

PREIT[®]

The Next

Chapter

2015
Annual Report



CHERRY HILL MALL, CHERRY HILL, NJ

The upcoming pages document the story of a Company that set out on a journey and remained steadfast and committed to achieving its objectives despite challenges. They detail PREIT’s four year journey along a path to redefine itself and reshape its portfolio of mall properties. In the end, PREIT emerges as an owner of high-quality malls with growth opportunities that are realizable and sustainable.

PREIT (NYSE:PEI) is a publicly traded real estate investment trust specializing in the ownership and management of differentiated shopping malls. Headquartered in Philadelphia, Pennsylvania, the company owns and operates over 25 million square feet of retail space in the eastern half of the United States with concentration in the Mid-Atlantic region's top MSAs. Since 2012, the company has driven a transformation guided by an emphasis on balance sheet strength, high-quality merchandising and disciplined capital expenditures. Additional information is available at preit.com, on Twitter or LinkedIn.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST (in thousands, except per share amounts)			
Year ended December 31,	2015	2014	2013
Funds from operations*	\$ 136,246	\$ 129,419	\$ 121,101
Total revenue	\$ 425,411	\$ 432,703	\$ 438,678
Loss from continuing operations	\$ (129,567)	\$ (14,262)	\$ (20,449)
Net (loss) income attributable to common shareholders	\$ (132,531)	\$ (29,678)	\$ 20,011
Loss from continuing operations per share – basic and diluted	\$ (1.93)	\$ (0.44)	\$ (0.56)
Net (loss) income per share – basic and diluted	\$ (1.93)	\$ (0.44)	\$ 0.31
Investment in real estate, at cost	\$ 3,367,889	\$ 3,285,404	\$ 3,527,868
Total assets	\$ 2,806,516	\$ 2,539,703	\$ 2,718,581
Distributions paid per common share	\$ 0.84	\$ 0.80	\$ 0.74
Number of common shares and OP Units outstanding	77,535	70,923	70,422
Total market capitalization	\$ 3,950,597	\$ 3,593,355	\$3,368,965

*Reconciliation to GAAP can be found on page 71-73.



EXTON SQUARE, EXTON, PA

Dear Fellow Shareholders

In 2015, we told the story of a new PREIT, a narrative that spans several years and highlights our dramatic transformation into a high-quality mall REIT. Today, we present to you a new chapter in that story. We'll chronicle our past achievements and identify future goals as we march forward on this progressive path, carving out a niche for ourselves among our industry peers.

But before we move ahead, it is critical to understand the background of the story so that one can appreciate the tremendous progress made thus far. In 2012, we set out on our goal of becoming a new PREIT by outlining a plan with key objectives: balance sheet improvement, operational excellence, elevating portfolio quality and positioning the company for growth. With those objectives in mind, we identified the following goals: Portfolio sales greater than \$400 per square foot, Same Store Net Operating Income ("SS NOI") growth greater than 3%, tenant occupancy costs greater than 12.5% and leverage below 55%.

As I write this letter today, I am proud to give an overview of our tremendous progress and achievements in realizing these goals as we turn the page detailing a new era of productivity and our road map for the next several years.



JOSEPH F. CORADINO Chief Executive Officer

01

Results

**Demonstrable
and
Sustainable**

Early in 2016, we outlined our strategic vision to become a \$500 PSF company that generates the majority of our NOI from two top 10 MSAs, with SS NOI growing at over 3% annually and leverage below 47% by the end of 2018. Our strong 2015 results demonstrate our ability to achieve this vision.

Despite tenant bankruptcy-related headwinds in 2015, SS NOI grew by 2.6%, with approximately 10% sales growth to \$435 per square foot. This was accompanied by a leverage ratio of 49.3%, renewal rent increases of 6.0% and the sale of eight additional non-core assets since the beginning of 2015, a testament to our laser focus on execution and a positive indicator of things to come. We expect to see continued improvement in our metrics as the full effect of the enhanced portfolio takes hold.

We also outlined a plan to organically drive SS NOI results at a rate of over 3% annually through:

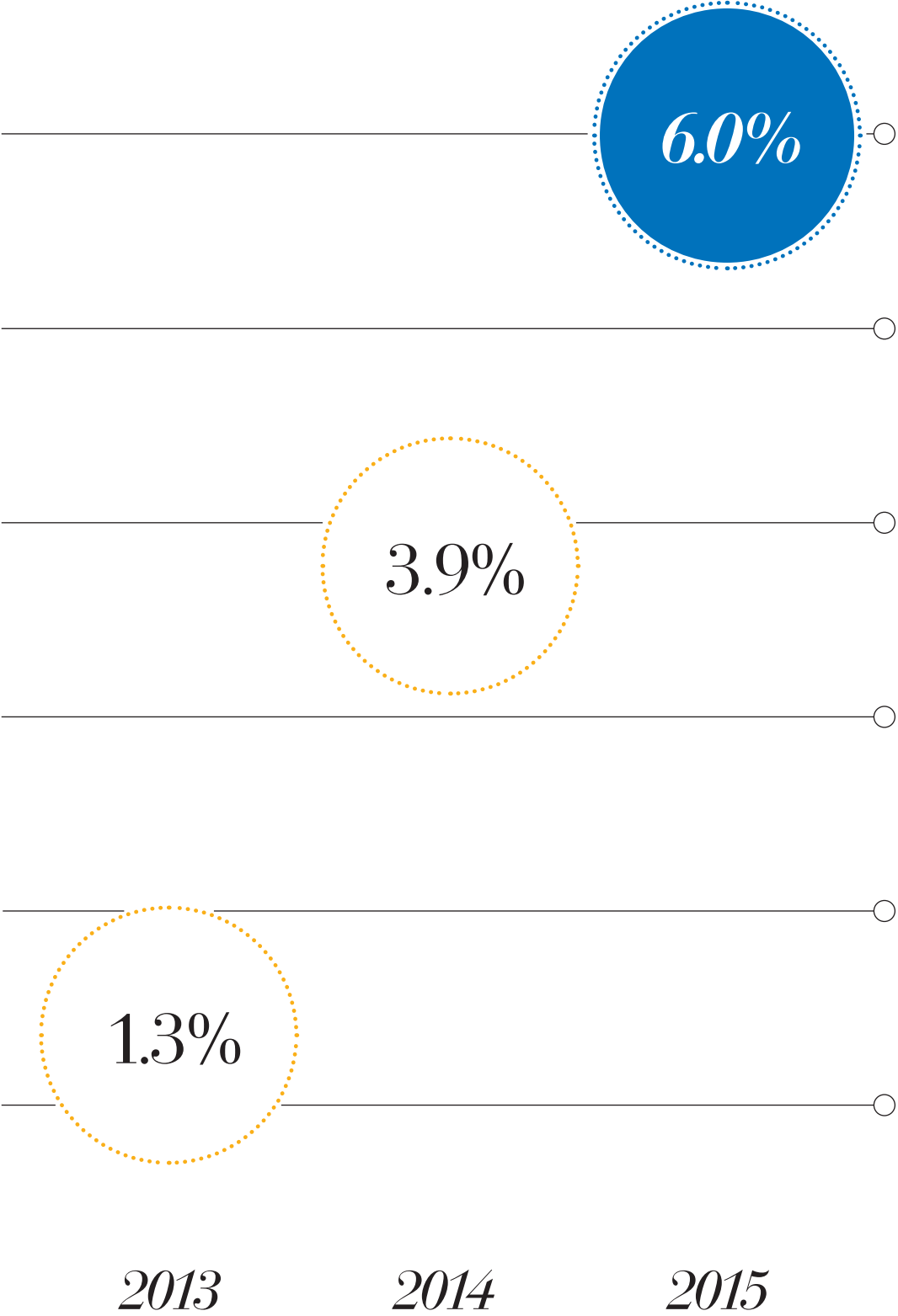
- Continued renewal spread improvement where we mark expiring leases to market;
- Migrating our portfolio to a higher percentage of tenants paying fixed operating costs wherein we would control the expenses and improve our margins;
- Amplifying our common area revenue through creative marketing and advertising platforms;
- Driving occupancy to a stabilized level;
- Converting space leased on a temporary basis to permanent leases; and
- Building new leasable space that is already entitled at our properties.





MOORESTOWN MALL, MOORESTOWN, NJ

Renewal Spreads



Dramatic improvements in rents achieved upon tenant renewal demonstrate the leasing strength of our new portfolio.

02

Quality

**Pronounced
and
Accelerating**

We made significant progress on our portfolio improvement strategy strengthening our presence in two Top 10 MSAs. The March 2015 acquisition of Springfield Town Center anchored our position in the powerful DC metro area while we continue to be the dominant mall landlord in the Philadelphia region. We are pleased that 2015 sales at Springfield Town Center were recorded at \$507 per square foot, but even more excited by the leasing opportunities afforded to us by having a hold on these two major metro markets. First-to-market tenants looking to break into these sought-after trade areas are more exposed to PREIT than ever before.

On the asset dispositions front, we continue to lead our sector in the sale of low-productivity malls. In addition to Uniontown Mall and Voorhees Town Center sold in 2015, we have kicked off 2016 with the sale of five additional malls, marching ever closer toward completion of our asset disposition program. Additionally, we have two street retail properties and an undeveloped land parcel under contract for sale. When completed, this is expected to bring the total proceeds from dispositions to over \$640 million since we initiated the program at the end of 2012.

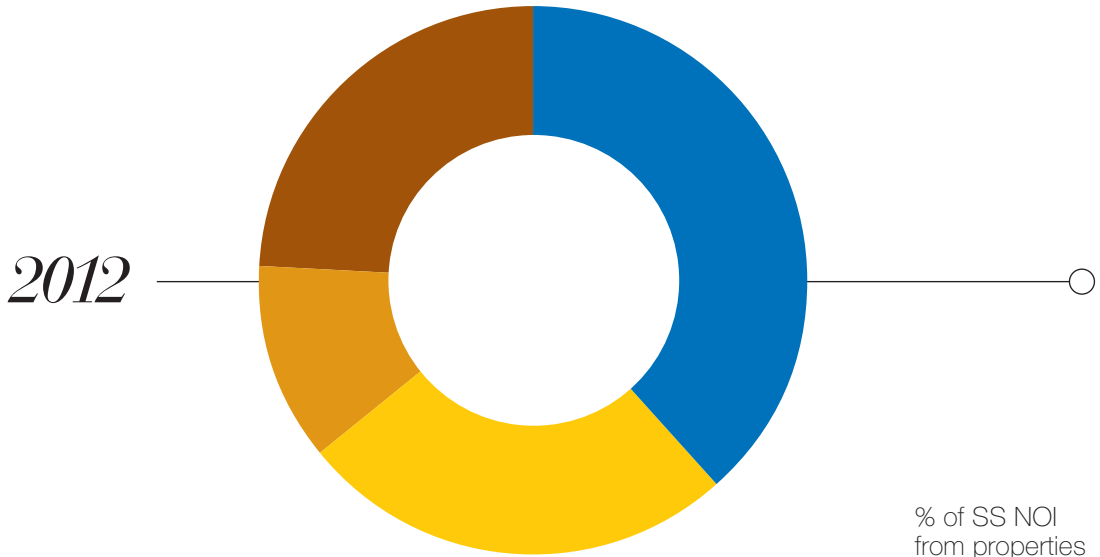
Further illustrating the improved quality of our portfolio is the marked reduction in properties with sales of less than \$325 per square foot. In 2012 we had 17 such properties; today, following our successful disposition efforts, we have just one.





CHERRY HILL MALL, CHERRY HILL, NJ

SS NOI Distribution



% of SS NOI from properties with sales psf of:

- >\$450
- ~\$350-450
- <\$350
- other



The quality of our earnings stream has improved with significantly more NOI being derived from top-tier assets.

03

Demand

**Dramatic
and
Growing**

Our improved portfolio has enabled us to enhance our relationships with in-demand retailers. In recent years, we've increased the presence of quality retailers, like H&M, Michael Kors and ULTA, in our portfolio.

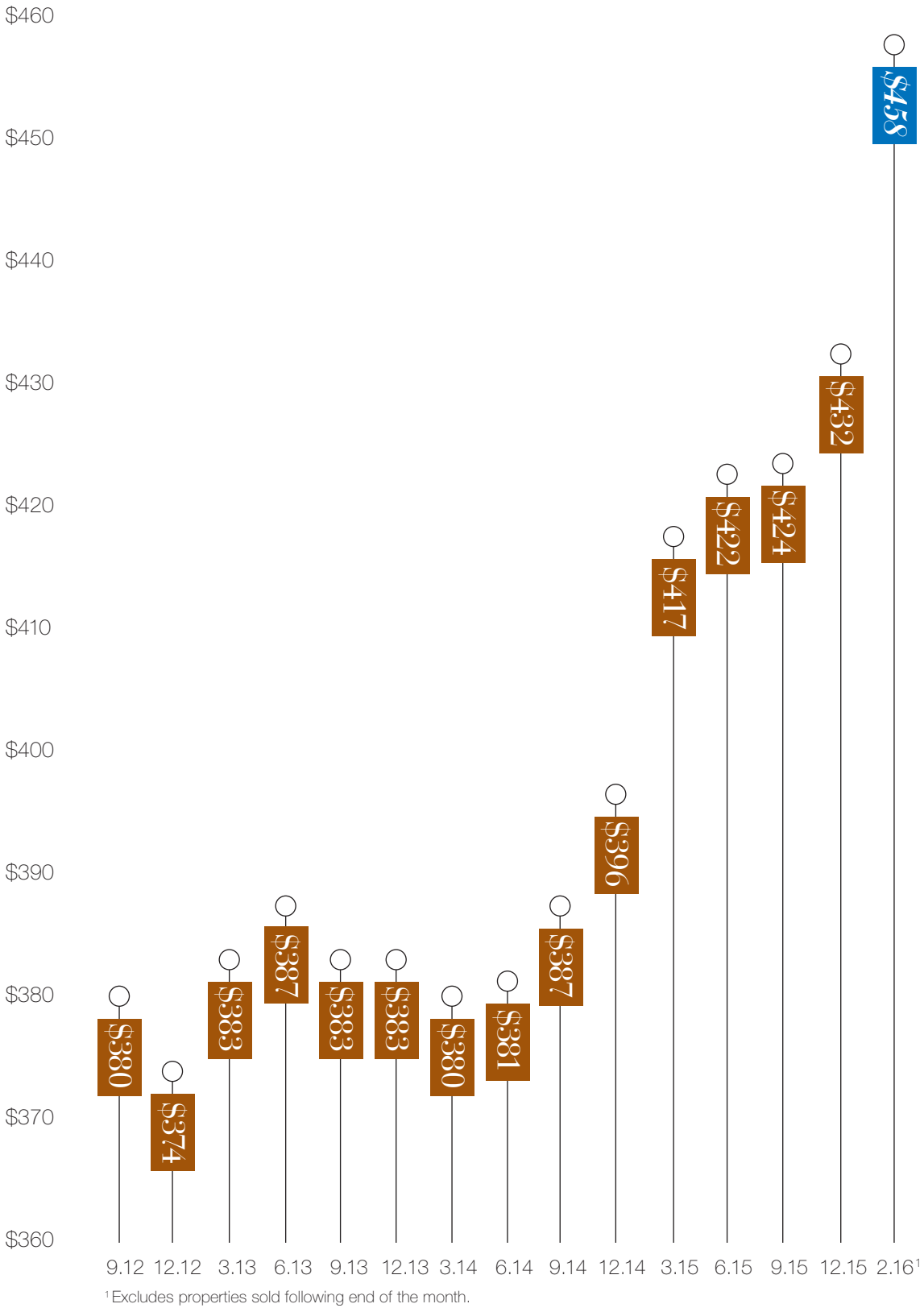
We are also seeing an increase in first-to-portfolio retailers joining our tenant roster, including Century 21, which opened its first and only store outside of the New York market in 2014 as the lead tenant in our Fashion Outlets of Philadelphia. In 2015, we announced the signing of the new LEGOLAND Discovery Center at Plymouth Meeting Mall — one of only nine locations in the country for this entertainment concept — and opened a new Field & Stream by Dick's Sporting Goods at Capital City Mall outside of Harrisburg, PA. We also celebrated the introduction of Lululemon, Tumi, Yard House, and LEGO to the portfolio — all strong, new-to-portfolio retailers who chose PREIT malls to expand their brands. In short, retailers are better appreciating the power of our portfolio, which has led to a dramatic increase in demand for space at our properties.





VIEWMONT MALL, SCRANTON, PA

Sales Per Square Foot Growth



Sales growth is a leading indicator in our business, indicative of our ability to drive rents and net operating income in the future.

04

Opportu

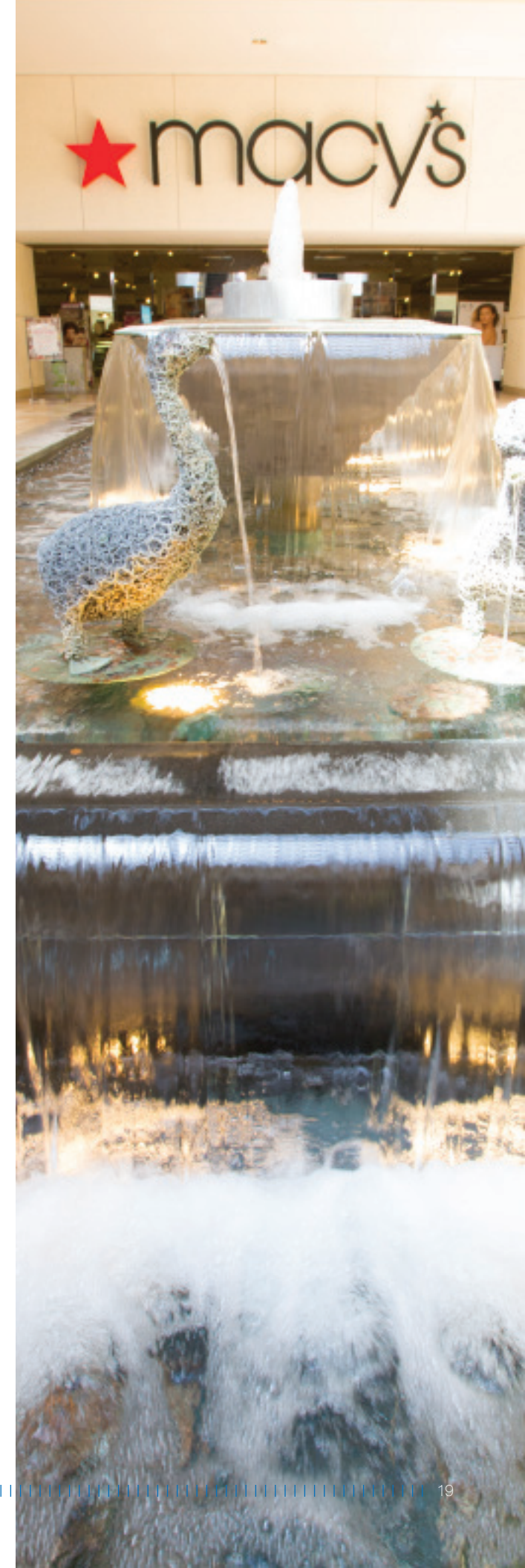
**Realizable
and
Impactful**

nities

Our continuing strategic remerchandising efforts are underway in earnest at four projects that are expected to deliver average NOI growth of 18% by the end of 2018. We are seeing results at the projects we have recently completed, like Viewmont Mall, where we have seen a 20% increase in NOI and an increase in sales to a new high of \$445 per square foot. Across our portfolio, these efforts have led to organic sales growth of 4.5% in the past year, changing our dialog with retailers and setting the stage for continued robust NOI growth. It also puts us

in a position of strength for replacing underperforming tenants, for example, with Dick's Sporting Goods replacing JCPenney at Cumberland Mall.

