5.4 million, \$7.5 million and \$5.6 million, respectively.

A summary of the status of our unvested restricted shares as of December 31, 2013 and changes during the years ended December 31, 2013, 2012 and 2011 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2011	1,159,749	\$ 11.39
Shares granted	358,234	14.50
Shares vested	(525,202)	11.20
Shares forfeited	(42,555)	11.89
Unvested at December 31, 2011	950,226	12.65
Shares granted	459,526	14.46
Shares vested	(664,574)	11.50
Shares forfeited	(20,442)	14.22
Unvested at December 31, 2012	724,736	14.81
Shares granted	253,920	18.54
Shares vested	(392,917)	13.74
Shares forfeited	(2,300)	16.41
Unvested at December 31, 2013	583,439	\$ 17.15

RESTRICTED SHARES SUBJECT TO TIME BASED VESTING In 2013, 2012 and 2011, we made grants of restricted shares subject to time based vesting. The awarded shares vest over periods of two to three years, typically in equal annual installments, provided the recipient is our employee on the vesting date. For all grantees, the shares generally vest immediately upon death or disability. Recipients are entitled to receive an amount equal to the dividends on the shares prior to vesting. We granted a total of 222,664, 425,462 and 330,610 restricted shares subject to time based vesting to our employees in 2013, 2012 and 2011, respectively. The weighted average grant date fair values of time based restricted shares, which were determined based on the average of the high and low sales price of a common share on the date of grant, was \$18.29 per share in 2013, \$14.57 per share in 2012 and \$14.36 per share in 2011. Compensation cost relating to time based restricted share awards is recorded ratably over the respective vesting periods. We recorded \$4.3 million (including \$0.5 million of accelerated amortization relating to employee separation), \$6.0 million (including \$1.0 million of accelerated amortization relating to employee separation) and \$6.1 million of compensation expense related to time based restricted shares for the years ended December 31, 2013, 2012 and 2011, respectively.

We will record future compensation expense in connection with the vesting of existing time based restricted share awards as follows:

(in thousands of dollars) For the Year Ending December 31,	Future Compensation Expense
2014	\$ 3,044
2015	1,336
2016	176
Total	\$ 4,556

On February 26, 2014, the Company granted 224,974 time-based restricted shares to employees with a grant date fair value of \$4.3 million that vest over periods of two to three years in annual installments (the future expenses associated with this vesting are not reflected in the table above).

RESTRICTED SHARE UNIT PROGRAM In 2013, 2012 and 2011, our Board of Trustees established the 2013-2015 RSU Program, the 2012-2014 RSU Program and the 2011-2013 RSU Program, respectively (the "RSU Programs"). Under the RSU Programs, we may make awards in the

form of market based performance-contingent restricted share units, or RSUs. The RSUs represent the right to earn common shares in the future depending on our performance in terms of total return to shareholders (as defined in the RSU Programs) for the three year periods ending December 31, 2015, 2014 and 2013 or a shorter period ending upon the date of a change in control of the Company (each, a "Measurement Period") relative to the total return to shareholders, as defined, for the applicable Measurement Period of companies comprising an index of real estate investment trusts (the "Index REITs"). Dividends are deemed credited to the participants' RSU accounts and are applied to "acquire" more RSUs for the account of the participants at the 20-day average price per common share ending on the dividend payment date. If earned, awards will be paid in common shares in an amount equal to the applicable percentage of the number of RSUs in the participant's account at the end of the applicable Measurement Period.

The aggregate fair values of the RSU awards in 2013, 2012 and 2011 were determined using a Monte Carlo simulation probabilistic valuation model and were \$2.0 million (a weighted average of \$17.40 per share), \$4.0 million (\$18.41 per share) and \$3.5 million (\$15.98 per share), respectively.

The table below sets forth the assumptions used in the Monte Carlo simulations used to determine the aggregate fair values of the RSU awards in 2013, 2012 and 2011 by grant date:

	RSUs and assumptions by Grant Date			
	February 27, 2013	April 23, 2012	April 9, 2012	March 10, 2011
RSUs granted	112,898	80,744	134,761	220,766
Volatility	44.7%	57.2%	61.5%	95.3%
Risk free interest rate	0.36%	0.39%	0.46%	1.13%
PREIT Stock Beta				
compared to Dow Jones				
US Real Estate Index	1.472	1.457	1.495	1.280

Compensation cost relating to the RSU awards is expensed ratably over the applicable three year vesting period. We recorded \$2.3 million (including \$0.2 million of accelerated amortization relating to employee separation), \$4.5 million (including \$1.1 million of accelerated amortization relating to employee separation) and \$2.7 million of compensation expense related to the RSU Programs for the years ended December 31, 2013, 2012 and 2011, respectively. We will record future compensation expense of \$2.5 million related to the existing awards under the RSU Programs.

On February 26, 2014, the Board of Trustees established the 2014-2016 RSU program and the Company granted 127,353 RSUs to employees (the "2014 RSUs"). The 2014 RSUs have a three year measurement period that ends on December 31, 2016 or a shorter period ending upon the date of a change in control of the Company. The aggregate fair value of the 2014 RSUs will be determined during the first quarter of 2014.

SERVICE AWARDS In 2012 and 2011, we issued 1,875 and 1,950 shares, respectively, without restrictions to non-officer employees as service awards. The aggregate fair values of the awards of \$29,000 and \$31,000 in the years ended December 31, 2012 and 2011, respectively, were determined based on the average of the high and low share price on the grant date and recorded as compensation expense. Beginning in 2013, we have converted our service awards to a cash based program.

RESTRICTED SHARES AWARDED TO NON-EMPLOYEE TRUSTEES As part of the compensation we pay to our non-employee trustees for their service, we grant restricted shares subject to time based vesting. The 2003 Equity Incentive Plan provides for the granting of restricted share

awards to our non-employee trustees. The 2008 Restricted Share Plan for Non-Employee Trustees previously provided for the granting of restricted share awards to our non-employee trustees. In 2013 and 2011, all of these annual awards were made under the 2003 Equity Incentive Plan. In 2012, a portion of these annual awards was made under the 2008 Restricted Share Plan for Non-Employee Trustees, and a portion was made under the 2003 Equity Incentive Plan. The aggregate fair value of the restricted shares that we granted under both plans to our non-employee trustees in 2013, 2012 and 2011 was \$0.6 million, \$0.4 million and \$0.4 million, respectively. We recorded \$0.8 million, \$0.5 million and \$0.3 million of compensation expense related to time based vesting of non-employee trustee restricted share awards in 2013, 2012 and 2011, respectively. As of December 31, 2013, there was \$0.5 million of total unrecognized compensation expense related to unvested restricted share

grants to non-employee trustees. Compensation expense will be recognized over a weighted average period of 0.3 years. The total fair value of shares granted to non-employee trustees that vested was \$0.5 million, \$0.1 million, and \$0.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. We will record future compensation expense in connection with the vesting of existing non-employee trustee restricted share awards as follows:

(in thousands of dollars) For the Year Ending December 31,	Future Compensation Expense
2014	\$ 477
2015	55
Total	\$ 532

OPTIONS OUTSTANDING Options, when granted, are typically granted with an exercise price equal to the fair market value of the underlying shares on the date of the grant. The options vest and are exercisable over periods determined by us, but in no event later than ten years from the grant date. We have six plans under which we have historically granted options. We have not granted any options to our employees since 2003, and, since that date, have only made option grants to non-employee trustees on the date they became trustees in accordance with past practice. In each of 2013 and 2012, 5,000 options were granted to a non-employee trustee. No options were granted to non-employee trustees in 2011. In 2013, the Board of Trustees determined that it would no longer grant options to new non-employee trustees. In 2012, 5,000 options were exercised. The following table presents the changes in the number of options outstanding from January 1, 2011 through December 31, 2013:

	Weighted Average Exercise Price/Total	2003 Equity Incentive Plan	1990 Non-Employee Trustee Plan
Options outstanding at January 1, 2011	44,793	17,293	27,500
Options forfeited	\$ 21.19	(1,361)	(12,500)
Options outstanding at December 31, 2011	30,932	15,932	15,000
Options forfeited	\$ 22.55	(932)	—
Options granted	\$ 12.87	5,000	—
Options exercised	\$ 5.41	(5,000)	—
Options outstanding at December 31, 2012	30,000	15,000	15,000
Options forfeited	\$ 32.89	—	(15,000)
Options granted	\$ 20.40	5,000	—
Options outstanding at December 31, 2013⁽¹⁾	20,000	20,000	—
Outstanding exercisable and unexercisable options			
Average exercise price per share	\$ 26.45	\$ 26.45	\$ —
Aggregate exercise price ⁽²⁾	\$ 529	\$ 529	\$ —
Intrinsic value of options outstanding ⁽²⁾	\$ 31	\$ 31	\$ —
Outstanding exercisable options at December 31, 2013			
Options	11,250	11,250	—
Average exercise price per share	\$ 33.67	\$ 33.67	\$ —
Aggregate exercise price ⁽²⁾	\$ 379	\$ 379	\$ —
Intrinsic value of options outstanding ⁽²⁾	\$ 8	\$ 8	\$ —

⁽¹⁾ The weighted average remaining contractual life of these outstanding options is 8.94 years (weighted average exercise price of \$26.45 per share and an aggregate exercise price of \$0.5 million).

⁽²⁾ Amounts in thousands of dollars.

The following table summarizes information relating to all options outstanding as of December 31, 2013:

Range of Exercise Prices (Per Share)	Options Outstanding as of December 31, 2013		Options Exercisable as of December 31, 2013		
	Number of Shares	Weighted Average Exercise Price (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Life (Years)
\$12.87-\$18.99	5,000	\$ 12.87	1,250	\$ 12.87	8.3
\$19.00-\$28.99	5,000	\$ 20.40	—	\$ —	9.3
\$29.00-\$38.00	10,000	\$ 36.28	10,000	\$ 36.28	1.3

9. Leases

AS LESSOR Our retail properties are leased to tenants under operating leases with various expiration dates ranging through 2095. Future minimum rent under noncancelable operating leases with terms greater than one year is as follows:

(in thousands of dollars)
For the Year Ending December 31,

2014	\$ 244,365
2015	213,196
2016	177,891
2017	147,707
2018	121,925
2019 and thereafter	375,992
	\$ 1,281,076

The total future minimum rent as presented does not include amounts that may be received as tenant reimbursements for certain operating costs or contingent amounts that may be received as percentage rent.

AS LESSEE We have operating leases for our corporate office space (see note 10) and for various computer, office and mall equipment. Furthermore, we are the lessee under third-party ground leases for portions of the land at five of our properties (Crossroads Mall, Exton Square Mall, The Gallery at Market East, Plymouth Meeting Mall and Uniontown Mall). Total amounts expensed relating to such leases were \$2.5 million, \$3.2 million and \$4.2 million for the years ended December 31, 2013, 2012 and 2011, respectively. We account for ground rent and capital lease expense on a straight line basis. Minimum future lease payments due in each of the next five years and thereafter are as follows:

(in thousands of dollars) For the Year Ending December 31,	Operating Leases	Ground Leases
2014	\$ 2,111	\$ 558
2015	1,929	558
2016	1,691	552
2017	1,514	543
2018	1,403	527
2019 and thereafter	1,152	39,086
	\$ 9,800	\$ 41,824

10. Related Party Transactions

GENERAL We provide management, leasing and development services for eight properties owned by partnerships and other entities in which certain of our officers or trustees or members of their immediate families and affiliated entities have indirect ownership interests. Total revenue earned by PRI for such services was \$1.0 million, \$1.0 million and \$1.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

OFFICE LEASE We lease our principal executive offices from Bellevue Associates (the “Landlord”), an entity in which certain of our officers/trustees have an interest. Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, own approximately a 50% interest in the Landlord. Total rent expense under this lease was \$1.4 million, \$1.5 million and \$1.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

In April 2012, we entered into an amendment to our office lease with the Landlord, effective June 1, 2012. Under this amendment, the term was extended for five years to October 31, 2019, and we have the option to renew the amended office lease for up to two additional periods for an aggregate of 10 years, at the then-current market base rental rate calculated in accordance with the terms of the amended office lease. The first extension period shall be no less than three and no more than seven years, at our discretion, and the second must be for 10 years less the number of years of the first extension. The base rent under the amended lease is approximately \$1.2 million per year, increasing incrementally to approximately \$1.4 million in 2019.

In accordance with PREIT’s related party transactions policy, PREIT’s Special Committee considered and approved the terms of the transaction.

11. Commitments and Contingencies

CONTRACTUAL OBLIGATIONS As of December 31, 2013, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of \$1.7 million in the form of tenant allowances and contracts with general service providers and other professional service providers.

EMPLOYMENT AGREEMENTS As of December 31, 2013, five officers of the Company had employment agreements with current terms that range from one year to three years and that renew automatically for additional one-year terms. These employment agreements provided for aggregate base compensation for the year ended December 31, 2013 of \$2.1 million, subject to increases as approved by the Executive Compensation and Human Resources Committee of our Board of Trustees in future years, as well as additional incentive compensation.

In April 2012, we entered into amended employment agreements with Joseph F. Coradino and Ronald Rubin that became effective on June 7, 2012, the date that Mr. Coradino became our Chief Executive Officer and Mr. Rubin became our Executive Chairman.

Mr. Coradino's employment agreement has an initial term of two years, after which it will renew annually for one-year terms unless either party gives notice of non-renewal at least 120 days prior to the end of the then current term.

Mr. Rubin's employment agreement will have an initial term of three years, after which it will renew annually for one-year terms unless either party gives notice of non-renewal at least 120 days prior to the end of the then current term.

PROVISION FOR EMPLOYEE SEPARATION EXPENSE

RONALD RUBIN, EXECUTIVE CHAIRMAN In connection with the terms of the amended employment agreement with Ronald Rubin, our Executive Chairman, we recorded a total provision for employee separation expense of \$4.5 million. We recorded employee separation expense of \$2.6 million through December 31, 2012 and \$1.9 million through June 30, 2013.

In February 2013, under our Second Amended and Restated 2003 Equity Incentive Plan, Mr. Rubin received 16,000 restricted shares that had a fair value of \$0.3 million based on the grant date fair value of \$18.28 per share and a vesting period through December 31, 2013. This award was amortized through June 7, 2013, the date on which Mr. Rubin became eligible to voluntarily terminate his employment agreement and receive his founder's retirement payment of \$3.5 million, at which time such restricted shares would vest.

EDWARD A. GLICKMAN, FORMER PRESIDENT AND CHIEF OPERATING OFFICER In connection with the appointment of Joseph F. Coradino as Chief Executive Officer in June 2012, conditions in our former President and Chief Operating Officer Edward A. Glickman's employment agreement were triggered that caused us to record a provision for employee separation expense of \$4.1 million in 2012.

Mr. Glickman left his position as the Company's President and Chief Operating Officer effective August 31, 2012. Under the Company's employment agreement with Mr. Glickman, in connection with his departure, he was entitled (i) to receive a cash payment of approximately \$2.7 million, (ii) to receive additional amounts accrued under his supplemental retirement plan, (iii) to have his outstanding unvested restricted shares become vested, and (iv) to remain eligible to receive shares under the Company's Restricted Share Unit programs based on the Company's achievement of the performance metrics established by those programs as if his employment had not terminated.

In October 2012, Mr. Glickman resigned from his position as a trustee of the Company. To formally recognize and memorialize the terms of his departure from the Company as both a trustee and as an officer, the Company and Mr. Glickman entered into a separation agreement which included a mutual standard general release of all claims. Under the separation agreement, Mr. Glickman was entitled to a total cash separation payment of \$2.8 million (including the above-described \$2.7 million to which he would have been entitled under his employment agreement).

OTHER In 2012, we terminated the employment of certain employees. In connection with the departure of those employees, we recorded \$2.7 million of employee separation expense.

LEGAL ACTIONS In the normal course of business, we have and might become involved in legal actions relating to the ownership and operation of our properties and the properties we manage for third parties. In management's opinion, the resolutions of any such pending legal actions are not expected to have a material adverse effect on our consolidated financial position or results of operations.