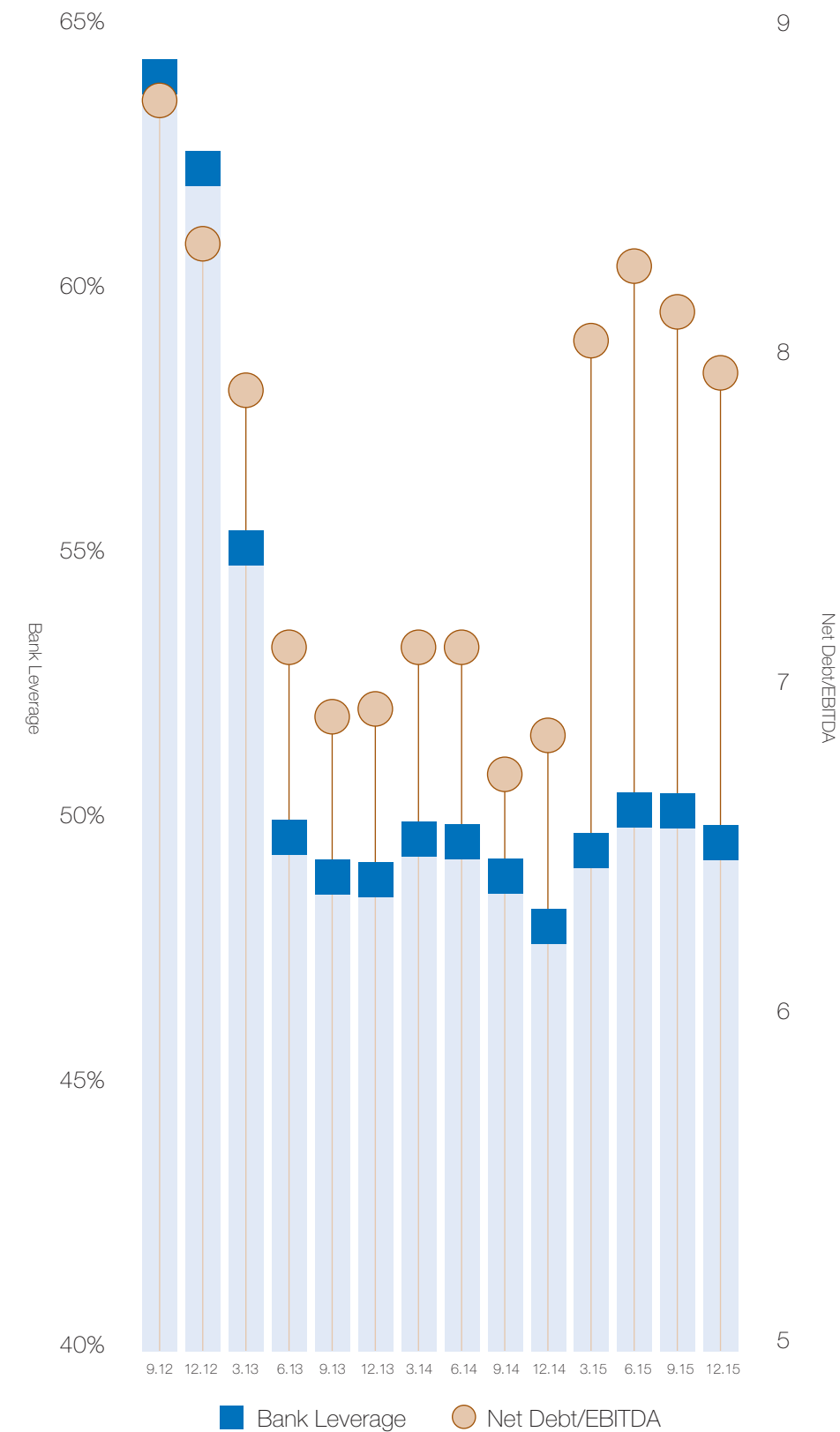
At Exton Square, one of our redevelopment properties, we recently executed a lease with Round 1 Entertainment, a rapidly expanding tenant that will occupy the lower level of the former JCPenney space. This transaction represents a unique family entertainment offering that, along with a new Whole Foods Market opening in 2017, is expected to draw new customers. The strength of our portfolio is shining through and our goal of consistent annual Same Store NOI growth in excess of 3% is in reach.





CHERRY HILL MALL, CHERRY HILL, NJ

Leverage



We have made great strides in reducing leverage and have outlined a plan to continue to improve our balance sheet.

05

Balance

**Strong
and
Improving**

Sheet

Our Balance Sheet priorities and capital allocation strategy continue to be top of mind. We have driven our leverage from well over 60% in 2012 to approximately 50% with plans to reduce it further to below 47% by the end of 2018. Our balance sheet is strong and flexible with ample liquidity and laddered debt maturities. It is insulated against rising interest rates with minimal exposure to floating rate debt and manageable near term maturities. We began 2016 with only two property mortgage loans coming due. We have since paid off the loan at Valley Mall and expect

to refinance Woodland Mall, one of our premier properties, at a reduced interest rate.

We have announced a conservative redevelopment program of five projects totaling \$230-\$265 million with targeted returns in excess of 8%. These projects will be completed over the next three years. At the conclusion of this, and after executing on our capital plan, we expect to be in a greatly improved leverage position with sufficient liquidity.

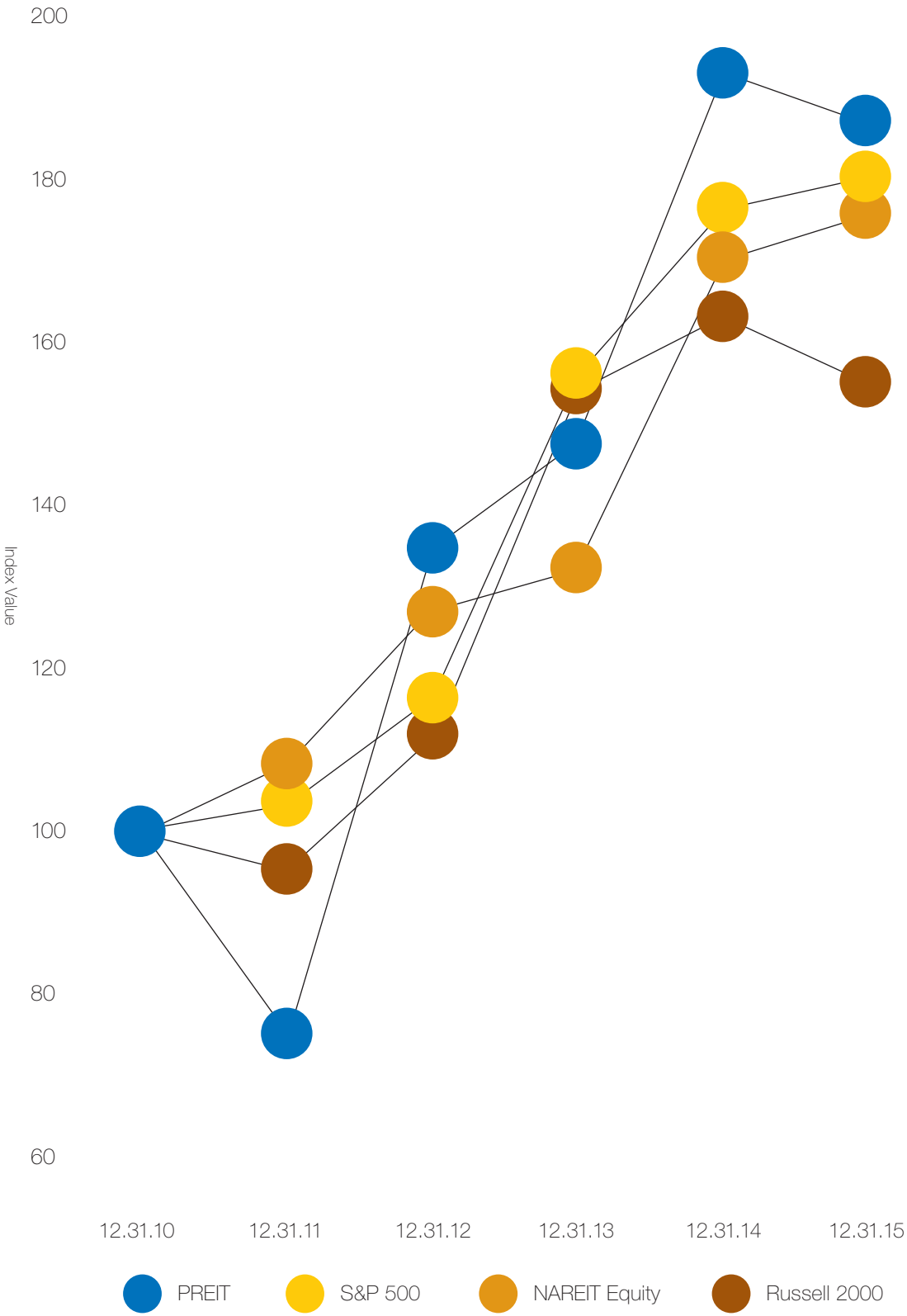
We are focused on our balance sheet metrics and we are in a much-improved, lower-risk position than we were three years ago. We continue to explore areas for further improvement.





SPRINGFIELD TOWN CENTER, SPRINGFIELD, VA

Total Shareholder 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 2009 and that all dividends were reinvested.

06

Outlook

Vision and Execution

We are delivering results and are confident that they are sustainable. Our people are at the core of everything we do. We have built a foundation for greatness and have instilled a culture of accountability, one in which we value pride, performance, and execution. The purpose of our portfolio improvement undertaking is to remove obstacles in delivering enhanced performance. That remains front and center and is echoed throughout the halls in our offices as we focus on the following key goals:

- Drive results to new heights consistently delivering SS NOI results in excess of 3%;
- Craft an ideal mix of tenants in our portfolio to drive traffic, sales and rents;
- Execute on redevelopment opportunities that drive shareholder value;
- Proactively replace underperforming anchor tenants; and
- Create a defensive, strong and flexible balance sheet.

The Company, as transformed, possesses the appropriate platform and executable plan to continue to enhance shareholder value. We thank you, our shareholders, as well as our retail partners, shoppers, trustees and our dedicated team of associates, for supporting us as we turn to the next chapter in our story.



JOSEPH F. CORADINO
Chief Executive Officer

April 4, 2016



Enclosed Malls As of March 31, 2016



BEAVER VALLEY MALL
Monaca, PA
Ownership Interest 100%
Acquired 2002
Square Feet¹ 1,154,000



CAPITAL CITY MALL
Camp Hill, PA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 619,000



CHERRY HILL MALL
Cherry Hill, NJ
Ownership Interest 100%
Acquired 2003
Square Feet¹ 1,305,000



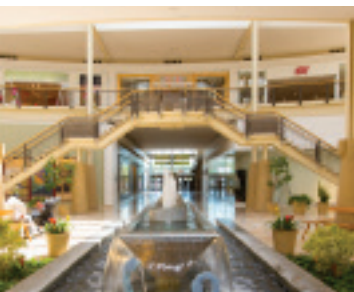
CROSSROADS MALL
Beckley, WV
Ownership Interest 100%
Acquired 2003
Square Feet¹ 468,000



CUMBERLAND MALL
Vineland, NJ
Ownership Interest 100%
Acquired 2005
Square Feet¹ 946,000



DARTMOUTH MALL
Dartmouth, MA
Ownership Interest 100%
Acquired 1997
Square Feet¹ 671,000



EXTON SQUARE
Exton, PA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 1,088,000



FRANCIS SCOTT KEY MALL
Frederick, MD
Ownership Interest 100%
Acquired 2003
Square Feet¹ 756,000



FASHION OUTLETS OF PHILADELPHIA @ MARKET EAST
Philadelphia, PA
Ownership Interest 50%
Acquired 2003
Square Feet¹ 1,474,000



JACKSONVILLE MALL
Jacksonville, NC
Ownership Interest 100%
Acquired 2003
Square Feet¹ 495,000



LEHIGH VALLEY MALL
Whitehall, PA
Ownership Interest 50%
Acquired 1973
Square Feet¹ 1,169,000



LOGAN VALLEY MALL
Altoona, PA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 782,000



MAGNOLIA MALL
Florence, SC
Ownership Interest 100%
Acquired 1997
Square Feet¹ 619,000



MOORESTOWN MALL
Moorestown, NJ
Ownership Interest 100%
Acquired 2003
Square Feet¹ 1,070,000



PATRICK HENRY MALL
Newport News, VA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 717,000



PLYMOUTH MEETING MALL
Plymouth Meeting, PA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 948,000



THE MALL AT PRINCE GEORGES
Hyattsville, MD
Ownership Interest 100%
Acquired 1998
Square Feet¹ 916,000



SPRINGFIELD MALL
Springfield, PA
Ownership Interest 50%
Acquired 2005
Square Feet¹ 611,000



SPRINGFIELD TOWN CENTER
Springfield, VA
Ownership Interest 100%
Acquired 2015
Square Feet¹ 1,364,000



VALLEY MALL
Hagerstown, MD
Ownership Interest 100%
Acquired 2003
Square Feet¹ 916,000



VALLEY VIEW MALL
La Crosse, WI
Ownership Interest 100%
Acquired 2003
Square Feet¹ 629,000



VIEWMONT MALL
Scranton, PA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 776,000



WASHINGTON CROWN CENTER
Washington, PA
Ownership Interest 100%
Acquired 2003
Square Feet¹ 673,000



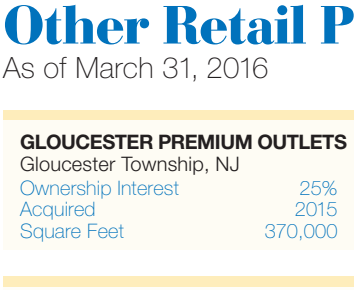
WILLOW GROVE PARK
Willow Grove, PA
Ownership Interest 100%
Acquired 2000/2003
Square Feet¹ 1,179,000



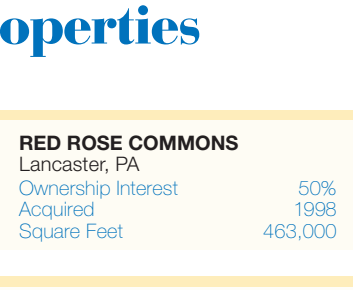
WOODLAND MALL
Grand Rapids, MI
Ownership Interest 100%
Acquired 2005
Square Feet¹ 1,169,000



WYOMING VALLEY MALL
Wilkes-Barre, PA
Ownership Interest 100%
Acquired 1997
Square Feet¹ 910,000



METROPLEX SHOPPING CENTER
Plymouth Meeting, PA
Ownership Interest 50%
Acquired 1997
Square Feet 778,000



THE COURT AT OXFORD VALLEY
Langhorne, PA
Ownership Interest 50%
Acquired 1997
Square Feet 705,000

¹ Represents total square feet of property. PREIT-owned square footage may be less.

² Combined total of two properties.

Other Retail Properties

As of March 31, 2016

GLOUCESTER PREMIUM OUTLETS
Gloucester Township, NJ
Ownership Interest 25%
Acquired 2015
Square Feet 370,000

RED ROSE COMMONS
Lancaster, PA
Ownership Interest 50%
Acquired 1998
Square Feet 463,000

STREET LEVEL RETAIL
Philadelphia, PA
Ownership Interest 100%
Acquired 2014
Square Feet² 69,000

PREIT	
TOTAL MALLS	23,419,000
OTHER RETAIL PROPERTIES TOTAL	2,385,000
TOTAL GLA	25,804,000



CHERRY HILL MALL, CHERRY HILL, NJ

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share amounts)		Year Ended December 31,				
	2015	2014	2013	2012	2011	
Operating results						
Total revenue	\$ 425,411	\$ 432,703	\$ 438,678	\$ 419,347	\$ 419,138	
Loss from continuing operations	\$ (129,567)	\$ (14,262)	\$ (20,449)	\$ (4,419)	\$ (67,876)	
Net (loss) income	\$ (129,567)	\$ (14,262)	\$ 37,213	\$ (42,550)	\$ (93,935)	
Net (loss) income attributable to PREIT common shareholders	\$ (132,531)	\$ (29,678)	\$ 20,011	\$ (48,821)	\$ (90,161)	
Loss from continuing operations per share – basic and diluted	\$ (1.93)	\$ (0.44)	\$ (0.56)	\$ (0.92)	\$ (1.20)	
Net (loss) earnings per share – basic and diluted	\$ (1.93)	\$ (0.44)	\$ 0.31	\$ (0.89)	\$ (1.66)	
Cash flows						
Cash provided by operating activities	\$ 135,661	\$ 145,075	\$ 136,219	\$ 120,324	\$ 105,262	
Cash (used in) provided by investing activities	\$ (379,099)	\$ 31,650	\$ 30,741	\$ (88,178)	\$ (21,772)	
Cash provided by (used in) financing activities	\$ 225,860	\$ (170,522)	\$ (166,720)	\$ (19,954)	\$ (104,019)	
Cash distributions						
Cash distributions per share – common shares	\$ 0.84	\$ 0.80	\$ 0.74	\$ 0.63	\$ 0.60	
Cash distributions per share – Series A Preferred shares	\$ 2.0625	\$ 2.0625	\$ 2.0625	\$ 1.3464	\$ —	
Cash distributions per share – Series B Preferred shares	\$ 1.8438	\$ 1.8438	\$ 1.8438	\$ 0.3278	\$ —	
Funds From Operations⁽¹⁾						
Net (loss) income	\$ (129,567)	\$ (14,262)	\$ 37,213	\$ (42,550)	\$ (93,935)	
Dividends on preferred shares	(15,848)	(15,848)	(15,848)	(7,984)	—	
Gains on sales of interests in real estate	(12,362)	(12,699)	—	—	(740)	
Gains on sales of discontinued operations	—	—	(78,512)	(947)	—	
Impairment of assets	140,318	19,695	29,966	3,805	52,336	
Depreciation and amortization of real estate assets:						
Wholly owned and consolidated partnerships, net	141,142	142,683	139,748	127,020	127,119	
Unconsolidated partnerships	12,563	9,850	7,373	7,396	8,403	
Discontinued operations	—	—	1,161	8,877	12,402	
Funds from operations	\$ 136,246	\$ 129,419	\$ 121,101	\$ 95,617	\$ 105,585	
Weighted average number of shares outstanding	68,740	68,217	63,662	55,122	54,639	
Weighted average effect of full conversion OP Units	6,830	2,128	2,194	2,310	2,329	
Effect of common share equivalents	485	696	876	1,131	502	
Total weighted average shares outstanding including OP Units	76,055	71,041	66,732	58,563	57,470	
Funds from operations per diluted share and OP Unit	\$ 1.79	\$ 1.82	\$ 1.81	\$ 1.63	\$ 1.84	