ENVIRONMENTAL We are aware of certain environmental matters at some of our properties. We have, in the past, performed remediation of such environmental matters, and are not aware of any significant remaining potential liability relating to these environmental matters. We might be required in the future to perform testing relating to these matters. We do not expect these matters to have any significant impact on our liquidity or results of operations. However, we can provide no assurance that the amounts reserved will be adequate to cover further environmental costs. We have insurance coverage for certain environmental claims up to \$10.0 million per occurrence and up to \$20.0 million in the aggregate.

TAX PROTECTION AGREEMENTS On January 22, 2008, PREIT, PREIT Associates, L.P., and another subsidiary of PREIT entered into a Contribution Agreement with Bala Cynwyd Associates, L.P., City Line Associates, Ronald Rubin, George Rubin, Joseph Coradino and two other individuals regarding the acquisition of an office building located within the boundaries of PREIT's Cherry Hill Mall. In connection with that agreement, PREIT and PREIT Associates agreed to provide tax protection to Ronald Rubin, George Rubin, Joseph Coradino and one other individual resulting from the sale of the office building during the eight years following the initial closing.

We did not enter into any guarantees or tax protection agreements in connection with our merger, acquisition or disposition activities in 2013, 2012 or 2011.

12. Historic Tax Credits

PHASE I In the third quarter of 2009, we closed a transaction with a counterparty (the "Phase I Counterparty") related to the historic rehabilitation of an office building located at 801 Market Street in Philadelphia, Pennsylvania (the "Phase I Project"). The Phase I Counterparty contributed a total of \$10.6 million of equity to the Phase I Project and we recorded this contribution in "Noncontrolling interest." In exchange for its contributions into the Phase I Project, the Phase I Counterparty received substantially all of the historic rehabilitation tax credits associated with the Phase I Project as a distribution. The Phase I Counterparty does not have a material interest in the underlying economics of the Phase I Project. The transaction also includes a put/call option whereby we might be obligated or entitled to repurchase the Phase I Counterparty's ownership interest in the Phase I Project at a stated value of \$1.6 million. We believe that the put option will be exercised by the Phase I Counterparty, and an amount attributed to that option is included in the recorded balance of "Noncontrolling interest."

Based on the contractual arrangements that obligate us to deliver tax credits and provide other guarantees to the Phase I Counterparty and that entitle us, through fee arrangements, to receive substantially all available cash flow from the Phase I Project, we concluded that the Phase I Project should be consolidated. We also concluded that capital contributions received from the Phase I Counterparty are, in substance, consideration that we received in exchange for the put option and our obligation to deliver tax credits to the Phase I Counterparty. The Phase I Counterparty's

contributions, other than the amounts allocated to the put option, are classified as “Noncontrolling interest” and recognized as “Other income” in the consolidated financial statements as our obligation to deliver tax credits is relieved.

The tax credits are subject to a five year credit recapture period, as defined in the Internal Revenue Code of 1986, as amended, beginning one year after the completion of the Phase I Project, which was completed in the third quarter of 2009. Our obligation to the Phase I Counterparty with respect to the tax credits is ratably relieved annually in the third quarter of each year, upon the expiration of each portion of the recapture period and the satisfaction of other revenue criteria. In the third quarters of 2010, 2011, 2012 and 2013, the first, second, third and fourth recapture periods expired and we recognized \$1.7 million, \$1.9 million, \$1.8 million and \$1.8 million, respectively, of the contribution received from the Phase I Counterparty as “Other income” in the consolidated statements of operations.

PHASE II In the second quarter of 2012, we closed a transaction with a Phase II Counterparty (the “Phase II Counterparty”) related to the historic rehabilitation of an office building located at 801 Market Street in Philadelphia, Pennsylvania (the “Phase II Project”). The Phase II Counterparty contributed a total of \$5.5 million of equity to the Phase II Project and we recorded this contribution in “Accrued expenses and other liabilities” as of December 31, 2013. In exchange for its contributions into the Phase II Project, the Phase II Counterparty received substantially all of the historic rehabilitation tax credits associated with the Phase II Project as a distribution. The Phase II Counterparty does not have a material interest in the underlying economics of the Phase II Project. The transaction also includes a put/call option whereby we might be obligated or entitled to

repurchase the Phase II Counterparty's ownership interest in the Phase II Project at a stated value of \$0.6 million. We believe that the put option will be exercised by the Phase II Counterparty, and an amount attributed to that option is included in the recorded balance of “Accrued expenses and other liabilities.”

Based on the contractual arrangements that obligate us to deliver tax credits and provide other guarantees to the Phase II Counterparty and that entitle us, through fee arrangements, to receive substantially all available cash flow from the Phase II Project, we concluded that the Phase II Project should be consolidated. We also concluded that capital contributions received from the Phase II Counterparty are, in substance, consideration that we received in exchange for the put option and our obligation to deliver tax credits to the Phase II Counterparty. The Phase II Counterparty's contributions, other than the amounts allocated to the put option, are classified as “Accrued expenses and other liabilities” and recognized as “Other income” in the consolidated financial statements as our obligation to deliver tax credits is relieved.

The tax credits are subject to a five year credit recapture period, as defined in the Internal Revenue Code of 1986, as amended, beginning one year after the completion of the Phase II Project, which was completed in the second quarter of 2012. Our obligation to the Phase II Counterparty with respect to the tax credits is ratably relieved annually in the third quarter of each year, upon the expiration of each portion of the recapture period and the satisfaction of other revenue recognition criteria. In the third quarter of 2013, the first recapture period expired and we recognized \$0.7 million of the contribution received from the Phase II Counterparty as “Other income” in the consolidated statements of operations.

13. Summary of Quarterly Results (Unaudited)

The following presents a summary of the unaudited quarterly financial information for the years ended December 31, 2013 and 2012:

(in thousands of dollars, except per share amounts)

For the Year Ended December 31, 2013	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
Revenue from continuing operations	\$ 104,065	\$ 104,943	\$ 110,274	\$ 119,396	\$ 438,678
Revenue from discontinued operations	4,143	2,746	2,491	634	10,014
Income from discontinued operations ⁽²⁾	34,276	1,000	21,978	408	57,662
Net income (loss) ⁽³⁾	25,807	(9,009)	12,584	7,831	37,213
Net income (loss) attributable to PREIT ⁽³⁾	24,802	(8,695)	12,202	7,550	35,859
Income from discontinued operations per share— basic and diluted	0.59	0.02	0.32	0.01	0.87
Net income (loss) per share—basic and diluted	0.37	(0.20)	0.12	0.05	0.31

(in thousands of dollars, except per share amounts)

For the Year Ended December 31, 2012	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
Revenue from continuing operations	\$ 100,835	\$ 100,576	\$ 104,194	\$ 113,742	\$ 419,347
Revenue from discontinued operations	8,277	8,033	8,174	8,562	33,046
Income (loss) from discontinued operations ⁽²⁾	1,259	912	1,344	(1,746)	1,769
Net loss ⁽²⁾⁽³⁾	(10,416)	(12,401)	(12,861)	(6,872)	(42,550)
Net loss attributable to PREIT ⁽³⁾	(9,997)	(11,888)	(12,353)	(6,599)	(40,837)
Income (loss) from discontinued operations per share— basic and diluted	0.02	0.02	0.02	(0.03)	0.03
Net loss per share—basic and diluted	(0.18)	(0.25)	(0.27)	(0.19)	(0.89)

⁽¹⁾ Fourth Quarter revenue includes a significant portion of annual percentage rent as most percentage rent minimum sales levels are met in the fourth quarter.

⁽²⁾ Includes impairments losses on discontinued operations of \$23.7 million (3rd Quarter 2013) and \$3.8 million (4th Quarter 2012).

⁽³⁾ Includes gains on sales of discontinued operations (before non controlling interest) of \$33.4 million (1st Quarter 2013), \$45.1 million (3rd Quarter 2013) and \$0.9 million (4th Quarter 2012).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Pennsylvania Real Estate Investment Trust ("us" or the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in the rules of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Trustees, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions and the dispositions of assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and trustees; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, we have concluded that, as of December 31, 2013, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of the Company's internal control over financial reporting. KPMG LLP has issued a report on the effectiveness of internal control over financial reporting that is included on page 44 in this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholders Pennsylvania Real Estate Investment Trust:

We have audited the accompanying consolidated balance sheets of Pennsylvania Real Estate Investment Trust (a Pennsylvania business trust) and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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, the consolidated 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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pennsylvania Real Estate Investment Trust's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified opinion on the effectiveness of Pennsylvania Real Estate Investment Trust's internal control over financial reporting.

KPMG LLP

Philadelphia, Pennsylvania
February 28, 2014

The Board of Trustees and Shareholders Pennsylvania Real Estate Investment Trust:

We have audited Pennsylvania Real Estate Investment Trust's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control–Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pennsylvania Real Estate Investment Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Pennsylvania Real Estate Investment Trust's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Pennsylvania Real Estate Investment Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control–Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pennsylvania Real Estate Investment Trust and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 28, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Philadelphia, Pennsylvania
February 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of our consolidated financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this report.

Overview

Pennsylvania Real Estate Investment Trust, a Pennsylvania business trust founded in 1960 and one of the first equity real estate investment trusts ("REITs") in the United States, has a primary investment focus on retail shopping malls located in the eastern half of the United States, primarily in the Mid-Atlantic region.

We currently own interests in 43 retail properties, of which 40 are operating properties and three are development properties. The 40 operating properties, which are classified in continuing operations, include 35 enclosed malls and five power and strip centers, have a total of 30.4 million square feet and operate in 11 states. We and partnerships in which we own an interest own 23.6 million square feet at these properties (excluding space owned by anchors).

There are 33 operating retail properties in our portfolio that we consolidate for financial reporting purposes. These consolidated properties have a total of 25.8 million square feet, of which we own 20.5 million square feet. The seven operating retail properties that are owned by unconsolidated partnerships with third parties have a total of 4.6 million square feet, of which 3.1 million square feet are owned by such partnerships.

The development portion of our portfolio contains three properties in two states, with two classified as "mixed use" (a combination of retail and other uses) and one classified as "other."

Our primary business is owning and operating retail shopping malls, which we do primarily through our operating partnership, PREIT Associates, L.P. ("PREIT Associates" or the "Operating Partnership"). We provide management, leasing and real estate development services through PREIT Services, LLC ("PREIT Services"), which generally develops and manages properties that we consolidate for financial reporting purposes, and PREIT-RUBIN, Inc. ("PRI"), which generally develops and manages properties that we do not consolidate for financial reporting purposes, including properties we own interests in through partnerships with third parties and properties that are owned by third parties in which we do not have an interest. PRI is a taxable REIT subsidiary, as defined by federal tax laws, which means that it is able to offer additional services to tenants without jeopardizing our continuing qualification as a REIT under federal tax law.

Our revenue consists primarily of fixed rental income, additional rent in the form of expense reimbursements, and percentage rent (rent that is based on a percentage of our tenants' sales or a percentage of sales in excess of thresholds that are specified in the leases) derived from our income producing properties. We also receive income from our real estate partnership investments and from the management and leasing services PRI provides.

Our net income increased by \$79.8 million to \$37.2 million for 2013 from a net loss of \$42.6 million for the year ended December 31, 2012. The change in our 2013 results of operations from the prior year was primarily due to gains on sales of discontinued operations of \$78.5 million in connection with the sales of Orlando Fashion Square, Paxton Towne Centre, Christiana Center and Commons at Magnolia, a \$23.4 million decrease in interest expense, increased net operating income ("NOI") of \$10.3 million at same store and properties acquired in 2013 and a decrease of \$7.1 million in employee separation expenses. These favorable changes were partially offset by \$30.0 million of impairment losses at Chambersburg

Mall and North Hanover Mall, and an increase of \$13.0 million in depreciation and amortization expenses.

We evaluate operating results and allocate resources on a property-by-property basis, and do not distinguish or evaluate our consolidated operations on a geographic basis. Due to the nature of our operating properties, which involve retail shopping, we have concluded that our individual properties have similar economic characteristics and meet all other aggregation criteria. Accordingly, we have aggregated our individual properties into one reportable segment. In addition, no single tenant accounts for 10% or more of our consolidated revenue, and none of our properties are located outside the United States.

We hold our interest in our portfolio of properties through the Operating Partnership. We are the sole general partner of the Operating Partnership and, as of December 31, 2013, held a 97.0% controlling interest in the Operating Partnership, and consolidated it for reporting purposes. We hold our investments in seven of the 40 retail properties and one of the three development properties in our portfolio through unconsolidated partnerships with third parties in which we own a 40% to 50% interest. We hold a non-controlling interest in each unconsolidated partnership, and account for such partnerships using the equity method of accounting. We do not control any of these equity method investees for the following reasons:

- Except for two properties that we co-manage with our partner, all of the other entities are managed on a day-to-day basis by one of our other partners as the managing general partner in each of the respective partnerships. In the case of the co-managed properties, all decisions in the ordinary course of business are made jointly.
- The managing general partner is responsible for establishing the operating and capital decisions of the partnership, including budgets, in the ordinary course of business.
- All major decisions of each partnership, such as the sale, refinancing, expansion or rehabilitation of the property, require the approval of all partners.
- Voting rights and the sharing of profits and losses are generally in proportion to the ownership percentages of each partner.

We record the earnings from the unconsolidated partnerships using the equity method of accounting under the statements of operations caption entitled "Equity in income of partnerships," rather than consolidating the results of the unconsolidated partnerships with our results. Changes in our investments in these entities are recorded in the balance sheet caption entitled "Investment in partnerships, at equity." In the case of deficit investment balances, such amounts are recorded in "Distributions in excess of partnership investments."

We hold our interests in three of our unconsolidated partnerships through tenancy in common arrangements. For each of these properties, title is held by us and another person or persons, and each has an undivided interest in the property. With respect to each of the three properties, under the applicable agreements between us and the other persons with ownership interests, we and such other persons have joint control because decisions regarding matters such as the sale, refinancing, expansion or rehabilitation of the property require the approval of both us and the other person (or at least one of the other persons) owning an interest in the property. Hence, we account for each of the properties using the equity method of accounting. The balance sheet items arising from these properties appear under the caption "Investments in partnerships, at equity."

For further information regarding our unconsolidated partnerships, see note 3 to our consolidated financial statements.

CURRENT ECONOMIC CONDITIONS AND OUR NEAR TERM CAPITAL NEEDS

The conditions in the economy have caused unemployment to remain relatively high and have caused fluctuations and variations in retail sales, business and consumer confidence and consumer spending on retail goods. As a result, the sales and profit performance of certain retailers has fluctuated. We continue to adjust our plans and actions to take into account the current environment. In particular, we continue to contemplate ways to maintain or reduce our leverage through a variety of means available to us, subject to and in accordance with the terms of our 2013 Revolving Facility and 2014 Term Loans. These steps might include obtaining additional equity capital, including through the issuance of common or preferred equity securities if market conditions are favorable, through joint ventures or other partnerships or arrangements involving our contribution of assets with institutional investors, private equity investors or other REITs, through sales of properties or interests in properties with values in excess of their mortgage loans and application of the excess proceeds to debt reduction, or through other actions.

CAPITAL IMPROVEMENT PROJECTS AND DEVELOPMENT At our operating properties, we might engage in various types of capital improvement projects. Such projects vary in cost and complexity, and can include building out new or existing space for individual tenants, upgrading common areas or exterior areas such as parking lots, or redeveloping the entire property, among other projects. Project costs are accumulated in "Construction in progress" on our consolidated balance sheet until the asset is placed into service, and amounted to \$68.8 million as of December 31, 2013.

At our development properties, we are also engaged in several types of projects. However, we do not expect to make any significant investment in these projects in the short term. As of December 31, 2013, we had incurred \$54.0 million of costs, net of impairment charges recorded in prior years, related to our activity at development properties.

As of December 31, 2013, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of \$1.7 million in the form of tenant allowances and contracts with general service providers and other professional service providers.