(in thousands)	As of December 31,				
Balance sheet items	2015	2014	2013	2012	2011
Investments in real estate, at cost	\$ 3,367,889	\$3,285,404	\$3,527,868	\$3,477,540	\$3,576,997
Total assets	\$ 2,806,516	\$2,539,703	\$2,718,581	\$2,877,624	\$2,910,254
Long term debt					
Consolidated properties:					
Mortgage loans payable, including debt premium	\$ 1,325,495	\$1,407,947	\$ 1,502,650	\$1,718,052	\$1,691,381
Revolving facilities	\$ 65,000	\$ —	\$ 130,000	\$ —	\$ 95,000
Exchangeable Notes, net of debt discount	\$ —	\$ —	\$ —	\$ —	\$ 136,051
Term loans	\$ 400,000	\$ 130,000	\$ —	\$ 182,000	\$ 240,000
Company's share of partnerships:					
Mortgage loans payable	\$ 202,074	\$ 190,310	\$ 198,451	\$ 201,717	\$ 204,546

⁽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, 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. For additional information about FFO, please refer to page 69.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	December 31, 2015	December 31, 2014
Assets:		
Investments in real estate, at cost:		
Operating properties	\$ 3,297,520	\$ 3,216,231
Construction in progress	64,019	60,452
Land held for development	6,350	8,721
Total investments in real estate	3,367,889	3,285,404
Accumulated depreciation	(1,015,647)	(1,061,051)
Net investments in real estate	2,352,242	2,224,353
Investments in Partnerships, at equity:	161,029	140,882
Other Assets:		
Cash and cash equivalents	22,855	40,433
Tenant and other receivables (net of allowance for doubtful accounts of \$6,417 and \$11,929 at December 31, 2015 and 2014, respectively)	40,324	40,566
Intangible assets (net of accumulated amortization of \$13,441 and \$11,873 at December 31, 2015 and 2014, respectively)	22,248	6,452
Deferred costs and other assets, net	81,574	87,017
Assets held for sale	126,244	—
Total assets	\$ 2,806,516	\$ 2,539,703
Liabilities:		
Mortgage loans payable	\$ 1,325,495	\$ 1,407,947
Term Loans	400,000	130,000
Revolving Facility	65,000	—
Tenants' deposits and deferred rent	14,631	15,541
Distributions in excess of partnership investments	65,547	65,956
Fair value of derivative instruments	2,756	2,490
Liabilities on assets held for sale	69,918	—
Accrued expenses and other liabilities	78,539	73,032
Total liabilities	2,021,886	1,694,966
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, 2015 and 2014; 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, 2015 and 2014; liquidation preference of \$86,250	35	35
Shares of beneficial interest, \$1.00 par value per share; 200,000 shares authorized; 69,197 issued and outstanding shares at December 31, 2015 and 68,801 shares at December 31, 2014	69,197	68,801
Capital contributed in excess of par	1,476,397	1,474,183
Accumulated other comprehensive loss	(4,193)	(6,002)
Distributions in excess of net income	(912,221)	(721,605)
Total equity – Pennsylvania Real Estate Investment Trust	629,261	815,458
Noncontrolling interest	155,369	29,279
Total equity	784,630	844,737
Total liabilities and equity	\$ 2,806,516	\$ 2,539,703

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars)	For the Year Ended December 31,		
	2015	2014	2013
Revenue:			
Real estate revenue:			
Base rent	\$ 271,957	\$ 278,896	\$ 283,074
Expense reimbursements	125,505	126,925	126,909
Percentage rent	5,724	5,124	5,732
Lease termination revenue	2,014	2,250	1,565
Other real estate revenue	14,997	13,401	14,448
Total real estate revenue	420,197	426,596	431,728
Other income	5,214	6,107	6,950
Total revenue	425,411	432,703	438,678
Expenses:			
Operating expenses:			
Property operating expenses:			
CAM and real estate taxes	(133,912)	(140,662)	(142,684)
Utilities	(19,674)	(23,993)	(22,028)
Other	(16,461)	(15,772)	(17,567)
Total property operating expenses	(170,047)	(180,427)	(182,279)
Depreciation and amortization	(142,647)	(144,304)	(140,880)
General and administrative expenses	(34,836)	(35,518)	(36,975)
Provision for employee separation expense	(2,087)	(4,961)	(2,314)
Acquisition costs and other expenses	(6,108)	(4,937)	(1,422)
Total operating expenses	(355,725)	(370,147)	(363,870)
Interest expense, net	(81,096)	(82,165)	(98,731)
Impairment of assets	(140,318)	(19,695)	(6,304)
Total expenses	(577,139)	(472,007)	(468,905)
Loss before equity in income of partnerships, gains on sales of real estate and discontinued operations	(151,728)	(39,304)	(30,227)
Equity in income of partnerships	9,540	10,569	9,778
Gains on sales of interests in real estate, net	12,362	12,699	—
Gains on sales of non-operating real estate	259	1,774	—
Loss from continuing operations	(129,567)	(14,262)	(20,449)
Discontinued operations:			
Operating results from discontinued operations	—	—	2,812
Impairment of assets of discontinued operations	—	—	(23,662)
Gains on sales of discontinued operations	—	—	78,512
Income from discontinued operations	—	—	57,662
Net (loss) income	(129,567)	(14,262)	37,213
Less: net loss (income) attributed to noncontrolling interest	12,884	432	(1,354)
Net (loss) income attributable to PREIT	(116,683)	(13,830)	35,859
Less: preferred share dividends	(15,848)	(15,848)	(15,848)
Net (loss) income attributable to PREIT common shareholders	\$ (132,531)	\$ (29,678)	\$ 20,011

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,		
	2015	2014	2013
Loss from continuing operations	\$ (129,567)	\$ (14,262)	\$ (20,449)
Preferred dividends	(15,848)	(15,848)	(15,848)
Noncontrolling interest in continuing operations	12,884	432	729
Dividends on restricted shares	(315)	(380)	(439)
Loss from continuing operations used to calculate earnings per share – basic and diluted	\$ (132,846)	\$ (30,058)	\$ (36,007)
Income from discontinued operations	\$ —	\$ —	\$ 57,662
Noncontrolling interest in discontinued operations	—	—	(2,083)
Income from discontinued operations used to calculate earnings per share – basic and diluted	\$ —	\$ —	\$ 55,579
Basic and diluted (loss) earnings per share:			
Loss from continuing operations	\$ (1.93)	\$ (0.44)	\$ (0.56)
Income from discontinued operations	—	—	0.87
Basic and diluted (loss) earnings per share	\$ (1.93)	\$ (0.44)	\$ 0.31
(in thousands of shares)			
Weighted average shares outstanding – basic	68,740	68,217	63,662
Effect of dilutive common share equivalents ⁽¹⁾	—	—	—
Weighted average shares outstanding – diluted	68,740	68,217	63,662

⁽¹⁾ For the years ended December 31, 2015, 2014 and 2013, there are net losses allocable to common shareholders from continuing operations, so the effect of common share equivalents of 485, 696 and 876 for the years ended December 31, 2015, 2014 and 2013, respectively, is excluded from the calculation of diluted (loss) earnings 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,		
	2015	2014	2013
Comprehensive (loss) income:			
Net (loss) income	\$ (129,567)	\$ (14,262)	\$ 37,213
Unrealized gain (loss) on derivatives	690	(2,270)	9,647
Amortization of losses of settled swaps, net of gains	1,337	2,924	5,069
Total comprehensive (loss) income	(127,540)	(13,608)	51,929
Less: Comprehensive loss (income) attributable to noncontrolling interest	12,666	413	(1,840)
Comprehensive (loss) income attributable to PREIT	\$ (114,874)	\$ (13,195)	\$ 50,089

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 & 2013

		PREIT Shareholders						
(in thousands of dollars, except per share amounts)	Total Equity	Series A Preferred Shares, \$0.01 Par	Series B Preferred Shares, \$0.01 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
January 1, 2013	\$ 713,229	46	35	\$ 56,331	\$ 1,247,730	\$ (20,867)	\$ (608,634)	\$ 38,588
Net income	37,213	—	—	—	—	—	35,859	1,354
Other 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 compensation plans, net of shares retired	566	—	—	290	276	—	—	—
Amortization of deferred compensation	8,071	—	—	—	8,071	—	—	—
Dividends paid to common shareholders (\$0.74 per share)	(48,315)	—	—	—	—	—	(48,315)	—
Dividends paid to Series A preferred shareholders (\$2.0625 per share)	(9,488)	—	—	—	—	—	(9,488)	—
Dividends 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 interest, net	(254)	—	—	—	—	—	—	(254)
Balance December 31, 2013	926,452	46	35	68,293	1,467,460	(6,637)	(636,939)	34,194
Net loss	(14,262)	—	—	—	—	—	(13,830)	(432)
Other comprehensive income	654	—	—	—	—	635	—	19
Shares issued upon redemption of Operating Partnership Units	—	—	—	7	131	—	—	(138)
Shares issued under employee compensation plan, net of shares retired	(1,362)	—	—	501	(1,863)	—	—	—
Amortization of deferred compensation	8,455	—	—	—	8,455	—	—	—
Dividends paid to common shareholders (\$0.80 per share)	(54,988)	—	—	—	—	—	(54,988)	—
Dividends paid to Series A preferred shareholders (\$2.0625 per share)	(9,487)	—	—	—	—	—	(9,487)	—
Dividends paid to Series B preferred shareholders (\$1.8438 per share)	(6,361)	—	—	—	—	—	(6,361)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders (\$0.80 per unit)	(1,703)	—	—	—	—	—	—	(1,703)
Amortization of historic tax credit	(581)	—	—	—	—	—	—	(581)
Other distributions to noncontrolling interest, net	(2,080)	—	—	—	—	—	—	(2,080)
Balance December 31, 2014	844,737	46	35	68,801	1,474,183	(6,002)	(721,605)	29,279
Net loss	(129,567)	—	—	—	—	—	(116,683)	(12,884)
Other comprehensive income	2,027	—	—	—	—	1,809	—	218
Shares issued upon redemption of Operating Partnership Units	—	—	—	34	675	—	—	(709)
Shares issued under employee compensation plan, net of shares retired	(4,383)	—	—	362	(4,745)	—	—	—
Amortization of deferred compensation	6,284	—	—	—	6,284	—	—	—
Dividends paid to common shareholders (\$0.84 per share)	(58,085)	—	—	—	—	—	(58,085)	—
Dividends paid to Series A preferred shareholders (\$2.0625 per share)	(9,487)	—	—	—	—	—	(9,487)	—
Dividends paid to Series B preferred shareholders (\$1.8438 per share)	(6,361)	—	—	—	—	—	(6,361)	—
Noncontrolling interests:								
Distributions paid to Operating Partnership unit holders (\$0.84 per unit)	(5,703)	—	—	—	—	—	—	(5,703)
Operating partnership units issued in connection with Springfield Town Center	145,188	—	—	—	—	—	—	145,188
Other distributions to noncontrolling interest, net	(20)	—	—	—	—	—	—	(20)
Balance December 31, 2015	\$ 784,630	\$ 46	\$ 35	\$ 69,197	\$ 1,476,397	\$ (4,193)	\$ (912,221)	\$ 155,369

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)	For the Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net (loss) income	\$ (129,567)	\$ (14,262)	\$ 37,213
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	132,347	135,095	133,162
Amortization	12,907	9,505	12,903
Straight-line rent adjustments	(1,874)	(1,467)	(1,425)
Provision for doubtful accounts	2,510	1,566	1,656
Amortization of deferred compensation	6,284	8,455	8,071
Loss on hedge ineffectiveness	512	1,761	3,409
Gain on sales of interests in real estate, non operating real estate and discontinued operations, net	(12,621)	(14,473)	(78,512)
Equity in income of partnerships in excess of distributions	(2,312)	(1,675)	(2,713)
Amortization of historic tax credits	(1,589)	(2,508)	(2,494)
Impairment of assets and expensed project costs	140,790	20,187	30,775
Change in assets and liabilities:			
Net change in other assets	5,337	3,921	(7,779)
Net change in other liabilities	(17,063)	(1,030)	1,953
Net cash provided by operating activities	135,661	145,075	136,219
Cash flows from investing activities:			
Cash proceeds from sales of real estate investments	52,956	190,442	181,644
Investments in consolidated real estate acquisitions	(319,986)	(20,000)	(60,879)
Additions to construction in progress	(30,684)	(41,512)	(36,456)
Investments in real estate improvements	(52,790)	(71,346)	(44,785)
Additions to leasehold improvements	(486)	(1,656)	(2,062)
Investments in partnerships	(25,046)	(19,184)	(250)
Capitalized leasing costs	(6,255)	(5,446)	(5,261)
Increase in cash escrows	(1,996)	(2,369)	(2,682)
Cash distributions from partnerships in excess of equity in income	5,188	2,721	1,472
Net cash (used in) provided by investing activities	(379,099)	31,650	30,741
Cash flows from financing activities:			
Borrowings from (repayments of) term loans	120,000	130,000	(182,000)
Net borrowings from (repayments of) revolving facilities	215,000	(130,000)	130,000
Proceeds from mortgage loans	272,044	—	154,692
Repayment of mortgage loans	(272,650)	(76,784)	(403,691)
Principal installments on mortgage loans	(20,761)	(17,919)	(16,973)
Payment of deferred financing costs	(3,754)	(1,918)	(4,035)
Net proceeds from issuance of common shares in public offering	—	—	220,511
Common shares issued	1,393	3,270	2,983
Dividends paid to common shareholders	(58,085)	(54,988)	(48,315)
Dividends paid to preferred shareholders	(15,848)	(15,848)	(15,849)
Distributions paid to Operating Partnership unit holders and noncontrolling interest	(5,703)	(1,703)	(1,626)
Value of shares issued under equity incentive plans, net of shares retired	(5,776)	(4,632)	(2,417)
Net cash provided by (used in) financing activities	225,860	(170,522)	(166,720)
Net change in cash and cash equivalents	(17,578)	6,203	240
Cash and cash equivalents, beginning of year	40,433	34,230	33,990
Cash and cash equivalents, end of year	\$ 22,855	\$ 40,433	\$ 34,230

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2015, 2014 and 2013

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, 2015, our portfolio consisted of a total of 33 properties located in 11 states and operating in 10 states, including 25 shopping malls, four other retail properties and four development or redevelopment properties. Two of the development and redevelopment properties are classified as “mixed use” (a combination of retail and other uses), one is classified as “retail” (redevelopment of The Gallery at Market East (the “Gallery”) into the Fashion Outlets of Philadelphia), and one is classified as “other.” In 2015, we acquired Springfield Town Center in Springfield, Virginia and we sold two of our wholly owned mall properties and our investment in one of our partnerships that was classified as “other retail.” The above property counts do not include Gadsden Mall in Gadsden, Alabama, Lycoming Mall in Pennsdale, Pennsylvania, New River Valley Mall in Christiansburg, Virginia, Palmer Park Mall in Easton, Pennsylvania, Wiregrass Commons Mall in Dothan, Alabama and two street retail properties in Philadelphia, Pennsylvania because these properties have been classified as “held for sale” as of December 31, 2015. Palmer Park Mall was sold in February 2016.

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, 2015, held an 89.2% 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 Operating Partnership’s partnership agreement, each of its 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, 2015, the total amount that would have been distributed would have been \$182.4 million, which is calculated using our December 31, 2015 closing share price on the New York Stock Exchange of \$21.87 multiplied by the number of outstanding OP Units held by limited partners, which was 8,338,299 as of December 31, 2015.

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 additional 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 inter-company accounts and transactions have been eliminated in consolidation.

OUT OF PERIOD ADJUSTMENT As further discussed in note 2, in 2015, we recorded impairments of assets totaling \$63.9 million on Gadsden Mall, New River Valley Mall and Wiregrass Commons Mall. Of the total impairment amount, \$36.6 million was recorded in the fourth quarter of 2015. This amount included \$6.2 million that we determined should have been recorded in the second quarter of 2015, in connection with the initial impairment charge. After evaluating the quantitative and qualitative effects of this adjustment, we have concluded that there is no material effect on any period currently or previously presented.

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 25% to 50% noncontrolling ownership interest at December 31, 2015, 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.

We do not have a direct legal claim to the assets, liabilities, revenues or expenses of the unconsolidated partnerships beyond our rights as an equity owner, in the event of any liquidation of such entity, and our rights as a tenant in common owner of certain unconsolidated properties.

We record the earnings from the unconsolidated partnerships using the equity method of accounting in the consolidated statements of operations in the 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 consolidated 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 legal title to properties owned by three of our unconsolidated partnerships through tenancy in common arrangements. For each of these properties, such legal title is held by us and another person or persons, and each has an undivided interest in title to 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

like our other unconsolidated partnerships using the equity method of accounting. The balance sheet items arising from the 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.

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, 2015 and 2014, cash and cash equivalents totaled \$22.9 million and \$40.4 million, respectively, and included tenant security deposits of \$3.7 million and \$3.5 million, respectively. Cash paid for interest, including interest related to discontinued operations in 2013, was \$76.5 million, \$76.6 million and \$94.1 million for the years ended December 31, 2015, 2014 and 2013, respectively, net of amounts capitalized of \$1.9 million, \$0.6 million and \$0.9 million, respectively.

SIGNIFICANT NON-CASH TRANSACTIONS In connection with our acquisition of Springfield Town Center in March 2015, we issued 6,250,000 OP Units with a value of \$145.2 million as partial consideration for the purchase.

In July 2014, we entered into a 50/50 joint venture with The Macerich Company (“Macerich”) to redevelop The Gallery at Market East in Philadelphia, Pennsylvania into the Fashion Outlets of Philadelphia (the “Fashion Outlets of Philadelphia”). We contributed and sold real estate assets to the venture, and Macerich acquired its interest in the venture and real estate from us. In connection with the transaction, we reclassified the retained assets of the Fashion Outlets of Philadelphia of approximately \$106.9 million from Operating Properties to the line item “Investments in partnerships, at equity.”

In our statement of cash flows, we show cash flows on our revolving facilities on a net basis. Aggregate borrowings on our revolving facilities were \$310.0 million, \$140.0 million and \$512.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. Aggregate repayments were \$245.0 million, \$270.0 million and \$382.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Accrued construction costs decreased by \$1.6 million in the year ended December 31, 2015, decreased by \$2.0 million in the year ended December 31, 2014 and increased by \$2.4 million in the year ended December 31, 2013, 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 consolidated 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 (recorded on a straight-line basis), percentage rent, expense reimbursements (such as reimbursements of costs of common area maintenance (“CAM”), real estate taxes and utilities), and the 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 \$2.0 million, \$1.5 million and \$1.4 million in the years ended December 31, 2015, 2014 and 2013, respectively. The straight-line rent receivable balances included in tenant and other receivables on the accompanying consolidated balance sheet as of December 31, 2015 and 2014 were \$22.4 million and \$23.7 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 monthly expense reimbursement payments 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, 2015 and 2014, our tenant accounts receivable included accrued income of \$3.2 million and \$3.4 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 relevant 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 consolidated 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. Most 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 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 2013 ranged from 6.25% to 12.0%, in 2014 ranged from 5.25% to 12.5% and in 2015 ranged from 4.5% to 15.5%. As further detailed in note 2, in 2015, 2014 and 2013, as a result of our analysis, we determined that seven, three and two properties, respectively, had incurred impairment of assets.

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, 2015. Fair value is determined by applying a capitalization rate to our estimate of projected income at those properties. We also consider qualitative 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, 2015 and 2014 included \$5.2 million and \$5.7 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, 2015 were as follows:

(in thousands of dollars)	Basis	Accumulated Amortization	Total
Balance, January 1, 2013	\$ 8,229	\$ (1,073)	\$ 7,156
Goodwill divested	(1,494)	—	(1,494)
Balance, December 31, 2013	6,735	(1,073)	5,662
Changes to Goodwill	—	—	—
Balance, December 31, 2014	6,735	(1,073)	5,662
Goodwill divested	(137)	—	(137)
Goodwill impaired	(276)	—	(276)
Balance, December 31, 2015	\$ 6,332	\$ (1,073)	\$ 5,249

In 2015, we recognized an impairment loss of goodwill of \$0.3 million in connection with the impairment review of Palmer Park Mall, as further described in note 2. We also divested goodwill of \$0.1 million in connection with the sale of Springfield Park. 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, 2015 and 2014:

	As of December 31,	
(in thousands of dollars)	2015	2014
Value of in-place lease intangibles	\$ 16,788	\$ 699
Above-market lease intangibles	211	91
Subtotal	16,999	790
Goodwill	5,249	5,662
Total intangible assets	\$22,248	\$ 6,452
Below-market lease intangibles	\$ (1,072)	\$ (2,045)

Net amortization of in-place lease intangibles was \$1.9 million, \$1.6 million and \$1.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Net amortization of above-market and below-market lease intangibles increased revenue by \$0.3 million, \$1.0 million and \$1.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. 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
2016	\$ 2,129	\$ (74)
2017	1,931	(100)
2018	1,863	(86)
2019	1,825	(105)
2020	1,779	(124)
2021 and thereafter	7,261	(372)
Total	\$16,788	\$ (861)

ASSETS CLASSIFIED AS HELD FOR SALE 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.

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, other expenses related to the acquisition are recorded to acquisition costs and other expenses. 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, 2015, 2014 and 2013:

(in thousands of dollars)	For the Year Ended December 31,		
	2015	2014	2013
Development/Redevelopment:			
Salaries and benefits	\$ 1,001	\$ 1,162	\$ 1,059
Real estate taxes	\$ 4	\$ 4	\$ 4
Interest	\$ 1,883	\$ 604	\$ 874
Leasing:			
Salaries, commissions and benefits	\$ 6,255	\$ 5,446	\$ 5,261

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 as of December 31, 2015 and 2014:

(in millions of dollars)	As of December 31,	
	2015	2014
Aggregate cost basis for federal income tax purposes	\$ 3,662.8	\$ 3,340.2
Aggregate depreciated basis for federal income tax purposes	\$ 2,660.7	\$ 2,362.2

We could be subject to a federal excise tax computed on a calendar year basis if we were not in compliance with the distribution provisions of 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, 2015, 2014 and 2013, 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, 2015, 2014 and 2013:

	For the Year Ended December 31,		
	2015	2014	2013
Ordinary income	\$ —	\$ 0.11	\$ —
Non-dividend distributions	0.84	0.69	0.74
	\$ 0.84	\$ 0.80	\$ 0.74

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, 2015, 2014 and 2013:

	For the Year Ended December 31,		
	2015	2014	2013
Series A Preferred Share Dividends			
Ordinary income	\$ —	\$ 2.06	\$ 1.96
Non-dividend distributions	2.06	—	0.10
	\$ 2.06	\$ 2.06	\$ 2.06
Series B Preferred Share Dividends			
Ordinary income	\$ —	\$ 1.84	\$ 1.75
Non-dividend distributions	1.84	—	0.09
	\$ 1.84	\$ 1.84	\$ 1.84

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 consolidated 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, 2015, 2014 and 2013. We had net deferred tax assets of \$25.6 million and \$22.7 million for the years ended December 31, 2015 and 2014, 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 in a manner that approximates 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 and Term Loans (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 consolidated 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, 2015, 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 restricted shares and share options, 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.

NEW ACCOUNTING DEVELOPMENTS In March 2015, the Financial Accounting Standards Board (“FASB”) issued “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” and “Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,” which intend to simplify the presentation of debt issuance costs. The new guidance is effective for annual periods beginning after December 15, 2015 for public companies. We have evaluated this new guidance and have determined that this standard will not have a significant impact on our consolidated financial statements. We will adopt this new guidance in 2016.

In May 2014, the FASB issued “Revenue from Contracts with Customers.” The objective of this new standard is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of this new standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. The new guidance is effective for annual reporting periods beginning after December 15, 2017 for public companies. Entities have the option of using either a full retrospective or modified approach to adopt this standard. We are currently evaluating the new guidance and have not determined the impact this standard might have on our consolidated financial statements, nor have we decided upon the method of adoption.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation—Amendments to the Consolidation Analysis, which amends the current consolidation guidance affecting both the variable interest entity (“VIE”) and voting interest entity (“VOE”) consolidation models. The standard does not add or remove any of the characteristics in determining if an entity is a VIE or VOE, but rather enhances the way we assesses some of these characteristics. The new standard is effective on January 1, 2016. The adoption of ASU 2015-02 is not expected to have a material effect on our consolidated financial statements.

2. Real Estate Activities

Investments in real estate as of December 31, 2015 and 2014 were comprised of the following:

(in thousands of dollars)	As of December 31,	
	2015	2014
Buildings, improvements and construction in progress	\$ 2,847,986	\$ 2,843,326
Land, including land held for development	519,903	442,078
Total investments in real estate	3,367,889	3,285,404
Accumulated depreciation	(1,015,647)	(1,061,051)
Net investments in real estate	\$ 2,352,242	\$ 2,224,353

IMPAIRMENT OF ASSETS During the years ended December 31, 2015, 2014, and 2013, we recorded asset impairment losses of \$140.3 million, \$19.7 million and \$30.0 million, respectively. Such impairment losses are recorded in “Impairment of assets” for the years ended 2015 and 2014. In 2013, such impairment losses are recorded either to “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,		
	2015	2014	2013
Gadsden Mall, New River Valley Mall and Wiregrass Commons Mall	\$ 63,904	\$ —	\$ —
Voorhees Town Center	39,242	—	—
Lycoming Mall	28,345	—	—
Uniontown Mall	7,394	—	—
Palmer Park Mall	1,383	—	—
Nittany Mall	—	15,495	—
North Hanover Mall	—	2,900	6,304
South Mall	—	1,300	—
Chambersburg Mall ⁽¹⁾	—	—	23,662
Other	50	—	—
Total impairment of assets	\$140,318	\$ 19,695	\$29,966

⁽¹⁾ Impairment of assets of this property is recorded in discontinued operations for 2013.

GADSDEN MALL, NEW RIVER VALLEY MALL AND WIREGRASS COMMONS MALL In 2015, we recorded aggregate losses on impairment of assets on Gadsden Mall in Gadsden, Alabama, New River Valley Mall in Christiansburg, Virginia and Wiregrass Commons Mall in Dothan, Alabama of \$63.9 million in connection with negotiations with a prospective buyer of the properties. The negotiations with this prospective buyer of the properties are ongoing, and could result in additional changes to our underlying assumptions. As a result of these negotiations, we determined that the holding period for the properties was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at these properties. Based upon the purchase and sale agreement with the prospective buyer of the properties and subsequent further negotiations, we determined that the estimated aggregate undiscounted cash flows, net of estimated capital expenditures, for Gadsden Mall, New River Valley Mall and Wiregrass Commons Mall were less than the aggregate carrying value of the properties, and recorded a loss on impairment of assets.

VOORHEES TOWN CENTER In 2015, we recorded a loss on impairment of assets on Voorhees Town Center in Voorhees, New Jersey of \$39.2 million in connection with negotiations with the buyer of the property. In connection with these negotiations, we determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Based upon the purchase and sale agreement with the buyer of the property, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Voorhees Town Center were less than the carrying value of the property, and recorded a loss on impairment of assets. We sold this property in October 2015.

LYCOMING MALL In 2015, we recorded aggregate losses on impairment of assets on Lycoming Mall in Pennsdale, Pennsylvania of \$28.3 million in connection with negotiations with a prospective buyer of the property. In connection with these negotiations, we determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Based upon the initial purchase and sale agreement with the prospective buyer of the property, which has since been terminated, as well as the current purchase and sale agreement, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Lycoming Mall were less than the carrying value of the property, and recorded a loss on impairment of assets.

UNIONTOWN MALL In 2015, we recorded aggregate losses on impairment of assets on Uniontown Mall in Uniontown, Pennsylvania of \$7.4 million. In connection with negotiations with the buyer of the property, we had determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Based upon the original purchase and sale agreement with the prospective buyer of the property and subsequent further negotiations, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Uniontown Mall were less than the carrying value of the property, and recorded both an initial loss on impairment of assets and a subsequent additional loss on impairment of assets. We sold the property in August 2015.

PALMER PARK MALL In 2015, we recorded a losses on impairment of assets on Palmer Park Mall in Easton, Pennsylvania of \$1.4 million. In connection with negotiations with the prospective buyer of the property, we had determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Based upon the purchase and sale agreement with the prospective buyer of the property and subsequent further negotiations, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Palmer Park Mall were less than the carrying value of the property, and recorded a loss on impairment of assets. We sold the property in February 2016.

NITTANY MALL In 2014, we recorded an aggregate loss on impairment of assets at Nittany Mall of \$15.5 million after entering into negotiations with a prospective buyer of the property. As a result of these negotiations, we determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Based upon the purchase and sale agreement with the

then-prospective buyer of the property and subsequent further negotiations, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for Nittany Mall were less than the carrying value of the property, and recorded both an initial loss on impairment of assets and a subsequent additional loss on impairment of assets when we sold the property in September 2014.

NORTH HANOVER MALL In 2014, we recorded an aggregate loss on impairment of assets at North Hanover Mall of \$2.9 million after entering into negotiations with a prospective buyer of the property. As a result of these negotiations, we determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Based upon the purchase and sale agreement with the then-prospective buyer of the property and subsequent further negotiations, 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 both an initial loss on impairment of assets and a subsequent additional loss on impairment of assets. We previously recognized losses on impairment of assets on North Hanover Mall of \$6.3 million in 2013 and \$24.1 million in 2011. We sold the property in September 2014.

SOUTH MALL In 2014, we recorded a loss on impairment of assets at South Mall of \$1.3 million after entering into negotiations with the buyer of the property. As a result of these negotiations, we determined that the holding period for the property was less than had been previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible asset impairment at this property. Using updated assumptions, we determined that the estimated undiscounted cash flows, net of estimated capital expenditures, for South Mall were less than the carrying value of the property, and recorded a loss on impairment of assets. We sold the property in June 2014.

CHAMBERSBURG MALL In 2013, we recorded a loss on impairment of assets at Chambersburg Mall in Chambersburg, Pennsylvania of \$23.7 million. During the third quarter of 2013, we entered into negotiations with a potential buyer of the property. As a result of these negotiations, 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, 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 an impairment loss. We recorded the loss on impairment of assets in discontinued operations in the third quarter of 2013 and sold this property in the fourth quarter of 2013.

DISCONTINUED OPERATIONS In 2014, we adopted new accounting requirements pertaining to the reporting of discontinued operations such that the results of operations of properties sold are now recorded in continuing 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, prior to the adoption of the new accounting requirements.

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

(in thousands of dollars)	For the Year Ended December 31,	
	2013	
Real estate revenue	\$	10,014
Expenses:		
Property operating expenses		(4,288)
Depreciation and amortization		(1,161)
Interest expense		(1,753)
Total expenses		(7,202)
Operating results from discontinued operations		2,812
Impairment of assets of discontinued operations		(23,662)
Gains on sales of discontinued operations		78,512
Income from discontinued operations	\$	57,662

ACQUISITIONS On March 31, 2015, we acquired Springfield Town Center in Springfield, Virginia for aggregate consideration of \$486.6 million, consisting of the following components: (i) the assumption and immediate payoff of \$263.8 million of indebtedness owed to affiliates of Vornado Realty L.P.; (ii) 6,250,000 OP Units valued at \$145.2 million, (iii) liabilities relating to tenant improvements and allowances of \$14.8 million, (iv) the estimated present value of the “Earnout” (as described below) of \$8.6 million, and (v) the remainder in cash. The seller is potentially entitled to receive consideration (the “Earnout”) under the terms of the Contribution Agreement which will be calculated as of March 31, 2018. The table below sets forth our allocation of the purchase price:

(in thousands of dollars)	
Land	\$ 119,912
Building	299,012
Common area improvements	16,776
Site improvements and tenant improvements	35,565
Intangible assets (liabilities):	
In-place lease value	18,123
Above market lease value	260
Below market lease value	(393)
Above market ground lease value (as lessor)	(5,882)
Deferred and other assets	3,231
Total	\$ 486,604

In April 2013, we acquired a building located contiguous to The Gallery at Market East (“The Gallery”) for \$59.6 million, representing a capitalization rate of approximately 5.7%.

DISPOSITIONS The table below presents our dispositions since January 1, 2013:

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate	(in millions of dollars)	
				Sale Price	Gain/(Loss)
2016 Activity:					
February	Palmer Park Mall, Easton, PA	Mall ⁽¹⁾	13.6%	\$ 18.0	\$ —
2015 Activity:					
August	Uniontown Mall, Uniontown, PA	Mall ⁽¹⁾	17.5%	23.0	—
October	Voorhees Town Center, Voorhees, NJ	Mall ⁽¹⁾	10.3%	13.4	—
2014 Activity:					
June	South Mall, Allentown, PA	Mall	10.1%	23.6	0.2
July	The Gallery at Market East, Philadelphia, PA	Mall (50% interest) ⁽²⁾	5.1%	106.8	(0.6)
September	North Hanover Mall, Hanover, PA and Nittany Mall, State College, PA	Two malls (single combined transaction)	North Hanover Mall 11.0% Nittany Mall 16.2%	32.3	(0.1)
2013 Activity:					
January	Phillipsburg Mall, Phillipsburg, NJ	Mall ⁽³⁾	9.8%	11.5	—
	Paxton Towne Centre, Harrisburg, PA	Power center ⁽⁴⁾⁽⁵⁾	6.9%	76.8	32.7
February	Orlando Fashion Square, Orlando, FL	Mall ⁽⁶⁾	9.8%	35.0	0.7
September	Commons at Magnolia, Florence, SC	Strip center ⁽⁷⁾	8.9%	12.3	4.3
	Christiana Center, Newark, DE	Power center ⁽⁴⁾⁽⁷⁾⁽⁸⁾	6.5%	75.0	40.8
November	Chambersburg Mall, Chambersburg, PA	Mall ⁽¹⁾	NM ⁽⁹⁾	8.5	—

⁽¹⁾ We used the proceeds from the sale of this property for general corporate purposes.

⁽²⁾ We entered into a 50/50 joint venture with Macerich to redevelop The Gallery into the Fashion Outlets of Philadelphia. In connection therewith, we contributed and sold real estate assets to the venture and Macerich acquired its interest in the venture and real estate from us for \$106.8 million in cash. Net proceeds after closing costs from the sale of the interests were \$104.0 million. We used \$25.8 million of such proceeds to repay a mortgage loan secured by 801 Market Street, Philadelphia, Pennsylvania, a property that is part of The Gallery, \$50.0 million to repay the outstanding balance on our 2013 Revolving Facility, and the remaining proceeds for general corporate purposes.

⁽³⁾ 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 property, which secured a portion of our former credit facility.

⁽⁴⁾ We divested goodwill of \$0.7 million and \$0.8 million in connection with the dispositions of Paxton Towne Centre and Christiana Center, respectively.

⁽⁵⁾ We used proceeds from the sale of this property to repay the \$50.0 million mortgage loan secured by the property.

⁽⁶⁾ 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 property, which secured a portion of our former credit facility.

⁽⁷⁾ 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.

⁽⁸⁾ The buyer of this property assumed the \$49.2 million mortgage loan secured by this property.

⁽⁹⁾ The capitalization rate was not meaningful in the context of this transaction.

DISPOSITIONS – OTHER ACTIVITY In 2016, we sold an outparcel for \$2.0 million. No gain or loss was recorded in connection with this sale.

In 2015, we sold several outparcels for an aggregate sales price of \$5.1 million. We recorded net gains on sales of real estate of \$0.6 million on these transactions.

In 2014, we sold an anchor pad, outparcels and undeveloped land for an aggregate sales price of \$9.9 million. We recorded net gains on sales of interests in real estate of \$0.7 million and a net gain on sales on non operating real estate of \$1.8 million on these transactions.

In 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.

DEVELOPMENT ACTIVITIES As of December 31, 2015 and 2014, 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, 2015 and 2014:

(in millions of dollars)	As of December 31,	
	2015	2014
Construction in progress	\$ 64.0	\$ 60.5
Land held for development	6.4	8.7
Deferred costs and other assets	2.3	1.3
Total capitalized construction and development activities	\$ 72.7	\$ 70.5

As of December 31, 2015, we had \$0.1 million of refundable deposits on land and building purchase contracts.

3. Investments in Partnerships

The following table presents summarized financial information of our equity investments in unconsolidated partnerships as of December 31, 2015 and 2014:

(in thousands of dollars)	As of December 31,	
	2015	2014
Assets:		
Investments in real estate, at cost:		
Retail properties	\$ 636,774	\$ 654,024
Construction in progress	126,199	41,919
Total investments in real estate	762,973	695,943
Accumulated depreciation	(186,580)	(190,100)
Net investments in real estate	576,393	505,843
Cash and cash equivalents	37,362	15,229
Deferred costs and other assets, net	41,770	37,274
Total assets	655,525	558,346
Liabilities and Partners' Equity:		
Mortgage loans	442,330	383,190
Other liabilities	30,425	34,314
Total liabilities	472,755	417,504
Net equity	182,770	140,842
Partners' share	95,165	74,663
Company's share	87,605	66,179
Excess investment ⁽¹⁾	7,877	8,747
Net investments and advances	\$ 95,482	\$ 74,926
Investment in partnerships, at equity	\$ 161,029	\$ 140,882
Distributions in excess of partnership investments	(65,547)	(65,956)
Net investments and advances	\$ 95,482	\$ 74,926

⁽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, 2015, 2014 and 2013:

(in thousands of dollars)	For the Year Ended December 31,		
	2015	2014	2013
Real estate revenue	\$105,813	\$ 95,643	\$ 81,020
Expenses:			
Property operating expenses	(39,134)	(32,992)	(24,104)
Interest expense	(21,021)	(21,805)	(22,228)
Depreciation and amortization	(25,718)	(19,521)	(14,401)
Total expenses	(85,873)	(74,318)	(60,733)
Net income	19,940	21,325	20,287
Less: Partners' share	(10,128)	(10,637)	(10,096)
Company's share	9,812	10,688	10,191
Amortization of excess investment	(272)	(119)	(413)
Equity in income of partnerships	\$ 9,540	\$10,569	\$ 9,778

ACQUISITIONS In June 2014, we contributed \$3.2 million, representing a 25% interest, to the partnership that was developing Gloucester Premium Outlets in Gloucester Township, New Jersey, which opened in August 2015. The partnership used our and our partners' contribution to purchase the land on which the property was developed.

DISPOSITIONS In July 2015, we sold our entire 50% interests in the Springfield Park shopping center in Springfield, Pennsylvania for \$20.2 million, representing a capitalization rate of 7.0%, and recognized a gain of \$12.0 million. In connection with our interest in the property, we had an ongoing obligation to sublet approximately 10,100 square feet of space of a tenant at the property, which we transferred as part of the transaction. In connection with the sale, a mortgage loan of approximately \$9.0 million, of which our share was 50%, was assumed by the buyer of our interests. We divested \$0.1 million of goodwill in connection with this transaction. We used the net proceeds from the transaction for general corporate purposes. See note 10 regarding the related party aspect of this transaction.

In December 2014, we sold our 50% interest in Whitehall Mall in Allentown, Pennsylvania for \$14.9 million representing a capitalization rate of 7.0%, and we recorded a gain on sale of interests in real estate of \$12.4 million. In connection with the sale of Whitehall Mall, our share of the mortgage loan secured by the property had a balance of \$5.1 million that was assumed by the buyer at closing.