ACQUISITIONS AND DISPOSITIONS See note 2 to our consolidated financial statements for a description of our dispositions and acquisition in 2013, 2012 and 2011.

Critical Accounting Policies

Critical Accounting Policies are those that require the application of management's most difficult, subjective, or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that might change in subsequent periods. In preparing the consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. In preparing the financial statements, management has utilized available information, including our past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments, giving due consideration to materiality. Management has also considered events and changes in property, market and economic conditions, estimated future cash flows from property operations and the risk of loss on specific accounts or amounts in determining its estimates and judgments. Actual results may differ from these estimates. In addition, other companies may utilize different estimates, which may affect comparability of our results

of operations to those of companies in similar businesses. The estimates and assumptions made by management in applying critical accounting policies have not changed materially during 2013, 2012 and 2011, except as otherwise noted, and none of these estimates or assumptions have proven to be materially incorrect or resulted in our recording any significant adjustments relating to prior periods. We will continue to monitor the key factors underlying our estimates and judgments, but no change is currently expected.

Set forth below is a summary of the accounting policy that management believes is critical to the preparation of the consolidated financial statements. This summary should be read in conjunction with the more complete discussion of our accounting policies included in note 1 to our consolidated financial statements.

ASSET IMPAIRMENT Real estate investments and related intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the property might not be recoverable. A property to be held and used is considered impaired only if our management's estimate of the aggregate future cash flows, less estimated capital expenditures, to be generated by the property, undiscounted and without interest charges, are less than the carrying value of the property. This estimate takes into consideration factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. In addition, these estimates may consider a probability weighted cash flow estimation approach when alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or when a range of possible values is estimated.

The determination of undiscounted cash flows requires significant estimates by management, including the expected course of action at the balance sheet date that would lead to such cash flows. Subsequent changes in estimated undiscounted cash flows arising from changes in the anticipated action to be taken with respect to the property could impact the determination of whether an impairment exists and whether the effects could materially affect our net income. To the extent estimated undiscounted cash flows are less than the carrying value of the property, the loss will be measured as the excess of the carrying amount of the property over the estimated fair value of the property.

Assessment of our ability to recover certain lease related costs must be made when we have a reason to believe that the tenant might not be able to perform under the terms of the lease as originally expected. This requires us to make estimates as to the recoverability of such costs.

An other than temporary impairment of an investment in an unconsolidated joint venture is recognized when the carrying value of the investment is not considered recoverable based on evaluation of the severity and duration of the decline in value. To the extent impairment has occurred, the excess carrying value of the asset over its estimated fair value is charged to income.

If there is a triggering event in relation to a property to be held and used, we will estimate the aggregate future cash flows, less estimated capital expenditures, to be generated by the property, undiscounted and without interest charges. In addition, this estimate may consider a probability weighted cash flow estimation approach when alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or when a range of possible values is estimated.

In determining the estimated undiscounted cash flows of the properties that are being analyzed for impairment of assets, we take the sum of the

estimated undiscounted cash flows, generally assuming a holding period of 10 years, plus a terminal value calculated using the estimated net operating income in the eleventh year and terminal capitalization rates, which in 2012 and 2013 ranged from 6.25% to 12.0%. In 2013, two properties had triggering events that required further review for impairment. The fair values of the properties (Chambersburg Mall and North Hanover Mall) were determined based on negotiated sale prices of the properties as discussed further in note 2 to our consolidated financial statements. In 2012, one property had a triggering event that required further review for impairment. In 2011, after two properties had triggering events that required further review for impairment, we estimated the fair value of the properties that experienced impairment of assets using discount rates applied to estimated cash flows ranging from 13% to 14%.

CHAMBERSBURG MALL In 2013, we recorded a loss on impairment of assets at Chambersburg Mall in Chambersburg, Pennsylvania of \$23.7 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of \$8.2 million. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property. As a result of this factor, we determined that the holding period for the property was less than had been previously estimated, which we concluded to be a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on this factor, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Chambersburg Mall were less than the carrying value of the property, and recorded the impairment loss. We recorded the impairment loss in discontinued operations in the third quarter of 2013 and sold this property in the fourth quarter of 2013.

NORTH HANOVER MALL In 2011, we recorded a loss on impairment of assets at North Hanover Mall in Hanover, Pennsylvania of \$24.1 million to write down the carrying value of the property's long-lived assets to the property's then estimated fair value of \$22.5 million. In 2008, we had constructed anchor space that was to be leased and occupied by department store Boscov's, Inc. ("Bosco's"). Prior to taking occupancy of the newly built store, Boscov's declared bankruptcy, and the lease was subsequently rejected. We had attempted to execute a lease with a suitable retail replacement or non-retail user for this anchor location. In 2011, a newly-constructed power center opened in the trade area, increasing the competition for new tenants. After entering into lease negotiations in 2011, in January 2012, we entered into a lease with J.C. Penney Company, Inc. for it to move from its then-current location to a significant portion of the newly constructed anchor space. The economic terms of this transaction, which were substantially completed in 2011, were less favorable than the terms of the original Boscov's lease. During the third quarter of 2011, in connection with our 2012 business plan and budgeting process, we concluded that there was a low likelihood that we would be able to lease the vacant department store space on favorable terms. We further concluded that these factors constituted a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on these factors, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for North Hanover Mall were less than the carrying value of the property, and recorded the impairment loss.

In 2013, we recorded a further loss on impairment of assets at North Hanover Mall of \$6.3 million to write down the carrying value of the property's long-lived assets to the property's estimated fair value of \$16.7 million. Since 2011, the property experienced further declines in net operating income and occupancy. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property, which are

ongoing and could result in changes to our underlying assumptions. As a result of these factors, we determined that the holding period for the property was less than had previously been estimated, which we concluded to be a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions based on these factors, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for North Hanover Mall were less than the carrying value of the property, and recorded the impairment loss.

PHILLIPSBURG MALL In 2011, we recorded a loss on impairment of assets at Phillipsburg Mall in Phillipsburg, New Jersey of \$28.0 million to write down the carrying value of the property's long-lived assets to the property's then-estimated fair value of \$15.0 million. During 2011, Phillipsburg Mall experienced significant decreases in non anchor occupancy and net operating income as a result of unfavorable economic conditions in the Phillipsburg, New Jersey trade area, combined with negative trends in the retail sector. The occupancy declines resulted from store closings of underperforming tenants. Net operating income at this property was also affected by an increase in the number of tenants paying a percentage of their sales in lieu of minimum rent, combined with declining tenant sales. As a result of these conditions, during the third quarter of 2011, in connection with the preparation of our 2012 business plan and budgets, we determined that the estimated undiscounted future cash flows, net of estimated capital expenditures, to be generated by the property were less than the carrying value of the property, and recorded the impairment loss.

In the fourth quarter of 2012, we recorded an additional impairment loss on Phillipsburg Mall of \$3.8 million. The amount of the impairment loss was determined based on the sale price of the property. We sold this property in the first quarter of 2013.

Off-Balance Sheet Arrangements

We have no material off-balance sheet items other than the partnerships described in note 3 to the consolidated financial statements and in the "Overview" section above.

Results of Operations

OVERVIEW Net income for the year ended December 31, 2013 was \$37.2 million, an increase of \$79.8 million compared to a net loss for the year ended December 31, 2012 of \$42.6 million. Our 2013 and 2012 results of operations were primarily affected by the following:

- gains on sales of discontinued operations of \$78.5 million in 2013 resulting from our sales of Christiana Center, Paxton Towne Centre, Commons at Magnolia and Orlando Fashion Square;
- a decrease in interest expense of \$26.0 million (excluding the effects of loss on hedge ineffectiveness and accelerated amortization of deferred financing costs) resulting from lower overall debt balances and lower average interest rates;
- a decrease of \$7.1 million in provision for employee separation expense;
- an increase of \$6.9 million in Same Store NOI (presented using the "proportionate consolidation method;" See—"Net Operating Income"); and
- an increase of \$3.3 million in net operating income from 907 Market Street, which was acquired in April 2013; partially offset by
- impairment of assets in 2013 of \$23.7 million related to Chambersburg Mall and \$6.3 million related to North Hanover Mall;

- an increase of \$13.0 million in depreciation and amortization expense;
- an increase of \$3.4 million in interest expense primarily due to net loss on hedge ineffectiveness that was recorded in interest expense; and
- accelerated amortization of deferred financing fees of \$1.1 million related to the repayment of the 2010 Term Loan and two other mortgage loans.

Net loss for the year ended December 31, 2012 was \$42.6 million, a decrease of \$51.4 million compared to a net loss for the year ended December 31, 2011 of \$93.9 million. Our 2012 and 2011 results of operations were primarily affected by the following:

- impairment charges of \$3.8 million in 2012 related to Phillipsburg Mall in Phillipsburg, New Jersey, and impairment charges of \$52.3 million in 2011, including \$24.1 million related to North Hanover Mall in Hanover, Pennsylvania and \$28.0 million related to Phillipsburg Mall;
- \$9.4 million in employee separation expense in 2012 in connection with terminations or contract modifications of executive officers and others;
- a decrease of \$6.9 million in interest expense (excluding the effects of

loss on hedge ineffectiveness and accelerated amortization of deferred financing costs) resulting from lower overall debt balances (from repayments following issuances of preferred shares) and lower weighted average interest rates;

- an increase of \$3.0 million in net operating income (presented using the “proportionate-consolidation method;” see “—Net Operating Income”);
- gains on sales of real estate of \$1.6 million in 2011 resulting from parcel sales at New River Valley Mall in Christiansburg, Virginia and Pitney Road Plaza in Lancaster, Pennsylvania and the sale of a condominium interest in the mall at Voorhees Town Center in Voorhees, New Jersey;
- a \$1.5 million bankruptcy settlement received in September 2011 in connection with the Valley View Downs project;
- a loss on hedge ineffectiveness of \$1.2 million in 2012; and
- accelerated amortization of \$0.7 million of financing costs recorded in 2012 in connection with the permanent repayment of a portion of the amounts outstanding under the 2010 Credit Facility using the proceeds from our Series B preferred share issuance in October 2012.

OCCUPANCY The tables below set forth certain occupancy statistics for our retail properties as of December 31, 2013, 2012 and 2011:

	Occupancy ⁽¹⁾ as of December 31,								
	Consolidated Properties			Unconsolidated Properties			Combined ⁽²⁾		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Retail portfolio weighted average:									
Total excluding anchors	93.2%	91.6%	90.3%	94.7%	93.9%	94.6%	93.5%	92.0%	91.0%
Total including anchors	94.8%	94.2%	93.1%	96.2%	95.6%	94.1%	95.0%	94.4%	93.2%
Enclosed malls weighted average:									
Total excluding anchors	93.2%	91.6%	90.3%	97.3%	96.3%	95.5%	93.5%	92.0%	90.6%
Total including anchors	94.8%	94.2%	93.1%	98.1%	97.5%	96.5%	95.0%	94.4%	93.2%
Power and Strip Center weighted average:	N/A	N/A	N/A	95.0%	94.5%	92.8%	95.0%	94.5%	92.8%

⁽¹⁾ Occupancy for all periods presented includes all tenants irrespective of the term of their agreement.

⁽²⁾ Combined occupancy is calculated by using occupied gross leasable area (“GLA”) for consolidated and unconsolidated properties and dividing by total GLA for consolidated and unconsolidated properties.

From 2012 to 2013, total occupancy for our retail portfolio increased 60 basis points to 95.0%, and mall occupancy increased 60 basis points to 95.0%, including consolidated and unconsolidated properties (and including all tenants irrespective of the term of their agreement).

LEASING ACTIVITY The table below sets forth summary leasing activity information with respect to our properties for the year ended December 31, 2013, including anchor and non anchor space at consolidated and unconsolidated properties:

	Number	Gross Leasable Area ("GLA")	Average Gross Rent psf		Increase (decrease) in Gross Rent psf		Annualized Tenant Improvements psf ⁽²⁾
			Previous	New ⁽¹⁾	Dollar	%	
New Leases:⁽³⁾							
1st Quarter	33	95,895	N/A	\$ 39.60	\$ 39.60	N/A	\$ 7.82
2nd Quarter ⁽⁴⁾	53	144,481	N/A	39.73	39.73	N/A	7.36
3rd Quarter ⁽⁵⁾	60	234,946	N/A	26.74	26.74	N/A	6.31
4th Quarter ⁽⁶⁾	31	141,916	N/A	25.03	25.03	N/A	4.47
Total/Average	177	617,238	N/A	\$ 31.39	\$ 31.39	N/A	\$ 6.37
Renewal – non anchor tenants 10,000 square feet and under:⁽⁷⁾							
1st Quarter	73	216,780	\$ 35.21	\$ 36.93	\$ 1.72	4.9 %	\$ 0.04
2nd Quarter	107	249,256	34.98	36.81	1.83	5.2 %	—
3rd Quarter	63	184,923	34.06	36.28	2.22	6.5 %	—
4th Quarter	89	224,112	35.73	36.03	0.30	0.8 %	0.15
Total/Average	332	875,071	\$ 35.03	\$ 36.53	\$ 1.50	4.3 %	\$ 0.05
Renewal – non anchor tenants greater than 10,000 square feet:⁽⁷⁾							
1st Quarter	1	11,521	\$ 7.49	\$ 7.23	\$ (0.26)	(3.5)%	\$ —
2nd Quarter	1	20,308	7.60	15.43	7.83	103.0 %	—
3rd Quarter	3	47,600	16.32	13.25	(3.07)	(18.8)%	—
4th Quarter	6	99,714	31.71	22.50	(9.21)	(29.0)%	2.00
Total/Average	11	179,143	\$ 23.33	\$ 18.26	\$ (5.07)	(21.7) %	\$ 1.11
Anchor Renewal:							
1st Quarter	1	83,835	\$ 8.58	\$ 9.10	\$ 0.52	6.1 %	\$ —
2nd Quarter	4	374,700	3.59	3.24	(0.35)	(9.7)%	—
3rd Quarter	8	666,739	4.64	4.84	0.20	4.3 %	0.10
4th Quarter	3	305,613	3.09	3.32	0.23	7.4 %	—
Total/Average	16	1,430,887	\$ 4.26	\$ 4.35	\$ 0.09	2.1 %	\$ 0.05

⁽¹⁾ New rent is the initial amount payable upon rent commencement.

⁽²⁾ These leasing costs are presented as annualized costs per square foot and are spread uniformly over the initial lease term.

⁽³⁾ This category includes newly constructed and recommissioned space.

⁽⁴⁾ Excluding tenants greater than 10,000 square feet, average gross rent per square foot for new leases was \$51.11.

⁽⁵⁾ Excluding tenants greater than 10,000 square feet, average gross rent per square foot for new leases was \$30.91.

⁽⁶⁾ Excluding tenants greater than 10,000 square feet, average gross rent per square foot for new leases was \$34.31.

⁽⁷⁾ This category includes expansions, relocations and lease extensions.

See our Annual Report on Form 10-K for the year ended December 31, 2013 in the section entitled "Item 2. Properties—Retail Lease Expiration Schedule" for information regarding average minimum rent on expiring leases.