In July 2014, we entered into a 50/50 joint venture with Macerich to redevelop The Gallery. The results of operations of The Gallery have been recorded as an equity method investment after the July 29, 2014 transaction with Macerich.

FINANCING ACTIVITY OF UNCONSOLIDATED PROPERTIES Mortgage loans, which are secured by seven of the unconsolidated properties (including one property under development), are due in installments over various terms extending to the year 2025. Five of the mortgage loans bear interest at a fixed interest rate and two 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 4.45% to 5.88% and had a weighted average interest rate of 5.32% at December 31, 2015. The variable interest rate mortgage loans have interest rates that range from 1.79% to 2.94% and had a weighted average interest rate of 1.97% at

December 31, 2015. The weighted average interest rate of all partnership mortgage loans was 4.96% at December 31, 2015. 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) For the Year Ending December 31,	Company's Proportionate Share				Property Total
	Principal Amortization	Balloon Payments	Total		
2016	\$ 3,313	\$ —	\$ 3,313	\$	6,675
2017	3,461	3,283	6,744		15,157
2018	3,591	18,232	21,823		80,110
2019	3,789	—	3,789		7,577
2020	3,212	58,519	61,731		123,462
2021 and thereafter	6,713	97,961	104,674		209,349
	\$24,079	\$ 177,995	\$ 202,074	\$	442,330

MORTGAGE LOAN ACTIVITY—UNCONSOLIDATED PROPERTIES

The following table presents the mortgage loans secured by the unconsolidated prop-erties entered into since January 1, 2014:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2015 Activity: September	Springfield Mall ⁽¹⁾	\$ 65.0	Fixed 4.45%	September 2025
2014 Activity: December	Gloucester Premium Outlets ⁽²⁾	72.9	LIBOR plus 1.50%	June 2018

⁽¹⁾ The proceeds were used to repay the existing \$61.7 million mortgage loan plus accrued interest. We received \$1.0 million of proceeds as a distribution in connection with the financing.
⁽²⁾ The unconsolidated entity that owns Gloucester Premium Outlets entered into this construction mortgage loan and completed the project in 2015. The construction mortgage loan has a maximum availability of \$90.0 million, of which \$71.3 million and \$1.6 million was borrowed during 2015 and 2014, respectively, and \$17.1 million was available as of December 31, 2015 (subject to submission of required documentation). Our interest in the unconsolidated entity is 25%.

4. FINANCING ACTIVITY

CREDIT AGREEMENTS We have entered into four credit agreements (collectively, the “Credit Agreements”), as further discussed and defined below: (1) the 2013 Revolving Facility, (2) the 2014 7-Year Term Loan, (3) the 2014 5-Year Term Loan, and (4) the 2015 5-Year Term Loan. The 2014 7-Year Term Loan, the 2014 5-Year Term Loan and the 2015 5-Year Term Loan are collectively referred to as the “Term Loans.”

As of December 31, 2015, the Company had borrowed \$400.0 million under the Term Loans and \$65.0 million under the 2013 Revolving Facility (with \$7.9 million pledged as collateral for a letter of credit at December 31, 2015; the Company pledged an additional letter of credit for \$7.4 mil-lion in January 2016). Following recent property sales, the net operating income (“NOI”) from the Company’s remaining unencumbered properties is at a level such that within the Unencumbered Debt Yield covenant (as described below) under the Credit Agreements, the maximum unsecured amount that was available to the Company as of December 31, 2015 was \$301.0 million.

We have a 50% partnership interest in Lehigh Valley Associates LP, the owner of Lehigh Valley Mall, which met the definition of a significant unconsolidated subsidiary in the years ended December 31, 2014 and 2013. The mort-gage loan associated with the property is included in the amounts above. Summarized financial information as of or for the years ended December 31, 2014 and 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,	
	2014	2013
Total assets	\$ 51,703	\$ 55,592
Mortgage payable	131,394	133,542
Revenue	36,605	35,628
Property operating expenses	10,027	9,817
Interest expense	7,839	7,962
Net income	14,932	14,515
PREIT’s share of equity in income of partnership	7,466	7,258

Interest expense and the deferred financing fee amortization related to the Credit Agreements for the years ended December 31, 2015, 2014 and 2013 was as follows:

(in thousands of dollars)	For the Year Ended December 31,		
	2015	2014	2013
2013 Revolving Facility:			
Interest expense	\$ 2,914	\$ 1,523	\$ 2,506
Deferred financing amortization	1,187	1,430	1,113
Accelerated financing fee	193	—	—
Term Loans:			
Interest expense	8,965	4,681	N/A
Deferred financing amortization	396	297	N/A

2013 REVOLVING FACILITY, AS AMENDED In April 2013, PREIT, PREIT Associates and PRI (collectively, the “Borrower” or “we”) entered into a credit agreement (as amended, the “2013 Revolving Facility”) with Wells Fargo Bank, National Association, and the other financial institutions signa-tory thereto, for a \$400.0 million senior unsecured revolving credit facility. In December 2013, we amended the 2013 Revolving Facility to make cer-tain terms of the 2013 Revolving Facility consistent with the terms of the 2014 Term Loans (as defined below). In June 2015, we further amended the 2013 Revolving Facility to lower the interest rates in the applicable pricing grid, modify one covenant and to extend the Termination Date to June 26, 2018. 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.

Pursuant to the June 2015 amendment, the initial maturity of the 2013 Revolving Facility is June 26, 2018, and the Borrower has options for two one-year extensions of the initial maturity date, subject to certain condi-tions and to the payment of extension fees of 0.15% and 0.20% of the Facility Amount for the first and second options, respectively.

Subject to the terms of the Credit Agreements, 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 min-imum 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.

The 2013 Revolving Facility contains certain affirmative and negative cove-nants, which are identical to those contained in the other Credit Agreements and which are described in detail below in the section entitled “—Identical covenants and common provisions contained in the Credit Agreements.”

TERM LOANS 2015 5-YEAR TERM LOAN

In June 2015, the Borrower entered into a five year term loan agreement (the “2015 5-Year Term Loan”) with Wells Fargo Bank, National Association, PNC Bank, National Association and the other financial institutions signatory thereto, for a \$150.0 million senior unsecured five year term loan facility. The maturity date of the 2015 5-Year Term Loan is June 2020. At closing, the Borrower borrowed the entire \$150.0 million under the 2015 5-Year Term Loan, and used the proceeds to repay \$150.0 million of the then outstanding balance under the Borrower’s 2013 Revolving Facility.

The 2015 5-Year Term Loan contains certain affirmative and negative cov-enants and other provisions, which are identical to those contained in the other Credit Agreements, and which are described in detail below in the section entitled “—Identical covenants and common provisions contained in the Credit Agreements.”

		Applicable Margin			
Level	Ratio of Total Liabilities to Gross Asset Value	2013 Revolving Facility	2014 7-Year Term Loan	2014 5-Year Term Loan	2015 5-Year Term Loan
1	Less than 0.450 to 1.00	1.20%	1.80%	1.35%	1.35%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.25%	1.95%	1.45%	1.45%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.30% ⁽¹⁾	2.15% ⁽¹⁾	1.60% ⁽¹⁾	1.60% ⁽¹⁾
4	Equal to or greater than 0.550 to 1.00	1.55%	2.35%	1.90%	1.90%

⁽¹⁾ The rate in effect at December 31, 2015.

2014 TERM LOANS In January 2014, the Borrower entered into two unse-cured term loans in the initial aggregate amount of \$250.0 million, comprised of:

- (1) a 5 Year Term Loan Agreement (the “2014 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 mil-lion senior unsecured 5 year term loan facility; and
- (2) a 7 Year Term Loan Agreement (the “2014 7-Year Term Loan” and, together with the 2014 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.

In June 2015, the Borrower entered into an amendment to each of the 2014 Term Loans under which PREIT is required to maintain, on a con-solidated basis, minimum Unencumbered Debt Yield of 11.0%, versus 12.0% previously, consistent with the amendment to the covenant in the 2013 Revolving Facility, and the provision of the 2015 5-Year Term Loan. The cross-default provisions in the 2014 Term Loans were also amended to add the new 2015 5-Year Term Loan.

Subject to the terms of the Credit Agreements, the Borrower has the option to increase the maximum amount available under the 2014 Term Loans, through an accordion option (subject to certain conditions), 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 5-Year Term Loan may be increased from \$150.0 million to as much as \$300.0 million, and the 2014 7-Year Term Loan may be increased from \$100.0 million to as much as \$200.0 million.

The 2014 Term Loans contain certain affirmative and negative covenants and other provisions, which are identical to those contained in the other Credit Agreements, and which are described in detail below in the section entitled “—Identical covenants and common provisions contained in the Credit Agreements.”

IDENTICAL COVENANTS AND COMMON PROVISIONS CONTAINED IN THE CREDIT AGREEMENTS

Amounts borrowed under the Credit Agreements bear interest at the rate specified below per annum, depending on PREIT’s leverage, in excess of LIBOR, unless and until the Borrower receives an investment grade credit rating and provides notice to the Administrative Agent (the “Rating Date”), after which alternative rates would apply. In determining PREIT’s leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is 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. The 2013 Revolving Facility is sub-ject to a facility fee, which is currently 0.25%, depending on leverage, and is recorded in interest expense in the consolidated statements of oper-ations. In the event that we seek and obtain an investment grade credit rating, alternative interest rates and facility fees would apply.

The Borrower may prepay any of the Credit Agreements 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 be extended. The payment of the 2014 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% from closing to one year after closing, to 2% from one year after closing to two years after closing, to 1% from two years after closing to three years after closing, and without penalty thereafter.

The Credit Agreements contain certain affirmative and negative covenants that 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 1.50:1 (4) minimum Unencumbered Debt Yield of 11.0%; (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; (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 and (ii) 110% of REIT taxable income for a fiscal year; and (15) 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.

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 Credit Agreements are subject to customary events of default and are cross-defaulted with one another. As of December 31, 2015, the Borrower was in compliance with all such financial covenants.

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 (2), or (4) with respect to the Term Loans, are guarantors under the 2013 Revolving Facility, as amended, will serve

as guarantors for funds borrowed under the Credit Agreements. In the event that we seek and obtain an investment grade credit rating, if any, PREIT 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.

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 Credit Agreements immediately due and payable, and the Commitments of the lenders to make further loans under the 2013 Revolving Facility and the 2014 Term Loans 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.

MORTGAGE LOANS Our mortgage loans, which are secured by 15 of our consolidated and held for sale properties, are due in installments over various terms extending to the year 2025. Eleven of these mortgage loans bear interest at fixed interest rates that range from 3.88% to 5.95% and had a weighted average interest rate of 4.66% at December 31, 2015. Four of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.94% at December 31, 2015. The weighted average interest rate of all consolidated mortgage loans was 4.44% at December 31, 2015. 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, 2015:

(in thousands of dollars) For the Year Ending December 31,	Principal Amortization	Balloon Payments	Total
2016	\$ 15,989	\$ 219,480	\$ 235,469
2017	16,244	150,000	166,244
2018	16,952	116,469	133,421
2019	17,692	—	17,692
2020	18,090	27,161	45,251
2021 and thereafter	52,034	675,384	727,418
	\$ 137,001	\$1,188,494	\$1,325,495

The estimated fair values of our consolidated mortgage loans (excluding mortgage loans on held for sale properties) based on year-end interest rates and market conditions at December 31, 2015 and 2014 are as follows:

	2015		2014	
(in millions of dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans	\$ 1,325.5	\$ 1,323.3	\$ 1,407.9	\$ 1,415.5

The mortgage loans contain various customary default provisions. As of December 31, 2015, 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, 2013 relating to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2015 Activity:				
March	Francis Scott Key Mall ⁽¹⁾⁽²⁾	\$ 5.8	LIBOR plus 2.60%	March 2018
June	Patrick Henry Mall ⁽³⁾	96.2	4.35% fixed	July 2025
September	Willow Grove Park Mall ⁽⁴⁾	170.0	3.88% fixed	October 2025
2013 Activity:				
February	Francis Scott Key Mall ⁽¹⁾⁽²⁾	\$ 62.6	LIBOR plus 2.60%	March 2018
February	Lycoming Mall ⁽⁵⁾	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 ⁽⁶⁾	51.0	LIBOR plus 2.10%	September 2014
December	Wyoming Valley Mall	78.0	5.17% fixed	December 2023

⁽¹⁾ Interest only payments.

⁽²⁾ The mortgage loan was increased by \$5.8 million in 2015.

⁽³⁾ We used the proceeds of the mortgage loan to repay the \$83.8 million mortgage loan plus accrued interest and incurred a \$0.8 million prepayment penalty. The balance of the proceeds were used for general corporate purposes.

⁽⁴⁾ We used the proceeds of the mortgage loan to repay the \$133.6 million mortgage loan plus accrued interest. The balance of the proceeds were used for general corporate purposes.

⁽⁵⁾ 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.

⁽⁶⁾ 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. We repaid the mortgage loan in July 2014.

OTHER MORTGAGE LOAN ACTIVITY In April 2015, we repaid a \$55.3 million mortgage loan plus accrued interest secured by Magnolia Mall in Florence, South Carolina using \$40.0 million from our 2013 Revolving Facility and the balance from available working capital.

In July 2014, we repaid a \$25.8 million mortgage loan plus accrued interest secured by 801 Market Street, Philadelphia, Pennsylvania, a property that is part of The Gallery, using proceeds from the transaction relating to The Gallery with Macerich.

Also in July 2014, we repaid a \$51.0 million mortgage loan plus accrued interest secured by Logan Valley Mall in Altoona, Pennsylvania using \$50.0 million from our 2013 Revolving Facility and \$1.0 million from available working capital. The \$50.0 million borrowed from the 2013 Revolving Facility was subsequently repaid in July 2014 using proceeds from the transaction relating to The Gallery with Macerich.

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.

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 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.

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 \$3.6 million will be reclassified as an increase to interest expense in connection with derivatives.

INTEREST RATE SWAPS As of December 31, 2015, we had entered into 21 interest rate swap agreements with a weighted average interest swap rate of 1.49% on a notional amount of \$521.7 million maturing on various dates through June 2020. 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. As of December 31, 2015, 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 the years ended December 31, 2015, 2014 and 2013, we recorded net losses on hedge ineffectiveness of \$0.5 million, \$1.8 million and \$3.4 million, respectively.

Following our July 2014 repayment of the \$25.8 million mortgage loan secured by 801 Market Street, Philadelphia, Pennsylvania, we anticipated that we would not have sufficient 1-month LIBOR based interest payments to meet the entire swap notional amount related to two of our swaps, and we estimated that this condition would exist until approximately March 2015, when we planned to incur variable rate debt as part of the consideration for Springfield Town Center. These swaps, with an aggregate notional amount of \$40.0 million, did not qualify for ongoing hedge accounting for the period from July 2014 to March 2015 as a result of the unrealized forecasted transactions. We recognized mark-to-market interest expense on these two swaps of \$0.5 million for the period from January 2015 to March 31, 2015 and \$0.5 million for the period from July 2014 to December 2014. Also, previously deferred losses in other comprehensive income for the period from July 2014 to March 2015 in the amount of \$0.1 million related to these interest

rate swaps were reclassified into interest expense in 2014. These swaps are scheduled to expire by their terms in January 2019.

Also, in the year ended December 31, 2014, we gave notice to the mortgage lender that we intended to repay the mortgage loan secured by Logan Valley Mall prior to its maturity, and in connection therewith, we recorded hedge ineffectiveness of \$1.2 million. The notice of our intention to repay the mortgage loan made it probable that the hedged transaction identified in our original hedge documentation would not occur, we reclassified \$1.2 million from accumulated other comprehensive loss to interest expense. We repaid the mortgage loan secured by Logan Valley Mall in July 2014.

In the year ended December 31, 2013, 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.

Accumulated other comprehensive income (loss) as of December 31, 2015 includes a net loss of \$2.0 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, 2015 and 2014. 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, 2015 ⁽¹⁾	Fair Value at December 31, 2014 ⁽¹⁾	Interest Rate	Maturity Date
Interest Rate Swaps				
\$ 25.0	\$ (0.1)	\$ (0.2)	1.10%	July 31, 2016
28.1	(0.2)	(0.4)	1.38%	January 2, 2017
33.0	—	0.1	3.72%	December 1, 2017
7.6	—	—	1.00%	January 1, 2018
55.0	(0.1)	—	1.12%	January 1, 2018
48.0	(0.1)	—	1.12%	January 1, 2018
30.0	(0.5)	(0.4)	1.78%	January 2, 2019
20.0	(0.4)	(0.3)	1.78%	January 2, 2019
20.0	(0.3)	(0.3)	1.78%	January 2, 2019
20.0	(0.3)	(0.3)	1.79%	January 2, 2019
20.0	(0.3)	(0.3)	1.79%	January 2, 2019
20.0	(0.3)	(0.3)	1.79%	January 2, 2019
25.0	—	N/A	1.16%	January 2, 2019
25.0	—	N/A	1.16%	January 2, 2019
25.0	—	N/A	1.16%	January 2, 2019
20.0	—	N/A	1.16%	January 2, 2019
20.0	0.1	N/A	1.23%	June 26, 2020
20.0	0.2	N/A	1.23%	June 26, 2020
20.0	0.2	N/A	1.23%	June 26, 2020
20.0	0.2	N/A	1.23%	June 26, 2020
20.0	0.2	N/A	1.24%	June 26, 2020
	\$ (1.7)	\$ (2.4)		

⁽¹⁾ As of December 31, 2015 and December 31, 2014, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy and 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, 2015, 2014 and 2013:

(in millions of dollars)	For the Year Ended December 31,			Consolidated Statements of Operations Location
	2015	2014	2013	
Derivatives in cash flow hedging relationships:				
Interest rate products				
(Loss) gain recognized in Other Comprehensive Income (Loss) on derivatives	\$ (2.4)	\$ (1.9)	\$ 8.2	N/A
Loss reclassified from Accumulated Other Comprehensive Income (Loss) into income (effective portion)	5.0	4.3	9.9	Interest expense
Loss recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)	(0.5)	(1.8)	(3.4)	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, 2015, 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, 2015, 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 \$1.7 million. If we had breached any of the default provisions in these agreements as of December 31, 2015, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of \$2.1 million. We had not breached any of these provisions as of December 31, 2015.

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 30% 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 \$1.1 million for each of the years ended December 31, 2015 and 2014, and \$1.0 million for the year ended December 31, 2013.

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 \$0.4 million, \$0.4 million and \$0.5 million for the years ended December 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, approximately 25,000, 30,000 and 29,000 shares, respectively, were purchased for total consideration of \$0.5 million, \$0.5 million and \$0.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. We recorded expense of \$0.1 million in each of the years ended December 31, 2015, 2014 and 2013, related to the share purchase plan.

8. Share Based Compensation

SHARE BASED COMPENSATION PLANS As of December 31, 2015, 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 (the “2003 Equity Incentive Plan”). 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, 2015, 2014 and 2013, we recorded aggregate compensation expense for share based awards of \$6.3 million (including \$0.2 million of accelerated amortization relating to employee separation), \$8.5 million (including \$1.5 million of accelerated amortization relating to employee separation) and \$7.3 million, (including \$0.7 million of accelerated amortization related to employee separation), 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, 2015, 2014 and 2013, we capitalized compensation costs related to share based awards of \$0.2 million, \$0.1 million, and \$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 2003 Equity Incentive Plan (pursuant to options, restricted shares, shares issuable pursuant to current or future RSU Programs, or otherwise) was 1,158,149 as of December 31, 2015. The share based awards described in this footnote 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 2015, 2014 and 2013 was \$4.0 million, \$4.3 million and \$4.1 million, respectively. As of December 31, 2015, there was \$7.9 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, 2015, 2014 and 2013 was \$3.7 million, \$6.0 million and \$5.4 million, respectively.

A summary of the status of our unvested restricted shares as of December 31, 2015 and changes during the years ended December 31, 2015, 2014 and 2013 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2013	724,736	\$ 14.81
Shares granted	253,920	18.54
Shares vested	(392,917)	13.74
Shares forfeited	(2,300)	16.41
December 31, 2013	583,439	17.15
Shares granted	253,922	19.20
Shares vested	(374,213)	16.16
Shares forfeited	(25,099)	18.46
December 31, 2014	438,049	19.11
Shares granted	195,255	23.38
Shares vested	(282,125)	17.12
Shares forfeited	(8,849)	21.32
December 31, 2015	342,330	\$ 23.13

RESTRICTED SHARES SUBJECT TO TIME BASED VESTING In 2015, 2014 and 2013, we made grants of restricted shares subject to time based vesting. The awarded shares vest over periods of one 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 169,131, 225,978 and 222,664 restricted shares subject to time based vesting to our employees in 2015, 2014 and 2013, 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 \$23.55 per share in 2015, \$19.23 per share in 2014 and \$18.29 per share in 2013. Compensation cost relating to time based restricted share awards is recorded ratably over the respective vesting periods. We recorded \$3.9 million (including \$0.2 million of accelerated amortization relating to employee separation), \$4.9 million (including \$0.8 million of accelerated amortization relating to employee separation) and \$4.3 million (including \$0.5 million of accelerated amortization relating to employee separation) of compensation expense related to time based restricted shares for the years ended December 31, 2015, 2014 and 2013, respectively.

On February 23, 2016, the Company granted 226,521 time-based restricted shares to employees with a grant date fair value of \$4.2 million that vest over periods of two to three years in annual installments.

We will record future compensation expense in connection with the vesting of existing time based restricted share awards as follows (including restricted shares issued in 2016):

(in thousands of dollars) For the Year Ending December 31,	Future Compensation Expense
2016	\$ 3,571
2017	2,693
2018	1,446
2019	176
Total	\$ 7,886

RESTRICTED SHARE UNIT PROGRAMS In 2015, 2014, 2013, 2012 and 2011, our Board of Trustees established the 2015-2017 RSU program, 2014-2016 RSU Program, 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 applicable three year periods 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 2015, 2014 and 2013 were determined using a Monte Carlo simulation probabilistic valuation model, and are presented in the table below. The table also sets forth the assumptions used in the Monte Carlo simulations used to determine the aggregate fair values of the RSU awards in 2015, 2014 and 2013 by grant date:

	RSUs and assumptions by Grant Date		
	February 24, 2015	February 26, 2014	February 27, 2013
RSUs granted	94,014	127,353	112,898
Aggregate fair value of shares granted in millions of dollars	\$ 2.1	\$ 2.2	\$ 2.0
Weighted average fair value per share	\$ 22.06	\$ 17.56	\$ 17.40
Volatility	25.3%	37.7%	44.7%
Risk free interest rate	0.97%	0.68%	0.36%
PREIT Stock Beta			
compared to Dow Jones US Real Estate Index	1.221	1.492	1.472

Compensation cost relating to the RSU awards is expensed ratably over the applicable three year vesting period. We recorded \$1.8 million (including \$0.2 million of accelerated amortization relating to employee separation), \$2.8 million (including \$0.7 million of accelerated amortization relating to employee separation) and \$2.3 million of compensation expense related to the RSU Programs for the years ended December 31, 2015, 2014 and 2013, respectively. We will record future aggregate compensation expense of \$1.8 million related to the existing awards under the RSU Programs (not including the effect of the 2016 RSUs described below, the valuation for which has not yet been determined).

For the years ended December 31, 2015, 2014, and 2013, the number of shares issued to employees resulting from the measurement of the 2013-2015 RSU program, 2012-2014 RSU Program, and the 2011-2013 RSU program were 134,733, 345,344, and 341,710, respectively.

On February 23, 2016, the Board of Trustees established the 2016-2018 RSU program, and the Company granted 125,447 RSUs to employees (the “2016 RSUs”). The 2016 RSUs have a three-year measurement period that ends on December 31, 2018 or a shorter period ending upon the change in control of the Company. The aggregate fair value of the 2016 RSUs will be determined during the first quarter of 2016.

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. These annual awards are made under the 2003 Equity Incentive Plan. The aggregate fair value of the restricted shares that we granted to our non-employee trustees in 2015, 2014 and 2013 was \$0.6 million, \$0.5 million and \$0.6 million, respectively. We recorded \$0.6 million, \$0.8 million and \$0.8 million of compensation expense related to time based vesting of non-employee trustee restricted share awards in 2015, 2014

and 2013, respectively. As of December 31, 2015, there was \$0.2 million of total unrecognized compensation expense related to unvested restricted share grants to non-employee trustees. This future compensation expense will be recognized over a weighted average period of 0.2 years. The total fair value of shares granted to non-employee trustees that vested was \$1.1 million, \$0.9 million, and \$0.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. In 2016, we will record compensation expense of \$0.2 million in connection with the vesting of existing non-employee trustee restricted share awards.

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. No options were granted to non-employee trustees in 2015 or 2014. In 2013, 5,000 options were granted to a newly-elected, non-employee trustee. In 2013, the Board of Trustees determined that it would no longer grant options to new non-employee trustees. The following table presents the changes in the number of options outstanding from January 1, 2013 through December 31, 2015:

	Weighted Average Exercise Price/Total	2003 Equity Incentive Plan	1990 Non-Employee Trustee Plan
Options outstanding at January 1, 2013	30,000	15,000	15,000
Options forfeited	\$ 32.89	—	(15,000)
Options granted	\$ 20.40	5,000	—
Options outstanding at December 31, 2013	20,000	20,000	—
Options forfeited	\$ 34.55	(5,000)	—
Options outstanding at December 31, 2014	15,000	15,000	—
Options forfeited	\$ 38.00	(5,000)	—
Options outstanding at December 31, 2015⁽¹⁾	10,000	10,000	—
Outstanding exercisable and unexercisable options			
Average exercise price per share	\$ 16.63	\$ 16.63	\$ —
Aggregate exercise price ⁽²⁾	\$ 166	\$ 166	\$ —
Intrinsic value of options outstanding ⁽²⁾	\$ 52	\$ 52	\$ —
Outstanding exercisable options at December 31, 2015			
Options	6,250	6,250	—
Average exercise price per share	\$ 15.88	\$ 15.88	\$ —
Aggregate exercise price ⁽²⁾	\$ 99	\$ 99	\$ —
Intrinsic value of options outstanding ⁽²⁾	\$ 37	\$ 37	\$ —

⁽¹⁾ The weighted average remaining contractual life of these outstanding options is 6.73 years (weighted average exercise price of \$16.63 per share and an aggregate exercise price of \$0.2 million).

⁽²⁾ Amounts in thousands of dollars.

The following table summarizes information relating to all options outstanding as of December 31, 2015:

Range of Exercise Prices (Per Share)	Options Outstanding as of December 31, 2015		Options Exercisable as of December 31, 2015		
	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	3,750	\$ 12.87	6.3
\$19.00-\$28.99	5,000	\$ 20.40	2,500	\$ 20.40	7.3

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,		
2016	\$	213,828
2017		182,959
2018		156,134
2019		129,624
2020		105,951
2021 and thereafter		340,020
		\$ 1,128,516

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 three of our properties (Crossroads Mall, Exton Square Mall and Springfield Town Center). Total amounts expensed relating to such leases were \$2.5 million, \$2.3 million and \$2.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. We account for ground rent and operating 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
2016	\$	2,123	\$	651
2017		1,960		91
2018		1,785		74
2019		1,337		3
2020		6		3
2021 and thereafter		—		21
		\$ 7,211		\$ 843

10. Related Party Transactions

GENERAL In 2015, 2014 and 2013, we provided management, leasing and development services for eight properties owned by partnerships and other entities in which certain of our officers or current or former trustees or members of their immediate family and affiliated entities have indirect ownership interests. Effective December 31, 2015, our management services were terminated for five of these properties, and the services for one other property are expected to be terminated in 2016. Total revenue earned by PRI for such services was \$0.8 million, \$0.6 million and \$1.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

OFFICE LEASE We lease our principal executive offices from Bellevue Associates, an entity in which our Executive Chairman, Ronald Rubin, collectively with members of his immediate family and affiliated entities, owns approximately a 50% interest. Total rent expense under this lease was \$1.3 million, \$1.2 million and \$1.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

SPRINGFIELD PARK DISPOSITION As disclosed in note 3, we sold our entire 50% interests in Springfield Park shopping center in Springfield, Pennsylvania in July 2015. The buyer, Rubin Retail Acquisitions, L.P., is an entity controlled by Ronald Rubin, Executive Chairman and a Trustee of PREIT, and his brother, George Rubin, a former Vice Chairman and a former Trustee of PREIT. In accordance with PREIT’s Related Party Transactions Policy, a Special Committee consisting exclusively of independent members of PREIT’s Board of Trustees considered and approved the terms of the transaction. The disinterested members of PREIT’s Board of Trustees also approved the transaction.

11. Commitments and Contingencies

CONTRACTUAL OBLIGATIONS As of December 31, 2015, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of \$31.8 million in the form of tenant allowances and contracts with general service providers and other professional service providers. In addition, our operating partnership, PREIT Associates, has jointly and severally guaranteed the obligations of the joint venture we formed with Macerich to develop the Fashion Outlets of Philadelphia to commence and complete a comprehensive redevelopment of that property costing not less than \$300.0 million within 48 months after commencement of construction.

EMPLOYMENT AGREEMENTS As of December 31, 2015, four officers of the Company had employment agreements with initial 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, 2015 of \$1.7 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. Ronald Rubin’s employment will expire pursuant to its terms on June 7, 2016.

PROVISION FOR EMPLOYEE SEPARATION EXPENSE

GEORGE RUBIN, FORMER VICE CHAIRMAN In May 2014, George F. Rubin separated from his position as Vice Chairman of PREIT. Under the terms of Mr. Rubin’s separation agreement from the Company, which became effective in June 2014, we recorded employee separation expense of \$4.1 million in the second quarter of 2014. In August 2014, Mr. Rubin received a payment of approximately \$2.6 million, which amount is in addition to the payment of the amounts accrued under Mr. Rubin’s supplemental retirement plan. All of Mr. Rubin’s outstanding unvested restricted shares became vested in connection with his separation and he remains eligible to receive shares under the Company’s Restricted Share Unit Programs based on the achievement of the performance metrics established by those programs as if his employment had not terminated. Mr. Rubin’s term as a member of the Company’s board of trustees expired at the Company’s Annual Meeting held on May 30, 2014.

OTHER In 2015 and 2014, we terminated the employment of certain employees. In connection with the departure of those employees, we recorded \$2.1 million and \$0.9 million of employee separation expense in 2015 and 2014, respectively.

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 \$25.0 million per occurrence and up to \$25.0 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, Joseph Coradino and three 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, Joseph Coradino and two other individuals resulting from the sale of the office building during the eight years following the initial closing, which was in February 2008.

In connection with the acquisition of Springfield Town Center on March 31, 2015, PREIT Associates, L.P. agreed to provide tax protection to Vornado Realty, L.P. (“VRLP”) in the event of the future taxable sale or disposition of the property. The tax protection is in an amount equal to VRLP’s pre-existing tax protection to Meshulam Riklis (“MR”), the original contributor of the property, plus documented out-of-pocket reasonable costs and expenses. Tax protection ends when VRLP’s liability under the MR tax protection agreement ceases, which will be either (a) upon the death of MR or (b) upon the execution of an amendment releasing VRLP from any liability to MR in the event of a sale or disposition of the property.

There were no other tax protection agreements in effect as of December 31, 2015.

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. During 2015, the counterparty elected to exercise its put option, and in October 2015, we paid \$1.8 million to the Phase I Counterparty to repurchase its ownership interest in the Phase I Project.

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 were 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. We recorded \$1.8 million of the contribution received from the Phase I Counterparty as “Other income” in the consolidated statements of operations in each of the third quarters of 2013 and 2014 representing the expiration of the fourth and fifth and final recapture periods, respectively. We also recorded \$1.2 million of priority returns earned by the Phase I Counterparty during the third quarter of 2014. Of this amount, \$1.0 million relates to priority returns from prior periods that were paid but were not expensed in the period in which they were earned.

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 Project has two stages of development, Phase II(i) and Phase II(ii). The Phase II Counterparty contributed a total of \$5.5 million of equity to the Phase II(i) project through December 31, 2013 and \$5.8 million to the Phase II(ii) project through September 30, 2014, and we recorded these contributions in “Accrued expenses and other liabilities” as of December 31, 2014. 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 \$1.7 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, of which Phase II(i) was completed in the second quarter of 2012, and Phase II(ii) was completed in the second quarter of 2013. 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 quarters of 2015, 2014 and 2013, we recognized \$0.9 million, \$1.2 million and \$0.7 million, respectively, related to the third, second and first recapture periods of Phase II(i) and \$1.2 million and \$1.0 million,

respectively, related to the second and first recapture periods of Phase II(ii) of the contribution received from the Phase II Counterparty as “Other income” in the consolidated statements of operations. We also recorded \$0.3 million of priority returns earned by the Phase II Counterparty during each of the third quarters 2015 and 2014, respectively. Of the 2014 amount, \$0.1 million relates to priority returns from prior periods that were paid but were not expensed in the period in which they were earned.

13. Summary of Quarterly Results (Unaudited)

The following presents a summary of the unaudited quarterly financial information for the years ended December 31, 2015 and 2014:

(in thousands of dollars, except per share amounts) For the Year Ended December 31, 2015	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
Revenue from continuing operations	\$ 100,058	\$ 101,693	\$ 107,036	\$ 116,624	\$ 425,411
Net loss ⁽²⁾⁽³⁾	(13,939)	(34,666)	(36,241)	(44,721)	(129,567)
Net loss attributable to PREIT ⁽²⁾⁽³⁾	(13,509)	(30,924)	(32,340)	(39,910)	(116,683)
Basic and diluted loss per share	(0.26)	(0.51)	(0.53)	(0.64)	(1.93)
(in thousands of dollars, except per share amounts) For the Year Ended December 31, 2014	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
Revenue from continuing operations	\$ 109,386	\$ 106,825	\$ 105,137	\$ 111,355	\$ 432,703
Net (loss) income ⁽²⁾⁽³⁾	(8,356)	(24,050)	(886)	19,030	(14,262)
Net (loss) income attributable to PREIT ⁽³⁾	(8,104)	(23,325)	(859)	18,458	(13,830)
Basic and diluted (loss) earnings per share	(0.18)	(0.40)	(0.07)	0.21	(0.44)

⁽¹⁾ 4th Quarter revenue includes a significant portion of annual percentage rent as most percentage rent minimum sales levels are met in the 4th quarter.

⁽²⁾ Includes impairment losses of \$6.2 million (1st Quarter 2015), \$28.7 million (2nd Quarter 2015), \$51.4 million (3rd Quarter 2015), \$54.0 million (4th Quarter 2015), \$1.3 million (1st Quarter 2014), \$16.1 million (2nd Quarter 2014) and \$2.3 million (3rd Quarter 2014).

⁽³⁾ Includes gains on sales of interests in real estate of \$12.4 million (3rd Quarter 2015), \$13.1 million (4th Quarter 2014) and gains on sales of non operating real estate of \$1.8 million (4th Quarter 2014).

In aggregate, we recorded net income of \$1.8 million, \$1.9 million and \$0.7 million to “Other income” in the consolidated statements of operations in connection with Phase II in 2015, 2014 and 2013, respectively. Pursuant to terms customarily found in such agreements, we have agreed to indemnify the Phase I and Phase II Counterparties for their contributions, penalties and interest in the event all or a portion of the historic tax credits are disallowed.

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 consolidated 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 (2013) 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, 2015, 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 60 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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company has changed its accounting for discontinued operations as of January 1, 2014.

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, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of Pennsylvania Real Estate Investment Trust’s internal control over financial reporting.

KPMG LLP

Philadelphia, Pennsylvania
February 26, 2016

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, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* 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, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* 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, 2015 and 2014, 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, 2015, and our report dated February 26, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Philadelphia, Pennsylvania
February 26, 2016

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 33 retail properties, of which 29 are operating properties and four are development or redevelopment properties. The 29 operating properties include 25 shopping malls and four other retail properties, have a total of 24.3 million square feet and are located in 10 states. We and partnerships in which we own an interest own 18.2 million square feet at these properties (excluding space owned by anchors).

There are 23 operating retail properties in our portfolio that we consolidate for financial reporting purposes. These consolidated properties have a total of 20.2 million square feet, of which we own 15.4 million square feet. The six operating retail properties that are owned by unconsolidated partnerships with third parties have a total of 4.1 million square feet, of which 2.8 million square feet are owned by such partnerships. “Same Store” properties are properties that have been owned for the full periods presented and exclude properties acquired or disposed of or under redevelopment during the periods presented.

The development and redevelopment portion of our portfolio contains four properties in three states, with two classified as “mixed use” (a combination of retail and other uses), one classified as “retail” (redevelopment of The Gallery at Market East into the Fashion Outlets of Philadelphia), and one classified as “other.”

The above property counts do not include Gadsden Mall in Gadsden, Alabama, Lycoming Mall in Pennsdale, Pennsylvania, New River Valley Mall in Christiansburg, Virginia, Palmer Park Mall in Easton, Pennsylvania, Wiregrass Commons Mall in Dothan, Alabama and two street retail properties in Philadelphia, Pennsylvania because these properties have been classified as “held for sale” as of December 31, 2015. Palmer Park Mall was sold in February 2016.

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 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. 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 decreased by \$115.3 million to a net loss of \$129.6 million for 2015 from a net loss of \$14.3 million for the year ended December 31, 2014. The change in our 2015 results of operations from the prior year was primarily due to impairment of assets of \$140.3 million in 2015 compared to \$19.7 million in 2014, partially offset by an increase in Same Store NOI (presented using the “proportionate consolidation method”), of \$6.6 million.

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, 2015, held a 89.2% controlling interest in the Operating Partnership, and consolidated it for reporting purposes. We hold our investments in six of the 29 operating retail properties and two of the four development and redevelopment properties in our portfolio through unconsolidated partnerships with third parties in which we own a 25% to 50% interest.

SPRINGFIELD TOWN CENTER On March 31, 2015, we acquired Springfield Town Center in Springfield, Virginia for aggregate consideration of \$486.6 million, consisting of the following components: (i) the assumption and immediate payoff of \$263.8 million of indebtedness owed to affiliates of Vornado Realty L.P.; (ii) 6,250,000 OP Units valued at \$145.2 million, (iii) liabilities relating to tenant improvements and allowances of \$14.8 million, (iv) the estimated present value of the “Earnout” (as described below) of \$8.6 million, and (v) the remainder in cash. The seller is potentially entitled to receive consideration (the “Earnout”) under the terms of the Contribution Agreement which will be calculated as of March 31, 2018. The acquisition of Springfield Town Center affects the comparability of our occupancy, real estate revenue, property operating expenses and depreciation and amortization to prior periods. In addition, the debt incurred to finance a portion of the purchase price will cause us to incur interest expense. The impact of the acquisition on our net income, net operating income and Funds From Operations will depend on rental rates, occupancy and the overall performance of the property.