The following table sets forth our results of operations for the years ended December 31, 2013, 2012 and 2011:

(in thousands of dollars)	For the Year Ended December 31, 2013	% Change 2012 to 2013	For the Year Ended December 31, 2012	% Change 2011 to 2012	For the Year Ended December 31, 2011
Results of operations:					
Real estate revenue	\$ 431,728	4 %	\$ 413,813	— %	\$ 412,426
Other income	6,950	26 %	5,534	(18)%	6,712
Operating expenses	(182,279)	5 %	(173,130)	(2)%	(175,839)
General and administrative expenses	(36,975)	(1)%	(37,538)	(4)%	(38,901)
Provision for employee separation expense	(2,314)	(75)%	(9,437)	N/A	—
Impairment of assets	(6,304)	N/A	—	(100)%	(24,359)
Project costs and other expenses	(1,422)	(27)%	(1,936)	101 %	(964)
Interest expense, net	(98,731)	(19)%	(122,118)	(4)%	(127,148)
Depreciation and amortization	(140,880)	10 %	(127,845)	— %	(128,028)
Equity in income of partnerships	9,778	17 %	8,338	26 %	6,635
Gains on sales of real estate	—	N/A	—	(100)%	1,590
Loss from continuing operations	(20,449)	(54)%	(44,319)	(35)%	(67,876)
Operating results from discontinued operations	2,812	(39)%	4,627	141 %	1,918
Impairment of assets of discontinued operations	(23,662)	522 %	(3,805)	(86)%	(27,977)
Gains on sales of discontinued operations	78,512	NM ⁽¹⁾	947	— %	—
Income (loss) from discontinued operations	57,662	NM ⁽¹⁾	1,769	(107)%	(26,059)
Net income (loss)	\$ 37,213	187 %	\$ (42,550)	(55)%	\$ (93,935)

⁽¹⁾ The percentage change is not meaningful.

The amounts in the preceding table reflect our consolidated properties, with the exception of properties that are classified as discontinued operations, which are presented in the line items “Operating results from discontinued operations,” “Impairment of assets of discontinued operations” and “Gains on sales of discontinued operations,” and unconsolidated properties, which are presented under the equity method of accounting in the line item “Equity in income of partnerships.”

REAL ESTATE REVENUE Real estate revenue increased by \$17.9 million, or 4%, in 2013 as compared to 2012, primarily due to:

- an increase of \$11.0 million in base rent, including \$4.0 million related to the April 2013 acquisition of 907 Market Street, Philadelphia, Pennsylvania and \$1.3 million associated with the July 2012 lease commencement date of the Philadelphia Media Network at The Gallery at Market East. Base rent also increased due to new store openings and lease renewals with higher base rent, with notable increases at Willow Grove Park, Cherry Hill Mall and Plymouth Meeting Mall; and
- an increase of \$6.9 million in expense reimbursements, following increases in real estate tax and common area maintenance expenses (see “—Operating Expenses”). In addition, utility reimbursements increased by \$1.4 million, due primarily to an increase in tenant utility billing rates at Cherry Hill Mall.

Real estate revenue increased by \$1.4 million, or 0%, in 2012 as compared to 2011, primarily due to:

- an increase of \$5.2 million in base rent, including \$1.2 million associated with the July 2012 lease commencement date of the Philadelphia Media Network at The Gallery at Market East. Base rent also increased due to new store openings and lease renewals with higher base rent, with notable increases at Cherry Hill Mall, Crossroads Mall, The Mall at Prince Georges and Jacksonville Mall;

- an increase of \$0.7 million in lease terminations, primarily due to termination payments received from one tenant totaling \$0.5 million during 2012; and
- an increase of \$0.3 million in other revenue, including a \$0.3 million increase in promotional income; partially offset by
- a decrease of \$4.1 million in expense reimbursements, including decreases of \$3.2 million in utility reimbursements and \$0.9 million in common area maintenance and real estate tax reimbursements. The decrease in utility reimbursements was partially due to a \$2.0 million decrease in utility expenses. In addition, during 2011, utility reimbursements at three of our properties were affected by a temporary increase in tenant utility billing rates resulting in additional utility reimbursements of \$0.5 million. Also, during 2012, our properties continued to experience a trend towards more gross leases (leases that provide that tenants pay a higher minimum rent in lieu of contributing toward common area maintenance costs and real estate taxes); and
- a decrease of \$0.7 million in percentage rent, primarily due to lease renewals with higher base rents and corresponding higher sales break-points for calculating percentage rent.

OPERATING EXPENSES Operating expenses increased by \$9.1 million, or 5%, in 2013 as compared to 2012, primarily due to:

- an increase of \$7.4 million in real estate tax expense, including a \$6.4 million increase at our four properties located in New Jersey, due to a combination of increases in the real estate tax assessment values and real estate tax rates; and
- an increase of \$2.4 million in common area maintenance expenses, including increases of \$0.7 million related to the April 2013 acquisition of 907 Market Street, \$1.0 million in snow removal expense and \$0.5 million in insurance expense. Snow removal expense was higher during 2013 due to a mild and dry winter during 2012 across the Mid-Atlantic states where many of our properties are located; partially offset by
- a decrease of \$0.6 million in ground rent expense, including a \$0.4 million decrease at The Gallery at Market East due to the April 2013 acquisition of 907 Market Street. The acquisition of 907 Market Street included the purchase of the land under The Gallery at Market East food court which was leased from the previous owner prior to the acquisition.

Operating expenses decreased by \$2.7 million, or 2%, in 2012 as compared to 2011, primarily due to:

- a decrease of \$2.0 million in non-common area utility expense due in part to a mild 2012 winter with above average temperatures across the Mid-Atlantic states where many of our properties are located and in part to lower electric rates as a result of deregulation and alternate supplier contracts executed during 2012; and
- a decrease of \$1.2 million in bad debt expense due to favorable collections resulting in lower accounts receivable balances, as well as fewer tenant bankruptcies compared to 2011; partially offset by

- an increase of \$0.8 million in common area maintenance expenses, including increases of \$0.8 million in repairs and maintenance and \$1.3 million in housekeeping and security as a result of stipulated contractual increases. These increases were partially offset by a \$1.3 million decrease in snow removal expense due to the mild and dry 2012 winter as noted above.

NET OPERATING INCOME (“NOI”) NOI (a non-GAAP measure) is derived from real estate revenue (determined in accordance with generally accepted accounting principles, or GAAP, including lease termination revenue) minus operating expenses (determined in accordance with GAAP), plus our share of revenue and operating expenses of our partnership investments as described below, and includes real estate revenue and operating expenses from properties included in discontinued operations. It does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of our financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity. It is not indicative of funds available for our cash needs, including our ability to make cash distributions. We believe that NOI is helpful to management and investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. We believe that net income is the most directly comparable GAAP measurement to NOI.

NOI excludes other income, general and administrative expenses, provision for employee separation expense, interest expense, depreciation and amortization, gains on sales of interests in real estate, gains or sales of non-operating real estate, gains on sales of discontinued operations, gain on extinguishment of debt, impairment losses, project costs and other expenses.

The following table presents NOI for the years ended December 31, 2013, 2012 and 2011. The results are presented using the “proportionate-consolidation method” (a non-GAAP measure), which includes our share of the results of our partnership investments. Under GAAP, we account for our partnership investments under the equity method of accounting. Operating results for retail properties that we owned for the full periods presented (“Same Store”) exclude properties acquired or disposed of during the periods presented. A reconciliation of NOI to net income (loss) calculated in accordance with GAAP appears under the heading “Reconciliation of GAAP Net Income (Loss) to Non-GAAP Measures.”

	For the Year Ended December 31, 2013			For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Real Estate Revenue	Operating Expenses	Net Operating Income	Real Estate Revenue	Operating Expenses	Net Operating Income	Real Estate Revenue	Operating Expenses	Net Operating Income
(in thousands of dollars)									
Same Store	\$ 465,473	\$ (191,141)	\$ 274,332	\$ 450,280	\$ (182,851)	\$ 267,429	\$ 448,340	\$ (185,567)	\$ 262,773
Non Same Store	16,464	(7,386)	9,078	35,031	(17,077)	17,954	37,170	(17,549)	19,621
Total	\$481,937	\$ (198,527)	\$ 283,410	\$485,311	\$ (199,928)	\$285,383	\$485,510	\$ (203,116)	\$282,394
	% Change 2012 to 2013			% Change 2011 to 2012					
	Same Store	Total		Same Store	Total				
Real estate revenue	3.4%	(0.7)%		0.4%	—%				
Operating expenses	4.5%	(0.7)%		(1.5)%	(1.6)%				
NOI	2.6%	(0.7)%		1.8%	1.1%				

Total NOI decreased by \$2.0 million, or 0.7%, in 2013 as compared to 2012. NOI from Non Same Store properties decreased \$8.9 million. This decrease consisted of a decrease of \$12.0 million in NOI from properties in discontinued operations (properties sold), and was partially offset by \$3.3 million of NOI from 907 Market Street which we acquired in 2013. Same Store NOI increased \$6.9 million. See the “Results of Operations—Discontinued Operations” discussion below for further information about properties in “Non Same Store.” Lease termination revenue was \$1.8 million in 2013 and \$1.9 million in 2012.

Total NOI increased by \$3.0 million, or 1.1%, in 2012 as compared to 2011. Same Store NOI increased \$4.7 million, offset by a \$1.7 million decrease in Non Same Store NOI which was primarily due to discontinued operations. See the “Results of Operations—Discontinued Operations” discussion below for further information about properties in “Non Same Store.” Lease termination revenue was \$1.9 million in each of 2012 and 2011.

OTHER INCOME Other income increased by \$1.4 million, or 26%, in 2013 as compared to 2012 primarily due to an increase of \$0.7 million from historic tax credits and an increase of \$0.6 million in third-party management and leasing fees.

Other income decreased by \$1.2 million, or 18%, in 2012 as compared to 2011 primarily due to a \$1.5 million bankruptcy settlement received in 2011.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses decreased by \$0.6 million, or 1%, in 2013 as compared to 2012. This decrease was primarily due to a decrease of \$1.1 million in executive compensation and benefit costs offset by a \$0.5 million increase in other general and administrative expenses.

General and administrative expenses decreased by \$1.4 million, or 4%, in 2012 as compared to 2011 primarily due to a \$1.0 million decrease in incentive compensation expense and a \$0.3 million decrease in rent expense.

PROVISION FOR EMPLOYEE SEPARATION EXPENSE Provision for employee separation expense was \$2.3 million in 2013. In 2013, we recorded expense of \$1.9 million in connection with the terms of the amended employment agreement with Ronald Rubin, our Executive Chairman. We also recorded \$0.3 million in connection with Mr. Rubin's 2013 restricted share award which was amortized through June 7, 2013, the date on which Mr. Rubin became eligible to voluntarily terminate his employment agreement and receive his founder's retirement payment, at which time such restricted shares would vest.

Provision for employee separation expense was \$9.4 million in 2012. In 2012, we recorded \$4.1 million in connection with the separation of Edward A. Glickman, our former President and Chief Operating Officer, \$2.6 million in connection with the amended employment agreement of Mr. Rubin, our Executive Chairman, and \$2.7 million in connection with the separation of certain employees.

No provision for employee separation expense was recorded in 2011.

IMPAIRMENT OF ASSETS As further described in the “Overview” section and in note 2 to our consolidated financial statements, in 2011, we recorded impairment of assets of \$24.1 million on North Hanover Mall in Hanover, Pennsylvania. In 2013, we recorded an additional impairment of assets of \$6.3 million on North Hanover Mall. See also “—Discontinued Operations” for a discussion of impairment charges related

to Phillipsburg Mall in Phillipsburg, New Jersey and the Chambersburg Mall in Chambersburg, Pennsylvania.

INTEREST EXPENSE Interest expense decreased by \$23.4 million, or 19%, in 2013 as compared to 2012. The decrease was primarily due to a \$26.0 million decrease resulting from a lower overall debt balance (an average of \$1,727.8 million in 2013 compared to \$1,995.4 million in 2012) and a lower weighted average effective borrowing rate (5.57% for 2013 as compared to 6.17% for 2012). This decrease was offset by a loss on hedge ineffectiveness of \$2.9 million related to a forward starting swap on the mortgage loan payoff that had been secured by Jacksonville Mall, accelerated amortization of deferred financing costs of \$1.1 million related to the repayment of our 2010 Term Loan and net losses on hedge ineffectiveness of \$0.5 million due to the accelerated amortization in connection with the partial mortgage loan repayments at Logan Valley Mall.

Interest expense decreased by \$5.0 million, or 4%, in 2012 as compared to 2011. The decrease was primarily due to a \$6.9 million decrease resulting from lower overall debt balance (an average of \$1,995.4 million in 2012 compared to \$2,098.7 million in 2011). The lower overall debt balance was primarily due to the repayment of our \$136.9 million in Exchangeable Notes in June 2012 and a \$58.0 million permanent pay-down of a portion of the 2010 Term Loan in October 2012, which also resulted in \$0.7 million in accelerated amortization of deferred financing costs. The 2012 interest expense was also affected by a \$1.2 million loss on hedge ineffectiveness that is included in interest expense. Our weighted average effective borrowing rate was 6.17% for 2012 as compared to 6.16% for 2011.

DEPRECIATION AND AMORTIZATION Depreciation and amortization expense increased by \$13.0 million, or 10%, in 2013 as compared to 2012, primarily due to:

- an increase of \$10.1 million primarily due to a higher asset base resulting from capital improvements related to new tenants at our properties; and
- an increase of \$3.3 million associated with the April 2013 acquisition of 907 Market Street; partially offset by
- a decrease of \$0.3 million because certain lease intangibles at two properties purchased during 2005 became fully amortized during 2012.

Depreciation and amortization expense decreased by \$0.2 million, or 0%, in 2012 as compared to 2011, primarily due to:

- a decrease of \$2.0 million because certain lease intangibles at three properties purchased during 2004 and 2005 became fully amortized during 2011 and 2012; partially offset by
- an increase of \$1.8 million primarily due to a higher asset base resulting from capital improvements related to new tenants at our properties.

EQUITY IN INCOME OF PARTNERSHIPS Equity in income of partnerships increased by \$1.4 million, or 17%, for 2013 compared to 2012 primarily due to an increase in partnership revenue of \$1.7 million and a decrease of \$0.2 million in partnership mortgage interest expense, partially offset by an increase of \$0.5 million in partnership property operating expenses.

Equity in income of partnerships increased by \$1.7 million, or 26%, for 2012 compared to 2011 primarily due to an increase in partnership revenue of \$0.9 million and a decrease of \$0.8 million in depreciation and amortization expense.

GAINS ON SALES OF REAL ESTATE Gains on sales of real estate were \$1.6 million in 2011, including the following transactions:

- a \$0.7 million gain from the sale of a parcel and related land improvements at Pitney Road Plaza in Lancaster, Pennsylvania; and
- a \$0.7 million gain from the sale of a condominium interest in Voorhees Town Center in Voorhees, New Jersey.

There were no gains on sales of real estate in 2013 or 2012.

DISCONTINUED OPERATIONS We have presented as discontinued operations the operating results of Orlando Fashion Square, Phillipsburg Mall, Chambersburg Mall, Paxton Towne Centre, Christiana Center and Commons at Magnolia which are properties that were sold in 2013.

Operating results, gains on sales of discontinued operations and impairment of assets for the properties in discontinued operations were as follows:

(in thousands of dollars)	For the Year Ended December 31,		
	2013	2012	2011
Operating results of:			
Orlando Fashion Square	\$ 330	\$ 627	\$ (1,298)
Phillipsburg Mall	(66)	(116)	891
Chambersburg Mall	536	908	820
Paxton Towne Centre	(101)	1,132	(579)
Christiana Center	1,633	1,557	1,602
Commons at Magnolia	480	519	482
Operating results from discontinued operations	2,812	4,627	1,918
Impairment of assets of discontinued operations	(23,662)	(3,805)	(27,977)
Gains on sales of discontinued operations	78,512	947	—
Income (loss) from discontinued operations	\$57,662	\$ 1,769	\$(26,059)

As further described in the “Overview” section and note 2 to our consolidated financial statements, we recorded \$23.7 million and \$3.8 million of impairment of assets on discontinued operations for 2013 and 2012, respectively.

GAINS ON SALES OF DISCONTINUED OPERATIONS Gains on sales of discontinued operations were \$78.5 million in 2013 due to:

- a \$40.8 million gain on sale of Christiana Center;
- a \$32.7 million gain on sale of Paxton Towne Centre;
- a \$4.3 million gain on sale of Commons at Magnolia; and
- a \$0.7 million gain on sale of Orlando Fashion Square.

Gains on sales of discontinued operations were \$0.9 million in 2012 due to gain on the sale of our remaining interest in Northeast Tower Center.

There were no gains on sales of discontinued operations in 2011.

FUNDS FROM OPERATIONS The National Association of Real Estate Investment Trusts (“NAREIT”) defines Funds From Operations (“FFO”), which is a non-GAAP measure commonly used by REITs, as net income excluding gains and losses on sales of operating properties, extraordinary

items (computed in accordance with GAAP) and significant non-recurring events that materially distort the comparative measurement of company performance over time; plus real estate depreciation and amortization; and after adjustments for unconsolidated partnerships and joint ventures to reflect funds from operations on the same basis. We compute FFO in accordance with standards established by NAREIT, which may not be comparable to FFO 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 we do. NAREIT’s established guidance provides that excluding impairment write downs of depreciable real estate is consistent with the NAREIT definition.

FFO is a commonly used measure of operating performance and profitability among REITs. We use FFO and FFO per diluted share and unit of limited partnership interest in our operating partnership (“OP Unit”) in measuring our performance against our peers and as one of the performance measures for determining incentive compensation amounts earned under certain of our performance-based executive compensation programs.

FFO does not include gains and losses on sales of operating real estate assets or impairment write-downs of depreciable real estate, which are included in the determination of net income in accordance with GAAP. Accordingly, FFO is not a comprehensive measure of our operating cash flows. In addition, since FFO does not include depreciation on real estate assets, FFO may not be a useful performance measure when comparing our operating performance to that of other non-real estate commercial enterprises. We compensate for these limitations by using FFO in conjunction with other GAAP financial performance measures, such as net income and net cash provided by operating activities, and other non-GAAP financial performance measures, such as NOI. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of our financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available for our cash needs, including our ability to make cash distributions. We believe that net income is the most directly comparable GAAP measurement to FFO.

We also present Funds From Operations, as adjusted, and Funds From Operations per diluted share and OP Unit, as adjusted, which are non-GAAP measures, to show the effect of provision for employee separation expense, loss on hedge ineffectiveness and accelerated amortization of deferred financing costs, which had a significant effect on our results of operations, but are not, in our opinion, indicative of our operating performance. We believe that FFO is helpful to management and investors as a measure of operating performance because it excludes various items included in net income that do not relate to or are not indicative of operating performance, such as gains on sales of operating real estate and depreciation and amortization of real estate, among others. We believe that Funds From Operations, as adjusted, is helpful to management and investors as a measure of operating performance because it adjusts FFO to exclude items that management does not believe are indicative of its operating performance, specifically provision for employee separation expense, loss on hedge ineffectiveness and accelerated amortization of deferred financing costs.

The following table presents FFO and FFO per diluted share and OP Unit, and Funds From Operations, as adjusted, and Funds From Operations per diluted share and OP Unit, as adjusted, for the years ended December 31, 2013, 2012 and 2011:

(in thousands of dollars, except per share amounts)	For the Year Ended December 31, 2013	% Change 2012 to 2013	For the Year Ended December 31, 2012	% Change 2011 to 2012	For the Year Ended December 31, 2011
Funds from operations ⁽¹⁾	\$ 121,101	26.7%	\$ 95,617	(9.4)%	\$ 105,585
Provision for employee separation expense	2,314		9,437		—
Loss on hedge ineffectiveness	3,409		1,162		—
Accelerated amortization of deferred financing costs ⁽²⁾	1,076		690		—
Funds from operations, as adjusted ⁽¹⁾	\$ 127,900	19.6%	\$ 106,906	1.3%	\$ 105,585
Funds from operations per diluted share and OP Unit ⁽¹⁾	\$ 1.81	11.0%	\$ 1.63	(11.4)%	\$ 1.84
Funds from operations per diluted share and OP Unit, as adjusted ⁽¹⁾	\$ 1.92	4.9%	\$ 1.83	(0.5)%	\$ 1.84
Weighted average number of shares outstanding	63,662		55,122		54,639
Weighted average effect of full conversion of OP Units	2,194		2,310		2,329
Effect of common share equivalents	876		1,131		502
Total weighted average shares outstanding, including OP Units	66,732		58,563		57,470

⁽¹⁾ In accordance with NAREIT guidance regarding the definition of FFO, impairment losses of depreciable real estate are excluded from FFO. FFO, Funds From Operations, as adjusted, FFO per diluted share and OP Unit and Funds From Operations per diluted share and OP Unit, as adjusted, for all periods presented reflect this NAREIT guidance.

⁽²⁾ In 2013, accelerated amortization of deferred financing costs includes \$0.9 million from 2010 Term Loan repayments and \$0.2 million from mortgage loan repayments. In 2012, accelerated amortization of deferred financing costs includes \$0.7 million from a 2010 Term Loan repayment.

FFO was \$121.1 million for 2013, an increase of \$25.5 million, or 26.7%, compared to \$95.6 million for 2012. This increase was primarily due to:

- a decrease of \$28.6 million in interest expense (including our proportionate share of interest expense of our partnership properties and excluding the effects of loss on hedge ineffectiveness and accelerated amortization of deferred financing costs) resulting from lower overall debt balances and lower average interest rates;
- an increase of \$6.9 million in Same Store NOI (presented using the “proportionate-consolidation” method; See “—Net Operating Income”);
- a decrease of \$7.1 million in provision for employee separation expense;
- an increase of \$3.3 million in NOI from 907 Market Street, which was acquired in April 2013; and
- a decrease of \$0.6 million in general and administrative expense; partially offset by
- a decrease of \$12.0 million in NOI related to properties in discontinued operations;
- an increase of \$7.9 million in preferred share dividends resulting from the Series A Preferred Shares issued in April 2012 and the Series B Preferred Shares issued on October 2012;
- an increase of \$3.4 million in interest expense due to net loss on hedge ineffectiveness that was recorded in interest expense; and
- an increase of \$1.1 million of accelerated deferred financing costs primarily related to the permanent repayment of the 2010 Term Loan in 2013.

FFO per diluted share increased \$0.18 per share to \$1.81 per share for 2013, compared to \$1.63 per share for 2012. FFO per diluted share increased by \$0.43 per share due to the \$25.5 million increase in FFO, partially offset by a decrease of \$0.25 per share primarily due to the weighted average effect of the 11,500,000 common shares issued in May 2013 and other common share issuances since January 1, 2012.

FFO was \$95.6 million for 2012, a decrease of \$10.0 million, or 9.4%, compared to \$105.6 million for 2011. This decrease was primarily due to:

- provision for employee separation expense of \$9.4 million recorded in 2012;
- preferred dividends of \$8.0 million related to the Series A Preferred Shares issued in April 2012 and the Series B Preferred Shares issued in October 2012;
- a \$1.5 million bankruptcy settlement received in 2011 in connection with our investment in the Valley View Downs project;
- a \$1.2 million loss on hedge ineffectiveness in 2012;
- accelerated amortization of \$0.7 million of financing costs recorded in 2012 in connection with the repayment of a portion of the 2010 Credit Facility; and

- gains on sales of non-operating real estate of \$0.9 million in 2011; partially offset by
- a decrease in interest expense of \$7.9 million (including our proportionate share of interest expense of our partnership properties and excluding the effects of loss on hedge ineffectiveness and accelerated amortization of deferred financing costs) in 2012 compared to 2011 resulting from lower overall debt balances and lower average interest rates; and
- an increase of \$3.0 million in NOI (presented using the “proportionate-consolidation” method; See “—Net Operating Income”).

FFO per diluted share decreased \$0.21 per share to \$1.63 per share for 2012, compared to \$1.84 per share for 2011. FFO per diluted share decreased by \$0.18 per share due to the \$10.0 million decrease in FFO and a decrease of \$0.03 per share primarily due to the weighted average effect of common share issuances since January 1, 2011.

RECONCILIATION OF GAAP NET INCOME (LOSS) TO NON-GAAP MEASURES

The preceding discussions compare our Consolidated Statements of Operations results for different periods based on GAAP. Also, the non-GAAP measures of NOI and FFO have been discussed. We believe that NOI is helpful to management and investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. We believe that FFO is helpful to management and investors as a measure of operating performance because it excludes various items included in net income that do not relate to or are not indicative of operating performance, such as gains on sales of operating real estate and depreciation and amortization of real estate, among others. We believe that Funds From Operations as adjusted is helpful to management and investors as a measure of operating performance because it adjusts FFO to exclude items that management does not believe are indicative of its ongoing operations, specifically provision for employee separation expense, loss on hedge ineffectiveness and accelerated amortization of deferred financing costs. FFO is a commonly used measure of operating performance and profitability among REITs, and we use FFO, FFO per diluted share and OP Unit, Funds From Operations as adjusted and Funds From Operations per diluted share and OP Unit as adjusted as supplemental non-GAAP measures to compare our performance for different periods to that of our industry peers.

The following information is provided to reconcile NOI and FFO, which are non-GAAP measures, to net income (loss), a GAAP measure:

(in thousands of dollars)	For the Year Ended December 31, 2013			
	Continuing Operations			Total
	Consolidated	Share of Unconsolidated Partnerships	Discontinued Operations	
Real estate revenue	\$ 431,728	\$ 40,195	\$ 10,014	\$ 481,937
Operating expenses	(182,279)	(11,960)	(4,288)	(198,527)
Net operating income	249,449	28,235	5,726	283,410
General and administrative expenses	(36,975)	—	—	(36,975)
Provision for employee separation expense	(2,314)	—	—	(2,314)
Other income	6,950	—	—	6,950
Project costs and other expenses	(1,422)	—	—	(1,422)
Interest expense, net	(98,731)	(11,084)	(1,753)	(111,568)
Depreciation of non real estate assets	(1,132)	—	—	(1,132)
Preferred share dividends	(15,848)	—	—	(15,848)
Funds from operations	99,977	17,151	3,973	121,101
Depreciation of real estate assets	(139,748)	(7,373)	(1,161)	(148,282)
Impairment of assets	(6,304)	—	—	(6,304)
Equity in income of partnerships	9,778	(9,778)	—	—
Operating results from discontinued operations	2,812	—	(2,812)	—
Impairment of assets of discontinued operations	(23,662)	—	—	(23,662)
Gain on sales of discontinued operations	78,512	—	—	78,512
Preferred share dividends	15,848	—	—	15,848
Net income	\$ 37,213	\$ —	\$ —	\$ 37,213

(in thousands of dollars)	For the Year Ended December 31, 2012			
	Continuing Operations			Total
	Consolidated	Share of Unconsolidated Partnerships	Discontinued Operations	
Real estate revenue	\$ 413,813	\$ 38,452	\$ 33,046	\$ 485,311
Operating expenses	(173,130)	(11,458)	(15,340)	(199,928)
Net operating income	240,683	26,994	17,706	285,383
General and administrative expenses	(37,538)	—	—	(37,538)
Provision for employee separation expense	(9,437)	—	—	(9,437)
Other income	5,534	—	—	5,534
Project costs and other expenses	(1,936)	(2)	—	(1,938)
Interest expense, net	(122,118)	(11,258)	(4,202)	(137,578)
Depreciation of non real estate assets	(825)	—	—	(825)
Preferred share dividends	(7,984)	—	—	(7,984)
Funds from operations	66,379	15,734	13,504	95,617
Depreciation of real estate assets	(127,020)	(7,396)	(8,877)	(143,293)
Equity in income of partnerships	8,338	(8,338)	—	—
Operating results from discontinued operations	4,627	—	(4,627)	—
Impairment of assets of discontinued operations	(3,805)	—	—	(3,805)
Gain on sale of discontinued operations	947	—	—	947
Preferred share dividends	7,984	—	—	7,984
Net loss	\$ (42,550)	\$ —	\$ —	\$ (42,550)

For the Year Ended December 31, 2011

(in thousands of dollars)	Continuing Operations			Total
	Consolidated	Share of Unconsolidated Partnerships	Discontinued Operations	
Real estate revenue	\$ 412,426	\$ 37,814	\$ 35,270	\$ 485,510
Operating expenses	(175,839)	(11,435)	(15,842)	(203,116)
Net operating income	236,587	26,379	19,428	282,394
General and administrative expenses	(38,901)	—	—	(38,901)
Other income	6,712	—	—	6,712
Project costs and other expenses	(964)	—	—	(964)
Interest expense, net	(127,148)	(11,341)	(5,108)	(143,597)
Gain on non operating real estate	850	—	—	850
Depreciation of non real estate assets	(909)	—	—	(909)
Funds from operations	76,227	15,038	14,320	105,585
Depreciation of real estate assets	(127,119)	(8,403)	(12,402)	(147,924)
Impairment of assets	(24,359)	—	—	(24,359)
Equity in income of partnerships	6,635	(6,635)	—	—
Gains on sales of real estate	740	—	—	740
Operating results from discontinued operations	1,918	—	(1,918)	—
Impairment of assets of discontinued operations	(27,977)	—	—	(27,977)
Net loss	\$ (93,935)	\$ —	\$ —	\$ (93,935)

Liquidity and Capital Resources

This “Liquidity and Capital Resources” section contains certain “forward-looking statements” that relate to expectations and projections that are not historical facts. These forward-looking statements reflect our current views about our future liquidity and capital resources, and are subject to risks and uncertainties that might cause our actual liquidity and capital resources to differ materially from the forward-looking statements. Additional factors that might affect our liquidity and capital resources include those discussed in our Annual Report on Form 10-K for the year ended December 31, 2013 in the section entitled “Item 1A. Risk Factors.” We do not intend to update or revise any forward-looking statements about our liquidity and capital resources to reflect new information, future events or otherwise.

CAPITAL RESOURCES We expect to meet our short-term liquidity requirements, including distributions to shareholders, recurring capital expenditures, tenant improvements and leasing commissions, but excluding acquisitions and redevelopment and development projects, generally through our available working capital and net cash provided by operations, and subject to the terms and conditions of our 2013 Revolving Facility and our 2014 Term Loans (collectively, the “Credit Agreements”). We believe that our net cash provided by operations will be sufficient to allow us to make any distributions necessary to enable us to continue to qualify as a REIT under the Internal Revenue Code of 1986, as amended. The aggregate distributions made to preferred shareholders, common shareholders and OP Unit holders for 2013 were \$65.8 million, based on distributions of \$2.0625 per Series A Preferred Share, distributions of \$1.8438 per Series B Preferred Share and \$0.74 per common share and OP Unit. For the first quarter of 2014, we have announced a distribution of \$0.20 per common share and OP Unit. The following are some of the factors that could affect our cash flows and require the funding of future cash distributions, recurring capital expenditures, tenant improvements or leasing commissions with sources other than operating cash flows:

- adverse changes or prolonged downturns in general, local or retail industry economic, financial, credit or capital market or competitive conditions, leading to a reduction in real estate revenue or cash flows or an increase in expenses;
- deterioration in our tenants’ business operations and financial stability, including anchor or non anchor tenant bankruptcies, leasing delays or terminations, or lower sales, causing deferrals or declines in rent, percentage rent and cash flows;
- inability to achieve targets for, or decreases in, property occupancy and rental rates, resulting in lower or delayed real estate revenue and operating income;
- increases in operating costs, including increases that cannot be passed on to tenants, resulting in reduced operating income and cash flows; and
- increases in interest rates, resulting in higher borrowing costs.

We expect to meet certain of our longer-term requirements, such as obligations to fund redevelopment and development projects, certain capital requirements (including scheduled debt maturities), future property and portfolio acquisitions, renovations, expansions and other non-recurring capital improvements, through a variety of capital sources, subject to the terms and conditions of our Credit Agreements.

In January 2012, the SEC declared effective our \$1.0 billion universal shelf registration statement. We may use the availability under our shelf registration statement to offer and sell common shares of beneficial interest, preferred shares and various types of debt securities, among other types of securities, to the public. In April 2012, we issued \$115.0 million of Series A Preferred Shares and in October 2012, we issued \$86.3 million of Series B Preferred Shares in underwritten public offerings under this registration statement. In May 2013, we issued 11,500,000 common shares in an underwritten public offering at \$20.00 per share. However, in the future, we may be unable to issue securities under the shelf registration statement, or otherwise, on terms that are favorable to us, or at all.