Despite the significance of the acquisition of Springfield Town Center, we have not included separate financial statements related to Springfield Town Center in this Annual Report because Springfield Town Center has been undergoing a multi-year redevelopment, during which the entire mall was demolished and rebuilt, with the exception of certain anchor stores. Accordingly, the financial statements for Springfield Town Center during the period of renovation are not reflective of Springfield Town Center’s historical or expected future performance.

THE FASHION OUTLETS OF PHILADELPHIA JOINT VENTURE In July 2014, we entered into a 50/50 joint venture with The Macerich Company (“Macerich”) to redevelop The Gallery at Market East in Philadelphia, Pennsylvania into the Fashion Outlets of Philadelphia (the “Fashion Outlets of Philadelphia”). In connection therewith, we contributed and sold real estate assets to the venture, and Macerich acquired its interest in the venture and real estate from us for \$106.8 million in cash. It is expected that both parties will make additional investments in the project.

Net proceeds after closing costs from the sale of the interests were \$104.0 million. We used \$25.8 million of such proceeds to repay a mortgage loan secured by 801 Market Street, Philadelphia, Pennsylvania, a property that is part of the Fashion Outlets of Philadelphia, \$50.0 million to repay the outstanding balance on our 2013 Revolving Facility, and the remaining proceeds for general corporate purposes. As we redevelop the Fashion Outlets of Philadelphia, operating results in the short term, as measured by sales, occupancy and net operating income, will likely be negatively affected until the newly constructed space is completed, leased and occupied.

ACQUISITIONS AND DISPOSITIONS See note 2 to our consolidated financial statements for a description of our dispositions and acquisition in 2015, 2014 and 2013.

CURRENT ECONOMIC CONDITIONS AND OUR NEAR TERM CAPITAL NEEDS The conditions in the economy 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, and in some cases, has led to bankruptcy filings. 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 Credit Agreements. These steps might include (i) sales of properties or interests in properties with values in excess of their mortgage loans (if applicable) and application of the excess proceeds to debt reduction, or by obtaining capital from joint ventures or other partnerships or arrangements involving our

contribution of assets with institutional investors, private equity investors or other REITs, and (ii) obtaining equity capital, including through the issuance of common or preferred equity securities if market conditions are favorable, or through other actions.

CAPITAL IMPROVEMENT PROJECTS AND DEVELOPMENT We might engage in various types of capital improvement projects at our operating properties. 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 \$64.0 million as of December 31, 2015.

We are also engaged in several types of projects at our development properties. However, we do not expect to make any significant investment in these projects in the short term other than the Fashion Outlets of Philadelphia. The joint venture we formed with Macerich to develop the Fashion Outlets of Philadelphia has committed to commence and complete a comprehensive redevelopment of that property costing not less than \$300.0 million within 48 months after commencement of construction. Our operating partnership, PREIT Associates, and Macerich have jointly and severally guaranteed this obligation. We have also committed to significant redevelopment projects at Exton Square Mall, Plymouth Meeting Mall and Cumberland Mall. The following table sets forth key information regarding our largest current development and redevelopment projects.

(in millions of dollars) Name of Project Location	PREIT's Projected Share of Cost	Total Project Cost	PREIT's Investment to Date	Expected Return on Incremental Investment	Construction Start Date	Expected Completion Date	Year of Stabilization
Fashion Outlets of Philadelphia, Philadelphia, PA	\$160.0-\$190.0	\$320.0-\$380.0	\$31.9	8-9%	2016	2018	2020
—Complete overhaul of the former Gallery at Market East, spanning three city blocks in downtown Philadelphia. —Project will offer a fusion of luxury and moderate outlet shops, flagship retail and destination dining and entertainment experiences.							
Exton Square Mall - Phase I, Exton, PA	\$30.0-\$33.0	\$30.0-\$33.0	\$ 3.9	9-10%	2016	2017	2018
—55,000 square foot Whole Foods to open on site of K-Mart in 2017; Addition of first to market entertainment complex, Round 1, in the former JCPenney anchor store location.							
Plymouth Meeting Mall, Plymouth Meeting, PA	\$6.6-\$7.3	\$6.6-\$7.3	\$ 0.1	8-9%	2016	2017	2018
—Addition of 33,000 square foot Legoland Discovery Center, one of nine in the United States.							
Cumberland Mall, Vineland, NJ	\$7.5-\$8.3	\$7.5-\$8.3	\$ 0.1	10-11%	2016	2016	2018
—Opening a Dick’s Sporting Goods in the former JCPenney anchor store location in early 2017.							

As of December 31, 2015, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects at our consolidated properties of \$31.8 million in the form of tenant allowances and contracts with general service providers and other professional service providers.

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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. In preparing the consolidated 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 a similar business. The estimates and assumptions made by management in applying critical accounting policies have not changed materially during 2015, 2014 and 2013, 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 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.

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 property or 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 2013 ranged from 6.25% to 12.0% and in 2014 ranged from 5.25% to 12.5% and in 2015 ranged from 4.5% to 15.5%. In 2015, as a result of our analysis, we determined that seven properties had incurred impairment of assets. The fair values of the properties (Gadsden Mall, New River Valley Mall, Wiregrass Commons Mall, Voorhees Town Center, Lycoming Mall, Uniontown Mall and Palmer Park Mall) were determined based on negotiated sale prices of the properties as discussed further in note 2 to our consolidated financial statements. In 2014, as a result of our analysis, we determined that three properties had incurred impairment of assets. The fair values of the properties (Nittany Mall, North Hanover Mall and South Mall) were determined based on negotiated sale prices of the properties as discussed further in note 2 to our consolidated financial statements. In 2013, two properties had impairment of assets. 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.

NEW ACCOUNTING DEVELOPMENTS In March 2015, the Financial Accounting Standards Board (“FASB”) issued “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” and “Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,” which intend to simplify the presentation of debt issuance costs. The new guidance is effective for annual periods beginning after December 15, 2015 for public companies. We have evaluated this new guidance and have determined that this standard will not have a significant impact on our consolidated financial statements. We will adopt this new guidance in 2016.

In May 2014, the FASB issued “Revenue from Contracts with Customers.” The objective of this new standard is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of this new standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. The new guidance is effective for annual reporting periods beginning after December 15, 2017 for public companies. Entities have the option of using either a full retrospective or modified approach to adopt this standard. We are currently evaluating the new guidance and have not determined the impact this standard might have on our consolidated financial statements, nor have we decided upon the method of adoption.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation—Amendments to the Consolidation Analysis, which amends the current consolidation guidance affecting both the variable interest entity (“VIE”) and voting interest entity (“VOE”) consolidation models. The standard does not add or remove any of the characteristics in determining if an entity is a VIE or VOE, but rather enhances the way we assesses some of these characteristics. The new standard is effective on January 1, 2016. The adoption of ASU 2015-02 is not expected to have a material effect on our consolidated financial statements.

Off-Balance Sheet Arrangements

We have no material off-balance sheet items other than (i) the partnerships described in note 3 to our consolidated financial statements and in the “Overview” section above and (ii) specifically with respect to our joint venture formed with Macerich to develop the Fashion Outlets of Philadelphia, our operating partnership, PREIT Associates, has jointly and severally guaranteed the obligations of the joint venture to commence and complete a comprehensive redevelopment of that property costing not less than \$300.0 million within 48 months after commencement of construction.

Results of Operations

OVERVIEW Net loss for the year ended December 31, 2015 was \$129.6 million, compared to a net loss for the year ended December 31, 2014 of \$14.3 million. Our 2015 and 2014 results of operations were primarily affected by the following:

- impairment of assets of \$140.3 million in 2015 compared to \$19.7 million in 2014; partially offset by
- an increase in Same Store NOI of \$6.6 million (presented using the “proportionate consolidation method;” See “—Net Operating Income”).

Net loss for the year ended December 31, 2014 was \$14.3 million, compared to net income for the year ended December 31, 2013 of \$37.2 million. Our 2014 and 2013 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 Non Same Store NOI of \$12.7 million (presented using the “proportionate consolidation method;” See “—Net Operating Income”) primarily due to properties or interests in properties sold in 2014; partially offset by
- gains on sales of interests in real estate of \$12.7 million in 2014 resulting from the sale of our interest in Whitehall Mall in Allentown, Pennsylvania;
- impairment of assets of \$19.7 million in 2014 compared to impairment of assets of \$30.0 million in 2013;
- a decrease of \$16.6 million in interest expense (including the effects of loss on hedge ineffectiveness) primarily due to lower overall debt balances and lower average interest rates; and
- an increase of \$7.1 million in Same Store NOI.

OCCUPANCY The tables below set forth certain occupancy statistics for our retail properties, including properties held for sale, as of December 31, 2015, 2014 and 2013:

	Occupancy ⁽¹⁾ as of December 31,								
	Consolidated Properties			Unconsolidated Properties			Combined ⁽²⁾		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Retail portfolio weighted average:									
Total excluding anchors	92.6%	95.3%	94.8%	96.1%	98.0%	98.8%	93.3%	95.8%	95.5%
Total including anchors	94.7%	97.2%	96.9%	96.8%	98.4%	99.1%	95.0%	97.3%	97.1%
Malls weighted average:									
Total excluding anchors	93.5%	95.3%	94.8%	95.8%	95.3%	97.3%	92.9%	95.3%	95.0%
Total including anchors	95.2%	97.2%	96.9%	97.1%	96.8%	98.1%	94.9%	97.2%	96.9%
Other Retail Properties									
weighted average:	100.0%	99.5%	99.5%	96.6%	99.9%	99.9%	96.7%	99.9%	99.9%

⁽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 2014 to 2015, total occupancy for our retail portfolio decreased 230 basis points to 95.0%, and mall occupancy decreased 230 basis points to 94.9%, including consolidated and unconsolidated properties (and including all tenants irrespective of the term of their agreement). Same Store occupancy for our retail portfolio decreased 160 basis points to 95.7% and Same Store mall occupancy decreased 180 basis points to 95.4%, including consolidated and unconsolidated properties (and including all tenants irrespective of the term of their agreement). During 2015, we experienced closings related to tenant bankruptcies and anchor store closings amounting to 404,764 square feet, or 2.1% of our Same Store portfolio.

LEASING ACTIVITY The table below sets forth summary leasing activity information with respect to our properties for the year ended December 31, 2015, including anchor and non anchor space at consolidated, unconsolidated and held for sale 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 – Non anchor tenants less than 10,000 square feet: ⁽³⁾							
1st Quarter	23	43,481	N/A	\$ 70.36	\$ 70.36	N/A	\$ 5.73
2nd Quarter	44	94,220	N/A	56.36	56.36	N/A	10.57
3rd Quarter	40	73,446	N/A	47.88	47.88	N/A	5.87
4th Quarter	31	74,358	N/A	40.71	40.71	N/A	7.33
Total/Average	138	285,505	N/A	\$ 52.23	\$ 52.23	N/A	\$ 7.78
New Leases – Non anchor tenants 10,000 square feet or greater: ⁽³⁾							
1st Quarter	1	13,000	N/A	\$ 22.49	\$ 22.49	N/A	\$ 12.64
2nd Quarter	2	23,785	N/A	15.41	15.41	N/A	1.44
3rd Quarter	5	99,332	N/A	13.82	13.82	N/A	14.06
4th Quarter	3	71,469	N/A	12.97	12.97	N/A	13.29
Total/Average	11	207,586	N/A	\$ 14.25	\$ 14.25	N/A	\$12.26
Renewal – Non anchor tenants less than 10,000 square feet: ⁽⁴⁾							
1st Quarter	60	137,227	\$ 45.25	\$ 45.95	\$ 0.70	1.5 %	\$ 0.18
2nd Quarter	78	255,466	37.64	39.39	1.75	4.6 %	—
3rd Quarter	77	181,961	40.96	43.97	3.01	7.3 %	0.01
4th Quarter	97	225,524	44.68	47.89	3.21	7.2 %	0.13
Total/Average	312	800,178	\$ 41.68	\$ 43.95	\$ 2.27	5.4 %	\$ 0.07
Renewal – Non anchor tenants 10,000 square feet or greater: ⁽⁴⁾							
1st Quarter	1	12,608	\$ 13.00	\$ 13.50	\$ 0.50	3.8 %	\$ —
2nd Quarter	9	253,119	23.39	24.38	0.99	4.2 %	—
3rd Quarter	2	26,230	57.73	68.36	10.63	18.4 %	—
4th Quarter	11	215,481	13.28	14.64	1.36	10.2 %	0.31
Total/Average	23	507,438	\$ 20.61	\$ 22.25	\$ 1.64	7.9 %	\$ 0.13
New Leases – Anchor Tenants: ⁽³⁾							
1st Quarter	—	—	N/A	\$ —	\$ —	N/A	\$ —
2nd Quarter	1	48,208	N/A	5.23	5.23	N/A	—
3rd Quarter	—	—	N/A	—	—	N/A	—
4th Quarter	2	105,000	N/A	17.2	17.2	N/A	1.66
Total/Average	3	153,208	N/A	\$ 13.43	\$ 13.43	N/A	\$ 1.14
Renewal Leases – Anchor Tenants: ⁽⁴⁾							
1st Quarter	—	—	\$ —	\$ —	\$ —	— %	\$ —
2nd Quarter	8	963,256	4.59	4.59	—	— %	—
3rd Quarter	2	286,293	3.38	3.38	—	— %	—
4th Quarter	—	—	—	—	—	— %	—
Total/Average	10	1,249,549	\$ 4.31	\$ 4.31	\$ —	— %	\$ —

⁽¹⁾ New rent is the initial amount payable upon rent commencement. In certain cases, a lower rent may be payable until certain conditions in the lease are satisfied.

⁽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⁾ This category includes leases for reconfigured spaces and lease extensions.

The following table sets forth our results of operations for the years ended December 31, 2015, 2014 and 2013:					
(in thousands of dollars)	For the Year Ended December 31, 2015	% Change 2014 to 2015	For the Year Ended December 31, 2014	% Change 2013 to 2014	For the Year Ended December 31, 2013
Results of operations:					
Total real estate revenue	\$ 420,197	(2)%	\$ 426,596	(1)%	\$ 431,728
Other income	5,214	(15)%	6,107	(12)%	6,950
Total property operating expenses	(170,047)	(6)%	(180,427)	(1)%	(182,279)
General and administrative expenses	(34,836)	(2)%	(35,518)	(4)%	(36,975)
Provision for employee separation expense	(2,087)	(58)%	(4,961)	114 %	(2,314)
Acquisition costs and other expenses	(6,108)	24 %	(4,937)	247 %	(1,422)
Interest expense, net	(81,096)	(1)%	(82,165)	(17)%	(98,731)
Depreciation and amortization	(142,647)	(1)%	(144,304)	2 %	(140,880)
Impairment of assets	(140,318)	612 %	(19,695)	212 %	(6,304)
Equity in income of partnerships	9,540	(10)%	10,569	8 %	9,778
Gain on sales of interests in real estate, net	12,362	(3)%	12,699	N/A	—
Gain on sales of non-operating real estate	259	(85)%	1,774	N/A	—
Loss from continuing operations	\$ (129,567)	808 %	\$ (14,262)	(30)%	\$ (20,449)

The amounts in the preceding table reflect our consolidated properties, with the exception of properties that are classified as discontinued operations in 2013, which are presented in the consolidated statements of operations 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 consolidated statements of operations in the line item “Equity in income of partnerships.”

REAL ESTATE REVENUE Real estate revenue decreased by \$6.4 million, or 2%, in 2015 as compared to 2014, primarily due to:

- a decrease of \$30.5 million in real estate revenue related to properties sold in 2014 and 2015, and the July 2014 sale of a 50% partnership interest in The Gallery at Market East (“The Gallery”); and

- a \$0.8 million decrease due to the business failure of an office tenant at Voorhees Town Center; partially offset by

- an increase of \$20.2 million in real estate revenue from the acquisition of Springfield Town Center in March 2015;

- an increase of \$3.0 million in Same Store base rent due to increases of \$7.3 million from new store openings and lease renewals with higher base rental amounts, with notable increases at Cherry Hill Mall, Viewmont Mall, Francis Scott Key Mall and Willow Grove Park, partially offset by troubled tenant closings affecting 71 stores across our portfolio, including Deb Shops, Wet Seal, Body Central, Cache and Radio Shack, with an aggregate impact of \$4.3 million;

- an increase of \$1.3 million in Same Store real estate tax reimbursements, offset by a corresponding increase in real estate tax expense; and

- an increase of \$0.8 million in Same Store percentage rent, primarily due to higher sales in 2015 from tenants that paid percentage rent in 2014.

Real estate revenue decreased by \$5.1 million, or 1%, in 2014 as compared to 2013, primarily due to:

- a decrease of \$10.4 million in real estate revenue related to the July 2014 sale of a 50% partnership interest in The Gallery;

- a decrease of \$6.4 million in real estate revenue related to properties sold in 2013 and 2014; and

- a decrease of \$0.5 million in Same Store percentage rent, primarily due to lower sales from some tenants that paid percentage rent in 2013; partially offset by

- an increase of \$6.9 million in Same Store base rent due to new store openings and lease renewals with higher base rent, with notable increases at Moorestown Mall, Cherry Hill Mall, Woodland Mall and Exton Square Mall;

- an increase of \$3.8 million in Same Store expense reimbursements, following increases in snow removal expense, real estate taxes and utility expenses (see “—Operating Expenses”); and

- an increase of \$1.3 million in real estate revenue related to properties acquired in 2014.

PROPERTY OPERATING EXPENSES Property operating expenses decreased by \$10.4 million, or 6%, in 2015 as compared to 2014, primarily due to:

- a decrease of \$18.3 million in property operating expenses related to properties sold in 2014 and 2015, and the July 2014 sale of a 50% partnership interest in The Gallery;

- a decrease of \$2.9 million in Same Store non-common area utility expense. In the three months ended March 31, 2014, there was a significant increase in electric rates at many of our properties. The extreme cold weather in 2014, and the resulting natural gas supply constraints, led to an historic spike in wholesale electricity rates that particularly affected our properties located in Pennsylvania, New Jersey and Maryland, which was not repeated in 2015; and

- a decrease of \$1.8 million in Same Store common area maintenance expense, including decreases of \$0.8 million in common area utilities and \$0.6 million in snow removal expense. Snow removal expense at our properties located in the Mid-Atlantic States, particularly Pennsylvania and New Jersey, was affected by a severe winter with numerous snow-falls during 2014, which was not repeated in 2015; partially offset by

- an increase of \$9.6 million in property operating expenses from the acquisition of Springfield Town Center in March 2015;

- an increase of \$1.6 million in Same Store real estate tax expense due to a combination of increases in the real estate tax assessment value and the real estate tax rate; and

- an increase of \$1.4 million in Same Store bad debt expense. During 2014, we reduced our bad debt expense when we decreased our estimated reserve related to straight line rent receivables, due to improved historical results in recent periods.