2013 REVOLVING FACILITY, AS AMENDED In April 2013, PREIT, PREIT Associates and PRI (collectively, the “Borrower”) entered into a Credit Agreement (the “2013 Revolving Facility”) with Wells Fargo Bank, National Association, and the other financial institutions signatory thereto, for a \$400.0 million senior unsecured revolving credit facility. The 2013 Revolving Facility replaced the previously existing 2010 Credit Facility. In December 2013, we amended the 2013 Revolving Facility to make certain terms of the 2013 Revolving Facility consistent with the terms of the 2014 Term Loans (discussed below). All capitalized terms used in this “Liquidity and Capital Resources” section and not otherwise defined herein have the meanings ascribed to such terms in the 2013 Revolving Facility, as amended.

As of December 31, 2013, \$130.0 million was outstanding under our 2013 Revolving Facility and the unused portion that was available to us was \$270.0 million.

The weighted average interest rate on outstanding 2013 Revolving Facility borrowings as of December 31, 2013 was 1.87%. Interest expense related to the 2013 Revolving Facility was \$2.5 million for the year ended December 31, 2013. Deferred financing fee amortization associated with the 2013 Revolving Facility was \$1.1 million for the year ended December 31, 2013.

The initial maturity of the 2013 Revolving Facility is April 17, 2016, and the Borrower has options for two one-year extensions of the initial maturity date, subject to certain conditions and to the payment of extension fees of 0.15% and 0.20% of the Facility Amount for the first and second options, respectively.

The Borrower has the option to increase the maximum amount available under the 2013 Revolving Facility, through an accordion option, from \$400.0 million to as much as \$600.0 million, in increments of \$5.0 million (with a minimum increase of \$25.0 million), based on Wells Fargo Bank’s ability to obtain increases in Revolving Commitments from the current lenders or Revolving Commitments from new lenders. No increase to the maximum amount available under the 2013 Revolving Facility has been exercised by the Borrower.

Amounts borrowed under the 2013 Revolving Facility bear interest at a rate between 1.50% and 2.05% per annum, depending on PREIT’s leverage, in excess of LIBOR, with no floor, as set forth in the table below. The rate in effect at December 31, 2013 was 1.70% per annum in excess of LIBOR. In determining PREIT’s leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is (a) 6.50% for each Property having an average sales per square foot of more than \$500 for the most recent period of 12 consecutive months, and (b) 7.50% for any other Property.

Level	Ratio of Total Liabilities to Gross Asset Value	Applicable Margin
1	Less than 0.450 to 1.00	1.50%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.70%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.85%
4	Equal to or greater than 0.550 to 1.00	2.05%

In the event that we seek and obtain an investment grade credit rating and notify the lenders, alternative interest rates would apply. The unused portion of the 2013 Revolving Facility is subject to a facility fee of 0.30% per annum. In the event that we seek and obtain an investment grade credit rating, alternative facility fees would apply.

PREIT and the subsidiaries of PREIT that either (1) account for more than 2.5% of adjusted Gross Asset Value (other than an Excluded Subsidiary), (2) own or lease an Unencumbered Property, or (3) own, directly or indirectly, a subsidiary described in clause (2) will serve as guarantors for funds borrowed under the 2013 Credit Facility. In the event that we seek and obtain an investment grade credit rating, we may request that a subsidiary guarantor be released, unless such guarantor becomes obligated in respect of the debt of the Borrower or another subsidiary or owns Unencumbered Property or incurs recourse debt.

PREIT may not permit the amount of the Gross Asset Value attributable to assets directly owned by the Borrowers and the guarantors to be less than 95% of Gross Asset Value excluding assets owned by Excluded Subsidiaries or Unconsolidated Affiliates.

The 2013 Revolving Facility and the 2014 Term Loans (discussed below) are cross-defaulted with one another.

The 2013 Revolving Facility and the 2014 Term Loans contain certain affirmative and negative covenants which are identical and which are described in detail below in the section entitled “Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans.” As of December 31, 2013, the Borrower was in compliance with all such financial covenants.

The Borrower may prepay the 2013 Revolving Facility at any time without premium or penalty, subject to reimbursement obligations for the lenders’ breakage costs for LIBOR borrowings. The Borrower must repay the entire principal amount outstanding under the 2013 Revolving Facility at the end of its term, as the term may have been extended.

Upon the expiration of any applicable cure period following an event of default, the lenders may declare all of the obligations in connection with the 2013 Revolving Facility immediately due and payable, and the Commitments of the lenders to make further loans under the 2013 Revolving Facility will terminate. Upon the occurrence of a voluntary or involuntary bankruptcy proceeding of PREIT, PREIT Associates, PRI, any Material Subsidiary, any subsidiary that owns or leases an Unencumbered Property or certain other subsidiaries, all outstanding amounts will automatically become immediately due and payable and the Commitments of the lenders to make further loans will automatically terminate.

The Borrower used the initial proceeds from the 2013 Revolving Facility to repay both \$97.5 million outstanding under the 2010 Term Loan and \$95.0 million outstanding under the 2010 Revolving Facility.

2014 TERM LOANS On January 8, 2014, the Borrower entered into two unsecured term loans in the initial aggregate amount of \$250.0 million, comprised of:

- (1) a 5 Year Term Loan Agreement (the “5 Year Term Loan”) with Wells Fargo Bank, National Association, U.S. Bank National Association and the other financial institutions signatory thereto, for a \$150.0 million senior unsecured 5 year term loan facility; and
- (2) a 7 Year Term Loan Agreement (the “7 Year Term Loan” and, together with the 5 Year Term Loan, the “2014 Term Loans”) with Wells Fargo Bank, National Association, Capital One, National Association and the other financial institutions signatory thereto, for a \$100.0 million senior unsecured 7 year term loan facility.

Amounts borrowed under the 2014 Term Loans bear interest at the rate specified below per annum, depending on PREIT’s leverage, in excess of LIBOR, with no floor. In determining PREIT’s leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate

Gross Asset Value is (a) 6.50% for each Property having an average sales per square foot of more than \$500 for the most recent period of 12 consecutive months, and (b) 7.50% for any other Property.

Level	Ratio of Total Liabilities to Gross Asset Value	5 Year Term Loan Applicable Margin	7 Year Term Loan Applicable Margin
1	Less than 0.450 to 1.00	1.35%	1.80%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.45%	1.95%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.60%	2.15%
4	Equal to or greater than 0.550 to 1.00	1.90%	2.35%

The initial rate in effect under the 5 Year Term Loan was 1.45% per annum in excess of LIBOR. The initial rate in effect under the 7 Year Term Loan was 1.95% per annum in excess of LIBOR.

If PREIT seeks and obtains an investment grade credit rating and so notifies the lenders under the respective 2014 Term Loans, alternative interest rates would apply.

The table set forth below presents the initial amount outstanding, initial interest rate (inclusive of the initial LIBOR spread) in effect and the maturity dates of the 2014 Term Loans:

(in millions of dollars)	5 Year Term Loan	7 Year Term Loan
Total facility	\$ 150.0	\$ 100.0
Initial borrowing	\$ 100.0	\$ 30.0
Initial interest rate	1.61%	2.11%
Maturity date	January 2019	January 2021

Under the 2014 Term Loans, there is a deferred draw feature that enables PREIT to borrow the amounts specified in each of the term loans over a period of up to one year. From the effective date until either one year later or until the maximum amount under the respective loan is borrowed (or until the lenders' commitments are otherwise terminated), the unused portion of the 2014 Term Loans is subject to a fee of 0.20%, in the case of the 5 Year Term Loan, and 0.35%, in the case of the 7 Year Term Loan, per annum. There is an additional commitment termination fee under the 7 Year Term Loan if the maximum amount is not borrowed within one year.

PREIT and the subsidiaries of PREIT that either (1) account for more than 2.5% of adjusted Gross Asset Value (other than an Excluded Subsidiary), (2) own or lease an Unencumbered Property, (3) own, directly or indirectly, a subsidiary described in clause (2), or (4) are guarantors under the 2013 Revolving Facility will serve as guarantors for funds borrowed under the 2014 Term Loans.

The Borrower has the option to increase the maximum amount available under the 5 Year Term Loan, through an accordion option (subject to certain conditions), from \$150.0 million to as much as \$300.0 million, in increments of \$5.0 million (with a minimum increase of \$25.0 million), based on Wells Fargo Bank's ability to obtain increases in commitments from the current lenders or from new lenders.

The Borrower has the option to increase the maximum amount available under the 7 Year Term Loan, through an accordion option (subject to certain conditions), from \$100.0 million to as much as \$200.0 million, in increments of \$5.0 million (with a minimum increase of \$25.0 million), based on Wells Fargo Bank's ability to obtain increases in commitments from the current lenders or from new lenders.

The 2014 Term Loans and 2013 Revolving Facility contain certain affirmative and negative covenants which are identical and which are described in detail below in the section entitled "Identical covenants contained in the 2013 Revolving Facility and 2014 Term Loans." The 2014 Term Loans also contain an additional covenant that PREIT may not permit the amount of the Gross Asset Value attributable to assets directly owned by PREIT, PREIT Associates, PRI and the guarantors to be less than 95% of Gross Asset Value excluding assets owned by Excluded Subsidiaries or Unconsolidated Affiliates.

The Borrower may prepay the 5 Year Term Loan at any time without premium or penalty, subject to reimbursement obligations for the lenders' breakage costs for LIBOR borrowings. The payment of the 7 Year Term Loan prior to its maturity is subject to reimbursement obligations for the lenders' breakage costs for LIBOR borrowings and a declining prepayment penalty ranging from 3% for one year after closing, to 2% after two years, to 1% after three years and without penalty thereafter.

Upon the expiration of any applicable cure period following an event of default, the lenders may declare all of the obligations in connection with the 2014 Term Loans immediately due and payable, and before the one year anniversary of the effective date, the commitments of the lenders to make further loans, if any, under the 2014 Term Loans would terminate. Upon the occurrence of a voluntary or involuntary bankruptcy proceeding of PREIT, PREIT Associates, PRI, any material subsidiary, any subsidiary that owns or leases an Unencumbered Property or certain other subsidiaries, all outstanding amounts would automatically become immediately due and payable and, before the one year anniversary of the effective date, the commitments of the lenders to make further loans will automatically terminate.

PREIT may use the proceeds of the 2014 Term Loans for the repayment of debt, for the payment of development or redevelopment costs and for working capital and general corporate purposes.

IDENTICAL COVENANTS CONTAINED IN THE 2013 REVOLVING FACILITY AND 2014 TERM LOANS The 2013 Revolving Facility and 2014 Term Loans contain certain affirmative and negative covenants which are identical, including, without limitation, requirements that PREIT maintain, on a consolidated basis: (1) minimum Tangible Net Worth of not less than 75% of the Company's tangible net worth on December 31, 2012, plus 75% of the Net Proceeds of all Equity Issuances effected at any time after December 31, 2012; (2) maximum ratio of Total Liabilities to Gross Asset Value of 0.60:1, provided that it will not be a Default if the ratio exceeds 0.60:1 but does not exceed 0.625:1 for more than two consecutive quarters on more than two occasions during the term; (3) minimum ratio of Adjusted EBITDA to Fixed Charges of 1.45:1 on or before June 30, 2014, or 1.50:1 thereafter; (4) minimum Unencumbered Debt Yield of 12.0%; (5) minimum Unencumbered NOI to Unsecured Interest Expense of 1.75:1; (6) maximum ratio of Secured Indebtedness to Gross Asset Value of 0.60:1; (7) maximum Investments in unimproved real estate and predevelopment costs not in excess of 5.0% of Gross Asset Value; (8) maximum Investments in Persons other than Subsidiaries, Consolidated Affiliates and Unconsolidated Affiliates not in excess of 5.0% of Gross Asset Value; (9) maximum Mortgages in favor of the Borrower or any other Subsidiary not in excess of 5.0% of Gross Asset Value; (10) the aggregate value of the Investments and the other items subject to the preceding clauses (7) through (9) not in excess of 10.0% of Gross Asset Value; (11) maximum Investments in Consolidation Exempt Entities not in excess of 25.0% of Gross Asset Value; (12) maximum Projects Under Development not in excess of 15.0% of Gross Asset Value;

(13) the aggregate value of the Investments and the other items subject to the preceding clauses (7) through (9) and (11) and (12) not in excess of 35.0% of Gross Asset Value; and (14) Distributions may not exceed (A) with respect to our preferred shares, the amounts required by the terms of the preferred shares, and (B) with respect to our common shares, the greater of (i) 95.0% of Funds From Operations (FFO) and (ii) 110% of REIT taxable income for a fiscal year. These covenants and restrictions limit PREIT's ability to incur additional indebtedness, grant liens on assets and enter into negative pledge agreements, merge, consolidate or sell all or substantially all of its assets and enter into certain transactions with affiliates. The 2013 Revolving Facility and 2014 Term Loans are subject to customary events of default and are cross-defaulted with one another.

COMMON SHARE OFFERING In May 2013, we issued 11,500,000 common shares in a public offering at \$20.00 per share. We received net proceeds from the offering of \$220.5 million after deducting payment of the underwriting discount of \$0.80 per share and offering expenses. We used a portion of the net proceeds from this offering to repay all \$192.5 million of then-outstanding borrowings under the 2013 Revolving Facility.

PREFERRED SHARE OFFERINGS In April 2012, we issued 4,600,000 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the "Series A Preferred Shares") in a public offering at \$25.00 per share. We received net proceeds from the offering of \$110.9 million after deducting payment of the underwriting discount of \$3.6 million (\$0.7875 per Series A Preferred Share) and estimated offering expenses of \$0.5 million. We used a portion of the net proceeds from this offering to repay all \$30.0 million of then-outstanding borrowings under the 2010 Revolving Facility.

In October 2012, we issued 3,450,000 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares (the "Series B Preferred Shares") in a public offering at \$25.00 per share. We received net proceeds from the offering of \$83.3 million after deducting payment of the underwriting discount of \$2.7 million (\$0.7875 per Series B Preferred Share) and estimated offering expenses of \$0.3 million. We used a portion of the net proceeds from this offering to repay all \$15.0 million of then-outstanding borrowings under the 2010 Revolving Facility and \$58.0 million of then-outstanding borrowings under the 2010 Term Loan.

We may not redeem the Series A Preferred Shares or the Series B Preferred Shares before April 20, 2017 and October 11, 2017, respectively, except to preserve our status as a REIT or upon the occurrence of a Change of Control, as defined in the Trust Agreement addendums designating the Series A and Series B Preferred Shares, respectively. On and after April 20, 2017 and October 11, 2017, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares, respectively, at \$25.00 per share plus any accrued and unpaid dividends. In addition, upon the occurrence of a Change of Control, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares for cash within 120 days after the first date on which such Change of Control occurred at \$25.00 per share plus any accrued and unpaid dividends. The Series A Preferred Shares and the Series B Preferred Shares have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless we redeem or otherwise repurchase them or they are converted.

As of December 31, 2012, there was \$0.7 million in accumulated but unpaid dividends relating to the Series A and Series B Preferred Shares. This amount was deducted from net loss to determine net loss attributable to common shareholders.

MORTGAGE LOAN ACTIVITY—CONSOLIDATED PROPERTIES The following table presents the mortgage loans we have entered into or extended since January 1, 2012 related to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2013 Activity:				
February	Francis Scott Key Mall ⁽¹⁾⁽²⁾	\$ 62.6	LIBOR plus 2.60%	March 2018
February	Lycoming Mall ⁽³⁾	35.5	LIBOR plus 2.75%	March 2018
February	Viewmont Mall ⁽¹⁾	48.0	LIBOR plus 2.60%	March 2018
March	Dartmouth Mall	67.0	3.97% fixed	April 2018
September	Logan Valley Mall ⁽⁴⁾	51.0	LIBOR plus 2.10%	September 2014
December	Wyoming Valley Mall ⁽⁵⁾	78.0	5.17% fixed	December 2023
2012 Activity:				
January	New River Valley Mall ⁽⁶⁾	28.1	LIBOR plus 3.00%	January 2019
February	Capital City Mall	65.8	5.30% fixed	March 2022
July	Christiana Center ⁽⁷⁾	50.0	4.64% fixed	August 2022
August	Cumberland Mall	52.0	4.40% fixed	August 2022
August	Cherry Hill Mall ⁽⁸⁾	300.0	3.90% fixed	September 2022

⁽¹⁾ Interest only payments.

⁽²⁾ The mortgage loan may be increased by \$7.9 million subject to certain prescribed conditions.

⁽³⁾ The initial amount of the mortgage loan was \$28.0 million. We took additional draws of \$5.0 million in October 2009 and \$2.5 million in March 2010. The mortgage loan was amended in February 2013 to lower the interest rate to LIBOR plus 2.75% and to extend the maturity date to March 2018. In February 2013, the unamortized balance of the mortgage loan was \$33.4 million before we borrowed an additional \$2.1 million to bring the total amount financed to \$35.5 million.

⁽⁴⁾ The initial amount of the mortgage loan was \$68.0 million. We repaid \$5.0 million in September 2011 and \$12.0 million in September 2013. We exercised our right under the loan in September 2013 to extend the maturity date to September 2014.

⁽⁵⁾ Interest only payments until March 2015. Principal and interest payments commencing in April 2015.

⁽⁶⁾ Extension option modified the mortgage rate and payment terms. Interest only payments for the first five years. Principal and interest commence January 2017 based on a 25 year amortization schedule, with a balloon payment due in January 2019.

⁽⁷⁾ The property was sold in September 2013 and the buyer assumed the remaining \$49.2 million mortgage loan.

⁽⁸⁾ Interest only payments for the first two years. Principal and interest payments commencing on October 1, 2014, with a balloon payment due in September 2022.

OTHER 2013 ACTIVITY In February 2013, we repaid a \$53.2 million mortgage loan on Moorestown Mall in Moorestown, New Jersey using \$50.0 million from our 2010 Revolving Facility and \$3.2 million from available working capital.

In May 2013, we repaid a \$56.3 million mortgage loan on Jacksonville Mall in Jacksonville, North Carolina using \$35.0 million from our 2013 Revolving Facility and \$21.3 million from available working capital. See note 6 to our consolidated financial statements for additional information on the \$2.9 million loss on hedge ineffectiveness that was recorded during the three months ended June 30, 2013 in connection with this transaction.

In September 2013, we repaid a \$65.0 million mortgage loan on Wyoming Valley Mall in Wilkes-Barre, Pennsylvania using \$65.0 million from our 2013 Revolving Facility.

In October 2013, we repaid a \$66.9 million mortgage loan on Exton Square Mall in Exton, Pennsylvania using \$60.0 million from our 2013 Revolving Facility and \$6.9 million from available working capital.

In December 2013, we repaid a \$42.2 million mortgage loan on Beaver Valley Mall in Monaca, Pennsylvania using proceeds from the December 2013 financing of Wyoming Valley Mall.

MORTGAGE LOANS Our mortgage loans, which are secured by 18 of our consolidated properties, are due in installments over various terms extending to the year 2023. Twelve of these mortgage loans bear interest at fixed interest rates that range from 3.90% to 6.34% and had a weighted average interest rate of 5.05% at December 31, 2013. Six of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.68% at December 31, 2013. The weighted average interest rate of all consolidated mortgage loans was 4.65% at December 31, 2013. Mortgage loans for properties owned by unconsolidated partnerships are accounted for in “Investments in partnerships, at equity” and “Distributions in excess of partnership investments,” and are not included in the table below.

The following table outlines the timing of principal payments and balloon payments pursuant to the terms of our mortgage loans on our consolidated properties as of December 31, 2013:

(in thousands of dollars)	Payments by Period					
	Total	2014	2015	2016	2017-2018	Thereafter
Principal payments	\$ 124,929	\$ 17,457	\$ 22,198	\$ 13,321	\$ 24,476	\$ 47,477
Balloon payments ⁽¹⁾	1,377,721	51,000	270,799	243,745	291,532	520,645
Total	\$ 1,502,650	\$ 68,457	\$ 292,997	\$ 257,066	\$ 316,008	\$ 568,122

⁽¹⁾ The maturity date for the balloon payment due in 2014 may be extended pursuant to the terms of the applicable loan agreement.

CONTRACTUAL OBLIGATIONS The following table presents our consolidated aggregate contractual obligations as of December 31, 2013 for the periods presented:

(in thousands of dollars)	Total	2014	2015	2016	2017-2018	Thereafter
Mortgage loans	\$ 1,502,650	\$ 68,457	\$ 292,997	\$ 257,066	\$ 316,008	\$ 568,122
2013 Revolving Facility	130,000	—	—	130,000	—	—
Interest on indebtedness ⁽¹⁾	346,463	72,241	70,702	43,865	65,610	94,045
Operating leases	9,800	2,111	1,929	1,691	2,917	1,152
Ground leases	41,824	558	558	552	1,070	39,086
Development and redevelopment commitments ⁽²⁾	1,713	1,713	—	—	—	—
Total	\$ 2,032,450	\$ 145,080	\$ 366,186	\$ 433,174	\$ 385,605	\$ 702,405

⁽¹⁾ Includes payments expected to be made, including those in connection with interest rate swap agreements.

⁽²⁾ The timing of the payments of these amounts is uncertain. We expect that the majority of such payments will be made prior to December 31, 2014, but cannot provide any assurance that changed circumstances at these projects will not delay the settlement of these obligations.

MORTGAGE LOAN ACTIVITY—UNCONSOLIDATED PROPERTIES The following table presents the mortgage loans secured by our unconsolidated properties entered into since January 1, 2012:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2012 Activity:				
July	Pavilion East ⁽¹⁾	\$ 9.4	LIBOR plus 2.75%	August 2017

⁽¹⁾ The unconsolidated entity that owns Pavilion East entered into the mortgage loan. Our interest in the unconsolidated entity is 40%. The mortgage loan has a term of five years.

INTEREST RATE DERIVATIVE AGREEMENTS As of December 31, 2013, we had entered into six interest rate swap agreements with a weighted average interest swap rate of 1.61% on a notional amount of \$198.6 million maturing on various dates through January 1, 2018. We entered into these interest rate swap agreements in order to hedge the interest payments associated with our issuances of variable rate long term debt. We assessed the effectiveness of these swap agreements as hedges at inception and do so on a quarterly basis. On December 31, 2013, except as set forth below, we considered these interest rate swap agreements to be highly effective as cash flow hedges. The interest rate swap agreements are net settled monthly.

In January 2014, we entered into six forward starting interest rate swap agreements with a weighted average interest swap rate of 1.78% on a

notional amount of \$130.0 million, each with an effective date of February 3, 2014 and each maturing on January 2, 2019. We entered into these forward starting swap agreements in order to hedge the interest payments associated with our initial borrowings under our 2014 Term Loans.

In the year ended December 31, 2013, we recorded net losses on hedge ineffectiveness of \$3.4 million. We recorded \$2.9 million in net losses on hedge ineffectiveness relating to a forward starting swap that was cash settled in 2008 in connection with the May 2013 Jacksonville Mall mortgage loan repayment. The mortgage loan repayment made it probable that the hedged transaction identified in our original hedge documentation would not occur, and we therefore reclassified \$2.9 million from “Accumulated other comprehensive income (loss)” to “Interest expense, net.” We also recorded \$0.5 million in net losses on hedge ineffectiveness

due to the accelerated amortization of \$0.5 million in connection with the partial mortgage loan repayments at Logan Valley Mall.

In the year ended December 31, 2012, we recorded net losses on hedge ineffectiveness of \$1.2 million. As the result of our permanent paydown of a portion of our 2010 Credit Facility in 2012 and expected repayments of mortgage loans secured by properties expected to be sold in 2013, we anticipated that we would not have sufficient 1-month LIBOR based interest payments to meet the entire swap notional amount related to three of our swaps. Therefore, it was probable that a portion of the hedged forecasted transactions (1-month LIBOR interest payments) associated with the three swaps would not occur by the end of the originally specified time period as documented at the inception of the hedging relationships. As such, previously deferred losses in other comprehensive income in the amount of \$0.6 million related to these three interest rate swaps were reclassified into interest expense during 2012. One of those swaps with a notional amount of \$40.0 million no longer qualified for hedge accounting as a result of the missed forecasted transactions and was marked to market through earnings prospectively. These swaps expired by their terms in March 2013. Additionally, certain of the properties that were under contract to be sold as of December 31, 2012 served as security for mortgage loans that were previously hedged. Since it was probable because of the pending sales that the hedged transactions as identified in our original hedge documentation would not occur, we reclassified \$0.6 million from other comprehensive income to interest expense.

As of December 31, 2013, the fair value of derivatives in a net liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was \$0.1 million in the aggregate. The carrying amount of the associated assets are recorded in "Deferred costs and other assets," liabilities are reflected in "Fair value of derivative instruments" and the net unrealized loss is reflected in "Accumulated other comprehensive loss" in the accompanying consolidated balance sheets and consolidated statements of comprehensive income.

Cash Flows

Net cash provided by operating activities totaled \$136.2 million for 2013 compared to \$120.3 million for 2012 and \$105.3 million for 2011. This increase in cash from operating activities in 2013 was primarily due to increased NOI, lower interest expense, and other working capital changes.

Cash flows provided by investing activities were \$30.7 million for 2013 compared to cash flows used in investing activities of \$88.2 million for 2012 and cash flows used in investing activities of \$21.8 million for 2011. Investing activities for 2013 reflected acquisitions of \$60.9 million, investment in construction in progress of \$36.5 million and real estate improvements of \$44.8 million, primarily related to ongoing improvements at our properties. Investing activities for 2012 reflected investment in construction in progress of \$38.1 million and real estate improvements of \$43.5 million, primarily related to ongoing improvements at our properties.

Cash flows used in financing activities were \$166.7 million for 2013 compared to cash flows used in financing activities of \$20.0 million for 2012 and \$104.0 million for 2011. Cash flows used in financing activities for 2013 included a \$182.0 million repayment of the 2010 Term Loan, and the repayment or paydown of \$403.7 million of mortgage loans. Cash flows used in financing activities for 2012 included the principal repayment of Exchangeable Notes of \$136.9 million, a net \$95.0 million paydown of the Revolving Facility, a \$58.0 million repayment of the 2010 Term Loan, dividends and distributions of \$44.5 million, principal install-

ments on mortgage loans of \$20.3 million and a \$4.0 million principal payment on one mortgage loan. We also received \$110.9 million in net proceeds from the issuance of Series A Preferred Shares, \$83.3 million from the issuance of Series B Preferred Shares, and \$151.0 million in net proceeds from new mortgage loans on Capital City Mall, Cherry Hill Mall, Cumberland Mall and Christiana Center in 2012.

See note 1 to our consolidated financial statements for detail regarding costs capitalized during 2013 and 2012.

Commitments

As of December 31, 2013, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of \$1.7 million in the form of tenant allowances, lease termination fees, and contracts with general service providers and other professional service providers.

Environmental

We are aware of certain environmental matters at some of our properties. We have, in the past, performed remediation of such environmental matters, and we are not aware of any significant remaining potential liability relating to these environmental matters. We may be required in the future to perform testing relating to these matters. We have insurance coverage for certain environmental claims up to \$10.0 million per occurrence and up to \$20.0 million in the aggregate. See our Annual Report on Form 10-K for the year ended December 31, 2013 in the section entitled "Item 1A. Risk Factors—We might incur costs to comply with environmental laws, which could have an adverse effect on our results of operations."

Competition and Tenant Credit Risk

Competition in the retail real estate industry is intense. We compete with other public and private retail real estate companies, including companies that own or manage malls, power centers, strip centers, lifestyle centers, factory outlet centers, theme/festival centers and community centers, as well as other commercial real estate developers and real estate owners, particularly those with properties near our properties, on the basis of several factors, including location and rent charged. We compete with these companies to attract customers to our properties, as well as to attract anchor and non anchor store and other tenants. We also compete to acquire land for new site development or to add to our existing properties. Our malls and our power and strip centers face competition from similar retail centers, including more recently developed or renovated centers that are near our retail properties. We also face competition from a variety of different retail formats, including internet retailers, discount or value retailers, home shopping networks, mail order operators, catalogs, and telemarketers. Our tenants face competition from companies at the same and other properties and from other retail formats as well, including internet retailers. This competition could have a material adverse effect on our ability to lease space and on the amount of rent and expense reimbursements that we receive.

The existence or development of competing retail properties and the related increased competition for tenants might, subject to the terms and conditions of the Credit Agreements, require us to make capital improvements to properties that we would have deferred or would not have otherwise planned to make and might also affect the total sales, sales per square foot, occupancy and net operating income of such properties. Any such capital improvements, undertaken individually or collectively, would involve costs and expenses that could adversely affect our results of operations.

We compete with many other entities engaged in real estate investment activities for acquisitions of malls, other retail properties and prime development sites or sites adjacent to our properties, including institutional pension funds, other REITs and other owner-operators of retail properties. When we seek to make acquisitions, competitors might drive up the price we must pay for properties, parcels, other assets or other companies or might themselves succeed in acquiring those properties, parcels, assets or companies. In addition, our potential acquisition targets might find our competitors to be more attractive suitors if they have greater resources, are willing to pay more, or have a more compatible operating philosophy. In particular, larger REITs might enjoy significant competitive advantages that result from, among other things, a lower cost of capital, a better ability to raise capital, a better ability to finance an acquisition, and enhanced operating efficiencies. We might not succeed in acquiring retail properties or development sites that we seek, or, if we pay a higher price for a property and/or generate lower cash flow from an acquired property than we expect, our investment returns will be reduced, which will adversely affect the value of our securities.

We receive a substantial portion of our operating income as rent under leases with tenants. At any time, any tenant having space in one or more of our properties could experience a downturn in its business that might weaken its financial condition. Such tenants might enter into or renew leases with relatively shorter terms. Such tenants might also defer or fail to make rental payments when due, delay or defer lease commencement, voluntarily vacate the premises or declare bankruptcy, which could result in the termination of the tenant's lease or preclude the collection of rent in connection with the space for a period of time, and could result in material losses to us and harm to our results of operations. Also, it might take time to terminate leases of underperforming or nonperforming tenants and we might incur costs to remove such tenants. Some of our tenants occupy stores at multiple locations in our portfolio, and so the effect of any bankruptcy or store closings of those tenants might be more significant to us than the bankruptcy or store closings of other tenants. See our Annual Report on Form 10-K for the year ended December 31, 2013 in the section entitled "Item 2. Properties—Major Tenants." In addition, under many of our leases, our tenants pay rent based, in whole or in part, on a percentage of their sales. Accordingly, declines in these tenants' sales directly affect our results of operations. Also, if tenants are unable to comply with the terms of their leases, or otherwise seek changes to the terms, including changes to the amount of rent, we might modify lease terms in ways that are less favorable to us. Given current conditions in the economy, certain industries and the capital markets, in some instances retailers that have sought protection from creditors under bankruptcy law have had difficulty in obtaining debtor-in-possession financing, which has decreased the likelihood that such retailers will emerge from bankruptcy protection and has limited their alternatives.

Seasonality

There is seasonality in the retail real estate industry. Retail property leases often provide for the payment of all or a portion of rent based on a percentage of a tenant's sales revenue, or sales revenue over certain levels. Income from such rent is recorded only after the minimum sales levels have been met. The sales levels are often met in the fourth quarter, during the December holiday season. Also, many new and temporary leases are entered into later in the year in anticipation of the holiday season and a higher number of tenants vacate their space early in the year. As a result, our occupancy and cash flows are generally higher in the fourth quarter and lower in the first and second quarters. Our concentration in the retail sector increases our exposure to seasonality and has resulted, and is expected to continue to result, in a greater percentage of our cash flows being received in the fourth quarter.

Inflation

Inflation can have many effects on financial performance. Retail property leases often provide for the payment of rent based on a percentage of sales, which might increase with inflation. Leases might also provide for tenants to bear all or a portion of operating expenses, which might reduce the impact of such increases on us. However, rent increases might not keep up with inflation, or if we recover a smaller proportion of property operating expenses, we might bear more costs if such expenses increase because of inflation.

Forward Looking Statements

This Annual Report for the year ended December 31, 2013, together with other statements and information publicly disseminated by us, contain certain "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans, strategies, anticipated events, trends and other matters that are not historical facts. These forward-looking statements reflect our current views about future events, achievements or results and are subject to risks, uncertainties and changes in circumstances that might cause future events, achievements or results to differ materially from those expressed or implied by the forward-looking statements. In particular, our business might be materially and adversely affected by uncertainties affecting real estate businesses generally as well as the following, among other factors:

- our substantial debt and stated value of preferred shares and our high leverage ratio;
- constraining leverage, interest and tangible net worth covenants under our 2013 Revolving Facility and our 2014 Term Loans;
- potential losses on impairment of certain long-lived assets, such as real estate, or of intangible assets, such as goodwill, including such losses that we might be required to record in connection with any dispositions of assets;
- changes to our corporate management team and any resulting modifications to our business strategies;
- our ability to refinance our existing indebtedness when it matures, on favorable terms or at all;
- our ability to raise capital, including through the issuance of equity or equity-related securities if market conditions are favorable, through joint ventures or other partnerships, through sales of properties or interests in properties, or through other actions;
- our ability to identify and execute on suitable acquisition opportunities and to integrate acquired properties into our portfolio;
- our short and long-term liquidity position;
- current economic conditions and their effect on employment and consumer confidence and spending, and the corresponding effects on tenant business performance, prospects, solvency and leasing decisions and on our cash flows, and the value and potential impairment of our properties;
- changes in the retail industry, including consolidation and store closings, particularly among anchor tenants;
- the effects of online shopping and other uses of technology on, and by competitors of, our retail tenants;
- general economic, financial and political conditions, including credit and capital market conditions, changes in interest rates or unemployment;

- risks relating to development and redevelopment activities;
- inability to sell properties that we seek to dispose of or the inability to obtain estimated sale prices;
- our ability to maintain and increase property occupancy, sales and rental rates, in light of the relatively high number of leases that have expired or are expiring in the next two years;
- acts of violence at malls, including our properties, or at other similar spaces, and the potential effect on traffic and sales;
- increases in operating costs that cannot be passed on to tenants;
- concentration of our properties in the Mid-Atlantic region;
- changes in local market conditions, such as the supply of or demand for retail space, or other competitive factors; and
- potential dilution from any capital raising transactions or other equity issuances.

Quantitative and Qualitative Disclosures About Market Risk

The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates. As of December 31, 2013, our consolidated debt portfolio consisted primarily of \$1,502.7 million of fixed and variable rate mortgage loans and \$130.0 million borrowed under our 2013 Revolving Facility, which bore interest at a rate of 1.87%.

Our mortgage loans, which are secured by 18 of our consolidated properties, are due in installments over various terms extending to the year 2023. Twelve of these mortgage loans bear interest at fixed interest rates that range from 3.90% to 6.34% and had a weighted average interest rate of 5.05% at December 31, 2013. Six of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.68% at December 31, 2013. The weighted average interest rate of all consolidated mortgage loans was 4.65% at December 31, 2013. Mortgage loans for properties owned by unconsolidated partnerships are accounted for in "Investments in partnerships, at equity" and "Distributions in excess of partnership investments," and are not included in the table below.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts of the expected annual maturities and the weighted average interest rates for the principal payments in the specified periods:

(in thousands of dollars) For the Year Ending December 31,	Fixed Rate Debt		Variable Rate Debt	
	Principal Payments	Weighted Average Interest Rate	Principal Payments	Weighted Average Interest Rate
2014	\$ 15,867	5.33%	\$ 52,590	2.28% ⁽¹⁾
2015	\$ 291,342	5.75%	\$ 1,655	2.63% ⁽¹⁾
2016	\$ 231,340	5.38%	\$155,726 ⁽²⁾	1.98% ⁽¹⁾
2017	\$ 161,400	5.36%	\$ 1,001	2.92% ⁽¹⁾
2018 and thereafter	\$ 551,980	4.37%	\$169,749	3.10% ⁽¹⁾

⁽¹⁾ Based on the weighted average interest rate in effect as of December 31, 2013.

⁽²⁾ Includes 2013 Revolving Facility borrowings of \$130.0 million with a weighted average interest rate of 1.87% as of December 31, 2013.

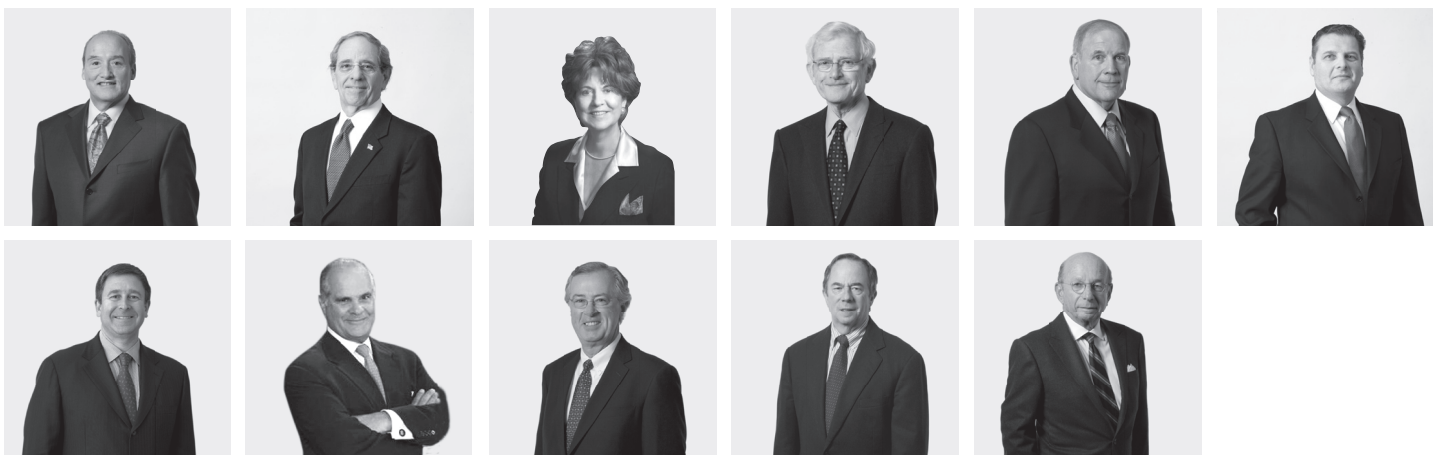
At December 31, 2013, we had \$380.7 million of variable rate debt. To manage interest rate risk and limit overall interest cost, we may employ interest rate swaps, options, forwards, caps and floors, or a combination thereof, depending on the underlying exposure. Interest rate differentials that arise under swap contracts are recognized in interest expense over the life of the contracts. If interest rates rise, the resulting cost of funds is expected to be lower than that which would have been available if debt with matching characteristics was issued directly. Conversely, if interest rates fall, the resulting costs would be expected to be higher. We may also employ forwards or purchased options to hedge qualifying anticipated transactions. Gains and losses are deferred and recognized in net income in the same period that the underlying transaction occurs, expires or is otherwise terminated. See note 6 to our consolidated financial statements.

As of December 31, 2013, we had entered into six interest rate swap agreements with a weighted average interest rate of 1.61% on a notional amount of \$198.6 million maturing on various dates through January 2018. We entered into these interest rate swap agreements in order to hedge the interest payments associated with our issuances of variable interest rate long-term debt.

Changes in market interest rates have different effects on the fixed and variable portions of our debt portfolio. A change in market interest rates applicable to the fixed portion of the debt portfolio affects the fair value, but it has no effect on interest incurred or cash flows. A change in market interest rates applicable to the variable portion of the debt portfolio affects the interest incurred and cash flows, but does not affect the fair value. The following sensitivity analysis related to the fixed debt portfolio, which includes the effects of our interest rate swap agreements, assumes an immediate 100 basis point change in interest rates from their actual December 31, 2013 levels, with all other variables held constant.

A 100 basis point increase in market interest rates would have resulted in a decrease in our net financial instrument position of \$56.9 million at December 31, 2013. A 100 basis point decrease in market interest rates would have resulted in an increase in our net financial instrument position of \$59.7 million at December 31, 2013. The majority of the payments on our variable rate debt included in our debt portfolio as of December 31, 2013 have been swapped to fixed interest rates. A 100 basis point increase in interest rates would have resulted in an additional \$1.8 million in interest annually. A 100 basis point decrease would have reduced interest incurred by \$1.8 million annually.

Because the information presented above includes only those exposures that existed as of December 31, 2013, it does not consider changes, exposures or positions which could arise after that date. The information presented herein has limited predictive value. As a result, the ultimate realized gain or loss or expense with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at the time and interest rates.



TRUSTEES

UPPER ROW (FROM LEFT TO RIGHT)

JOSEPH F. CORADINO Trustee Since 2006
Chief Executive Officer
Pennsylvania Real Estate Investment Trust

M. WALTER D'ALESSIO (1)(2) Trustee Since 2005
Principal
NorthMarq Advisors, LLC

ROSEMARIE B. GRECO (1)(3) Trustee Since 2012 and from 1997–2011
Founding Principal
GRECOventures, Ltd

LEONARD I. KORMAN (1)(2) Trustee Since 1996
Chairman and Chief Executive Officer
Korman Commercial Properties, Inc.

IRA M. LUBERT Trustee Since 2001
Chairman
Independence Capital Partners & Lubert-Adler Partners, LP

DONALD F. MAZZIOTTI (1)(3) Trustee Since 2003
Managing Partner
Development Equities & Advisors, LLC

LOWER ROW (FROM LEFT TO RIGHT)

MARK PASQUERILLA (1) Trustee Since 2003
President
Pasquerilla Enterprises, LP
Former Chairman and Chief Executive Officer
Crown American Realty Trust

CHARLES P. PIZZI (2)(3) Trustee Since 2013
Former President and Chief Executive Officer and Director
Tasty Baking Company

JOHN J. ROBERTS (2)(3) Trustee Since 2003
Former Global Managing Partner
PricewaterhouseCoopers LLP

GEORGE F. RUBIN Trustee Since 1997
Vice Chairman
Pennsylvania Real Estate Investment Trust

RONALD RUBIN Trustee Since 1997
Executive Chairman
Pennsylvania Real Estate Investment Trust

(1) Member of Nominating and Governance Committee

(2) Member of Executive Compensation and Human Resources Committee

(3) Member of Audit Committee

OFFICERS

JOSEPH F. CORADINO
Chief Executive Officer

RONALD RUBIN
Executive Chairman

GEORGE F. RUBIN
Vice Chairman

BRUCE GOLDMAN
Executive Vice President
General Counsel and Secretary

ROBERT F. MCCADDEN
Executive Vice President
and Chief Financial Officer

JOSEPH J. ARISTONE
Senior Vice President
Leasing

JUDITH E. BAKER
Senior Vice President
Human Resources

JONATHAN BELL
Senior Vice President
and Chief Accounting Officer

ELAINE BERGER
Senior Vice President
Specialty Leasing

DANIEL M. HERMAN
Senior Vice President
Development

ANDREW M. IOANNOU
Senior Vice President
Capital Markets and Treasurer

DEBRA L. LAMBERT
Senior Vice President
Legal

MARIO C. VENTRESCA, JR.
Senior Vice President
Acquisitions and Asset Management

ANDREW H. BOTTARO
Vice President
Development

HEATHER CROWELL
Vice President
Corporate Communications
and Investor Relations

BETH DESISTA
Vice President
Specialty Leasing

ANTHONY DILORETO
Vice President
Leasing

MICHAEL A. FENCHAK
Vice President
Asset Management

TIMOTHY HAVENER
Vice President
Leasing

WILLIAM INGRAHAM
Vice President
Partnership Marketing

DAVID MARSHALL
Vice President
Financial Services

GILEAD MORSE
Vice President
Leasing

LISA M. MOST
Vice President
Legal

CHRISTOPHER MROZINSKI
Vice President
Development

R. SCOTT PETRIE
Vice President
Retail Management

DAN RUBIN
Vice President
Anchor and Outparcel Leasing

M. DANIEL SCOTT
Vice President
Anchor and Outparcel Leasing

HELANE G. STEIN
Vice President
Information Technology

TIMOTHY M. TREMEL
Vice President
Construction and Design Services

JUDITH G. TRIAS
Vice President
Marketing

VINCE VIZZA
Vice President
Leasing

Investor Information

HEADQUARTERS

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866.875.0700 Toll Free
preit.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG 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:

Mailing Address

Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
651.450.4064 (outside the United States)
651.450.4085 Fax
800.468.9716 Toll Free
shareowneronline.com

Street or Courier Address

1110 Centre Pointe Curve, Suite 101
MAC N9173 -010
Mendota Heights, MN 55120

DISTRIBUTION REINVESTMENT AND SHARE PURCHASE PLAN

The Company has a Distribution Reinvestment and Share Purchase Plan for common shares (NYSE:PEI) that allows investors to invest directly in shares of the Company at a 1% discount with no transaction fee, and to reinvest their dividends at no cost to the shareholder. The minimum initial investment is \$250, the minimum subsequent investment is \$50, and the maximum monthly amount is \$5,000, without a waiver.

Further information and forms are available on our web site at preit.com under Investor Relations, DRIP/Stock Purchase. You may also contact the Plan Administrator, Wells Fargo Shareowner Services, at 800.468.9716 or 651.450.4064.

INVESTOR INQUIRIES

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

Investor Relations

Pennsylvania Real Estate Investment Trust
200 South Broad Street, Third Floor
Philadelphia, PA 19102-3803
215.875.0735
215.546.1271 Fax
866.875.0700 ext. 50735 Toll Free
email: investorinfo@preit.com
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FORMS 10-K AND 10-Q; CEO AND CFO CERTIFICATIONS

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

The Company's chief executive officer certified to the New York Stock Exchange (NYSE) that, as of June 20, 2013, he was not aware of any violation by the Company of the NYSE's corporate governance listing standards.

The certifications of our chief executive officer and chief financial officer required under Section 302 of the Sarbanes-Oxley Act of 2002 were filed as Exhibits 31.1 and 31.2, respectively, to our Annual Report on Form 10-K for the year ended December 31, 2013.

NYSE MARKET PRICE AND DISTRIBUTION RECORD

The following table shows the high and low prices for the Company's common shares and cash distributions paid for the periods indicated.

Quarter Ended Calendar Year 2013	High	Low	Distributions Paid per Common Share
March 28	\$19.86	\$17.77	\$0.18
June 28	\$22.54	\$14.20	0.18
September 30	\$22.19	\$17.71	0.18
December 31	\$19.58	\$16.61	0.20
			<u>\$0.74</u>

Quarter Ended Calendar Year 2012	High	Low	Distributions Paid per Common Share
March 31	\$15.74	\$10.49	\$0.15
June 30	\$15.69	\$11.81	0.16
September 30	\$17.44	\$13.86	0.16
December 31	\$17.90	\$15.42	0.16
			<u>\$0.60</u>

In February 2014, our Board of Trustees declared a cash dividend of \$0.20 per share payable in March 2014. Our future payment of distributions will be at the discretion of our Board of Trustees and will depend on numerous factors, including our cash flow, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors that our Board of Trustees deems relevant.

As of December 31, 2013, there were approximately 3,000 registered shareholders and 15,500 beneficial holders of record of the Company's common shares of beneficial interest. The Company had an aggregate of approximately 610 employees as of December 31, 2013.

STOCK MARKET

New York Stock Exchange
Common Ticker Symbol: PEI

ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for 11AM on Friday, May 30, 2014 at the Union League, 140 South Broad Street, Philadelphia, Pennsylvania.

PREIT IS A MEMBER OF

National Association of Real Estate Investment Trusts
International Council of Shopping Centers
Pension Real Estate Association
Urban Land Institute



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