Property operating expenses decreased by \$1.9 million, or 1%, in 2014 as compared to 2013, primarily due to:

- a decrease of \$4.9 million in property operating expenses related to the July 2014 sale of a 50% partnership interest in The Gallery;

- a decrease of \$2.4 million in property operating expenses related to properties sold in 2014 and 2013; and

- a decrease of \$1.0 million in Same Store marketing expenses; partially offset by

- an increase of \$2.4 million in Same Store non-common area utility expense as a result of a significant increase in electric rates at many of our properties in the early part of 2014. The extreme cold weather during the winter of 2013-2014, and the resulting natural gas supply constraints, led to an historic spike in wholesale electricity rates that particularly affected our properties located in Pennsylvania, New Jersey and Maryland;

- an increase of \$2.0 million in Same Store real estate tax expense, including a \$1.2 million increase at two of our New Jersey properties due to a combination of increases in the real estate tax assessment value and the real estate tax rate;

- an increase of \$1.2 million in Same Store common area maintenance expense, including an increase of \$1.3 million in snow removal expense. In 2014, snow removal expense at our properties located in the Mid-Atlantic States, particularly Pennsylvania and New Jersey, was affected by a severe winter with numerous snow events; and

- an increase of \$0.5 million in property operating expenses related to properties acquired in 2014.

(in thousands of dollars)	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
	Real Estate Revenue	Property Operating Expenses	Net Operating Income	Real Estate Revenue	Property Operating Expenses	Net Operating Income	Real Estate Revenue	Property Operating Expenses	Net Operating Income
Same Store	\$ 422,190	\$ (162,380)	\$ 259,810	\$ 417,282	\$ (164,030)	\$ 253,252	\$ 404,859	\$(158,721)	\$ 246,138
Non Same Store	49,018	(26,160)	22,858	56,818	(32,212)	24,606	77,078	(39,806)	37,272
Total	\$471,208	\$(188,540)	\$ 282,668	\$474,100	\$(196,242)	\$277,858	\$481,937	\$(198,527)	\$283,410

	% Change 2014 to 2015		% Change 2013 to 2014	
	Same Store	Total	Same Store	Total
Real estate revenue	1.2 %	(0.6)%	3.1 %	(1.6)%
Property operating expenses	(1.0)%	(3.9)%	3.3 %	(1.2)%
NOI	2.6 %	1.7 %	2.9 %	(2.0)%

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 property operating expenses (determined in accordance with GAAP), plus our share of revenue and property operating expenses of our partnership investments as described below, and includes real estate revenue and property operating expenses from properties included in discontinued operations, if any. 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 on sales of non-operating real estate, gains on sales of discontinued operations, impairment losses, acquisition costs and other expenses.

The following table presents NOI for the years ended December 31, 2015, 2014 and 2013. The results are presented using the “proportionate-consolidation method” (a non-GAAP measure), which includes our share of the results of our partnership investmtns. Under GAAP, we account for our partnership investments under the equity method of accounting. Operating results for Same Store properties 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.”

Total NOI increased by \$4.8 million, or 1.7%, in 2015 as compared to 2014. Same Store NOI increased \$6.6 million primarily due to increases in rent and improvements in CAM and utility margins partially offset by tenant bankruptcies. NOI from Non Same Store properties decreased \$1.7 million. This decrease was primarily due to the properties sold in 2014 and 2015 which consisted of Nittany Mall, North Hanover Mall, South Mall, Uniontown Mall, Voorhees Town Center and the sale of a 50% share of The Gallery, partially offset by NOI from Springfield Town Center, which was acquired in March 2015. See the “—Results of Operations—Real Estate Revenue” and “—Property Operating Expenses” discussions above for further information about property results. Lease termination revenue was \$2.1 million in 2015 and \$2.3 million in 2014.

Total NOI decreased by \$5.6 million, or 2.0%, in 2014 as compared to 2013. Non-Same Store NOI decreased by \$12.7 million primarily due to properties sold in 2013 and 2014, which consisted of Phillipsburg Mall, Paxton Towne Centre, Orlando Fashion Square, Commons at Magnolia, Christiana Center, Chambersburg Mall, Nittany Mall, North Hanover Mall, South Mall and the sale of a 50% share in The Gallery. Same Store NOI increased \$7.1 million. Lease termination revenue was \$2.3 million in 2014 and \$1.8 million and 2013.

OTHER INCOME Other income decreased by \$0.9 million, or 15%, in 2015 as compared to 2014 primarily due to a \$0.9 million decrease in income related to historical tax credits.

Other income decreased by \$0.8 million, or 12%, in 2014 as compared to 2013 primarily due to a decrease in third-party management and leasing fees.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses decreased by \$0.7 million, or 2%, in 2015 as compared to 2014. This decrease was primarily due to a reduction of costs associated with our reduced number of employees in 2015 as compared to 2014.

General and administrative expenses decreased by \$1.5 million, or 4%, in 2014 as compared to 2013. This decrease was primarily due to a reduction of costs associated with our reduced number of employees in 2014 as compared to 2013.

PROVISION FOR EMPLOYEE SEPARATION EXPENSE Provision for employee separation expense was \$2.1 million in 2015 due to the termination of employment of eleven employees in the fourth quarter.

Provision for employee separation expense was \$5.0 million in 2014. In May 2014, George F. Rubin separated from his position as Vice Chairman of PREIT. Under the terms of Mr. Rubin's separation agreement, which became effective in June 2014, we recorded employee separation expense of \$4.1 million in 2014. In addition, we terminated the employment of certain other employees and recorded an employee separation expense of \$0.9 million in connection with such terminations.

IMPAIRMENT OF ASSETS During the years ended December 31, 2015, 2014, and 2013, we recorded asset impairment losses of \$140.3 million, \$19.7 million and \$30.0 million, respectively. Such impairment losses are recorded to “Impairment of assets” for the years ended 2015 and 2014. In 2013, such impairment losses are recorded either to “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:

	For the Year Ended December 31,		
(in thousands of dollars)	2015	2014	2013
Gadsden Mall, New River Valley Mall and Wiregrass Commons Mall	\$ 63,904	\$ —	\$ —
Voorhees Town Center	39,242	—	—
Lycoming Mall	28,345	—	—
Uniontown Mall	7,394	—	—
Palmer Park Mall	1,383	—	—
Nittany Mall	—	15,495	—
North Hanover Mall	—	2,900	6,304
South Mall	—	1,300	—
Chambersburg Mall ⁽¹⁾	—	—	23,662
Other	50	—	—
Total Impairment of Assets	\$140,318	\$ 19,695	\$ 29,966

⁽¹⁾ Impairment of assets of this property is recorded in discontinued operations for 2013.

See note 2 to our consolidated financial statements for a further discussion of such impairments.

ACQUISITION COSTS AND OTHER EXPENSES Acquisition costs and other expenses increased by \$1.2 million in 2015 as compared to 2014 due to an increase of \$1.4 million of professional fees and an increase of \$0.4 million of acquisition costs, both primarily related to our acquisition of Springfield Town Center, partially offset by a decrease of \$0.3 million related to project costs.

Acquisition costs and other expenses increased by \$3.5 million in 2014 as compared to 2013 due to \$3.0 million of acquisition costs primarily related to the acquisition of Springfield Town Center, and \$0.5 million of professional service fees incurred in 2014.

INTEREST EXPENSE Interest expense decreased by \$1.1 million, or 1%, in 2015 as compared to 2014. The decrease was primarily due to a lower weighted average effective borrowing rate (4.63% for 2015 as compared to 5.15% for 2014) offset by a higher overall debt balance (an average of \$1,780.8 million in 2015 compared to \$1,597.0 million in 2014). In 2015, we also recorded a loss on hedge ineffectiveness of \$0.5 million, a \$0.8 million prepayment penalty and \$0.2 million of accelerated amortization of financing costs.

Interest expense decreased by \$16.6 million, or 17%, in 2014 as compared to 2013. The decrease was primarily due to a \$14.8 million decrease resulting from a lower overall debt balance (an average of \$1,597.0 million in 2014 compared to \$1,727.8 million in 2013) and a lower weighted average effective borrowing rate (5.15% for 2014 as compared to 5.57% for 2013). Interest expense for 2014 also included \$1.8 million of net losses on hedge ineffectiveness, including \$1.2 million from the early Logan Valley Mall mortgage loan repayment and \$0.6 million from the early mortgage loan repayment on the loan secured by 801 Market Street, Philadelphia, Pennsylvania. 801 Market Street is part of The Gallery, and the mortgage loan was repaid in connection with the sale of a 50% interest in The Gallery. We recorded an aggregate net loss of \$3.4 million on hedge ineffectiveness in 2013.

DEPRECIATION AND AMORTIZATION Depreciation and amortization expense decreased by \$1.7 million, or 1%, in 2015 as compared to 2014, primarily because of:

- a decrease of \$12.9 million related to properties sold in 2015 and 2014, and the July 2014 sale of a 50% partnership interest in The Gallery; partially offset by
- an increase of \$11.5 million related to the March 2015 acquisition of Springfield Town Center.

Depreciation and amortization expense increased by \$3.4 million, or 2%, in 2014 as compared to 2013, primarily because of:

- an increase of \$8.9 million primarily due to a higher asset base resulting from capital improvements related to new tenants at our properties; and
- an increase of \$1.1 million associated with properties acquired in 2014; partially offset by
- a decrease of \$4.7 million related to the July 2014 sale of a 50% partnership interest in The Gallery; and
- a decrease of \$1.9 million related to properties sold in 2014 and 2013.

EQUITY IN INCOME OF PARTNERSHIPS Equity in income of partnerships decreased by \$1.0 million, or 10%, for 2015 compared to 2014 primarily due to a decrease of \$1.9 million related to de-tenanting of The Gallery in anticipation of the construction phase of the Fashion Outlets of Philadelphia redevelopment, a decrease of \$0.7 million due to the sale of Whitehall Mall and Springfield Park properties offset by favorable results of \$1.2 million from the Same Store partnership properties and \$0.4 million from Gloucester Premium Outlets which opened during the second quarter of 2015.

Equity in income of partnerships increased by \$0.8 million, or 8%, for 2014 compared to 2013 primarily due to increased revenues of \$1.3 million at our partnership properties owned during both periods, partially offset by a \$0.7 million decrease relating to The Gallery, which became a 50% equity method investment as a result of the transaction with Macerich in July 2014.

GAIN ON SALES OF INTERESTS IN REAL ESTATE, NET Gain on sales of interests of real estate, net was \$12.4 million in 2015, as a result of the following transactions:

- a \$12.0 million gain on the sale of our 50% interest in Springfield Park; and
- a \$0.4 million gain on the sale of an outparcel at Pitney Road Plaza.

Gain on sales of interests of real estate, net was \$12.7 million in 2014, as a result of the following transactions:

- a \$12.4 million gain from the sale of our 50% interest in Whitehall Mall;
- net gains of \$0.8 million on sales of various completed development projects and an anchor pad during 2014; and
- a \$0.2 million gain on the sale of South Mall; offset by
- a \$0.6 million loss from the sale of a 50% interest in The Gallery; and
- a \$0.1 million loss from the combined sale of Nittany Mall in State College, Pennsylvania and North Hanover Mall in Hanover, Pennsylvania.

DISCONTINUED OPERATIONS For 2013, 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.

As described in note 2 to our consolidated financial statements, in 2014, we adopted new accounting requirements pertaining to the reporting of discontinued operations. In accordance with these new accounting requirements, we reported the results of operations of the properties that we sold in 2015 and 2014 in the continuing operations section of our consolidated statements of operations in 2015 and 2014. The properties that we sold in 2015 were Uniontown Mall in Uniontown, Pennsylvania and Voorhees Town Center in Voorhees, New Jersey, and in 2014 were South Mall in Allentown, Pennsylvania, Nittany Mall in State College, Pennsylvania and North Hanover Mall in Hanover, Pennsylvania, and the results of operations of these properties are recorded in continuing operations.

Operating results, gains on sales of discontinued operations and impairment of assets for the properties in discontinued operations for 2013 were as follows:

(in thousands of dollars)	For the year ended December 31, 2013
Operating results of:	
Orlando Fashion Square	\$ 330
Phillipsburg Mall	(66)
Chambersburg Mall	536
Paxton Towne Centre	(101)
Christiana Center	1,633
Commons at Magnolia	480
Operating results from discontinued operations	2,812
Impairment of assets of discontinued operations	(23,662)
Gains on sales of discontinued operations	78,512
Income from discontinued operations	\$ 57,662

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

Gains on sales of discontinued operations were \$78.5 million in 2013 from:

- 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.

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 (computed in accordance with GAAP) excluding gains and losses on sales of operating properties, 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.

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.

The following table presents (a) FFO attributable to common shareholders and OP Unit holders, (b) FFO attributable to common shareholders and OP Unit holders per diluted share and OP Unit, (c) FFO attributable to common shareholders and OP Unit holders, as adjusted, and (d) FFO attributable to common shareholders and OP Unit holders per diluted share and OP Unit, as adjusted, for the years ended December 31, 2015, 2014 and 2013:

(in thousands, except per share amounts)	For the Year Ended December 31, 2015	% Change 2014 to 2015	For the Year Ended December 31, 2014	% Change 2013 to 2014	For the Year Ended December 31, 2013
Funds from operations attributable to common shareholders and OP Unit holders	\$ 136,246	5.3 %	\$ 129,419	6.9%	\$ 121,101
Provision for employee separation expense	2,087		4,961		2,314
Acquisition costs	3,470		3,441		—
Loss on hedge ineffectiveness	512		1,761		3,409
Accelerated amortization of deferred financing costs and mortgage prepayment penalty	1,071		—		1,076
Funds from operations attributable to common shareholders and OP Unit holders, as adjusted	\$ 143,386	2.7 %	\$ 139,582	9.1%	\$ 127,900
Funds from operations attributable to common shareholders and OP Unit holders per diluted share and OP Unit	\$ 1.79	(1.6)%	\$ 1.82	0.6%	\$ 1.81
Funds from operations attributable to common shareholders and OP Unit holders, as adjusted, per diluted share and OP Unit	\$ 1.89	(3.6)%	\$ 1.96	2.1%	\$ 1.92
Weighted average number of shares outstanding	68,740		68,217		63,662
Weighted average effect of full conversion of OP Units	6,830		2,128		2,194
Effect of common share equivalents	485		696		876
Total weighted average shares outstanding, including OP Units	76,055		71,041		66,732

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 a mortgage prepayment penalty, accelerated amortization of deferred financing costs, acquisition costs, loss on hedge ineffectiveness and provision for employee separation expense 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 our operating performance, a mortgage prepayment penalty, accelerated amortization of deferred financing costs, acquisition costs, loss on hedge ineffectiveness and provision for employee separation expense.

FFO was \$136.2 million for 2015, an increase of \$6.8 million, or 5.3%, compared to \$129.4 million for 2014. This increase was primarily due to:

- a \$6.6 million increase in Same Store NOI (presented using the “proportionate-consolidation” method; See “—Net Operating Income”);
- a \$2.9 million decrease in provision for employee separation expense; and
- a decrease of \$1.6 million in interest expense (including our proportionate share of interest expense of our partnership properties and the effects of loss on hedge ineffectiveness) resulting from lower average interest rates offset by higher overall debt balances; partially offset by
- a \$1.7 million decrease in Non Same Store NOI resulting from properties sold in 2014 and the de-tenanting of The Gallery; and
- a decrease of \$1.5 million in gains from non operating real estate.

FFO per diluted share and OP Unit decreased \$0.03 per share to \$1.79 per share for 2015, compared to \$1.82 per share for 2014, primarily due to the impact of the 6,250,000 OP Units issued in connection with the March 2015 acquisition of Springfield Town Center.

FFO was \$129.4 million for 2014, an increase of \$8.3 million, or 6.9%, compared to \$121.1 million for 2013. This increase was primarily due to:

- a decrease of \$18.5 million in interest expense (including our proportionate share of interest expense of our partnership properties and the effects of loss on hedge ineffectiveness) resulting from lower overall average debt balances and lower average interest rates;
- an increase of \$7.1 million in Same Store NOI (presented using the “proportionate-consolidation” method; See “—Net Operating Income”); partially offset by
- a decrease of \$12.7 million in Non Same Store NOI primarily related to sold properties;
- a \$3.4 million increase in acquisition costs; and
- a \$2.6 million increase in provision for employee separation expense.

FFO per diluted share increased \$0.01 per share to \$1.82 per share for 2014, compared to \$1.81 per share for 2013. FFO per diluted share and OP Unit increased due to the \$8.3 million increase in FFO, offset by the full year effect of the 11,500,000 common shares issued in May 2013 and other common issuances since January 1, 2013.

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 acquisition costs, 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 amounts presented below in the “Share of Unconsolidated Partnerships” column are derived using the ‘proportionate consolidation method’ (a non-GAAP measure), which includes our share of the results of our unconsolidated partnerships based on our ownership percentage in each such uncontrolled partnership. We believe that this presentation is helpful to management and investors because it provides comparable information about the operating results of our unconsolidated partnerships and is thus indicative of the return on property investment and of operating performance over time. Results based on our share of the results of unconsolidated partnerships do not represent cash generated from operating activities of our unconsolidated partnerships and should not be considered to be an alternative to cash flow from unconsolidated properties’ operating activities as a measure of our liquidity, because we do not have a direct legal claim to the revenues or expenses of the unconsolidated partnerships beyond our rights as an equity owner or tenant in common owner.

Under the partnership agreements relating to our current unconsolidated partnerships with third parties, we own a 25% to 50% economic interest in such partnerships. As such, in general, we have an indirect economic interest in our proportionate share of the revenue and expenses of the unconsolidated partnership, and, if there were to be some type of distribution of the assets and liabilities of the partnership, our proportionate share of those items. There are generally no provisions in such partnership agreements relating to special non-proportionate allocations of income or loss, and there are no preferred or priority returns of capital or other similar provisions. Thus, we believe that the proportionate-consolidation method represents a valuable means of showing the share of the operating results of our unconsolidated partnership properties that would be allocated to us based on our economic interest under the partnership agreement.

We hold a noncontrolling interest in each of our unconsolidated partnerships, 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 do not have a direct legal claim to the assets, liabilities, revenues or expenses of the unconsolidated partnerships beyond our rights as an equity owner, in the event of any liquidation of such entity, and our rights as a tenant in common owner of certain unconsolidated properties.

We record the earnings from the unconsolidated partnerships using the equity method of accounting under the consolidated 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 consolidated 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 legal title to properties owned by three of our unconsolidated partnerships through tenancy in common arrangements. For each of these this properties, such legal title is held by us and another person or persons, and each has an undivided interest in title to 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 like our other unconsolidated partnerships using the equity method of accounting. The balance sheet items arising from the properties appear under the caption “Investments in partnerships, at equity.”

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

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, 2015		
	Consolidated	Share of Unconsolidated Partnerships	Total (a non-GAAP measure)
Real estate revenue	\$ 420,197	\$ 51,011	\$ 471,208
Property operating expenses	(170,047)	(18,493)	(188,540)
Net operating income	250,150	32,518	282,668
General and administrative expenses	(34,836)	—	(34,836)
Provision for employee separation expense	(2,087)	—	(2,087)
Other income	5,214	—	5,214
Acquisition costs and other expenses	(6,108)	(62)	(6,170)
Interest expense, net	(81,096)	(10,353)	(91,449)
Depreciation of non real estate assets	(1,505)	—	(1,505)
Gains on sales of non-operating real estate	259	—	259
Preferred share dividends	(15,848)	—	(15,848)
Funds from operations attributable to common shareholders and OP Unit holders (FFO)	114,143	22,103	136,246
Depreciation of real estate assets	(141,142)	(12,563)	(153,705)
Impairment of assets	(140,318)	—	(140,318)
Net gains on sales of interests in real estate	12,362	—	12,362
Equity in income of partnerships	9,540	(9,540)	—
Preferred share dividends	15,848	—	15,848
Net loss	\$ (129,567)	\$ —	\$ (129,567)

(in thousands of dollars)	For the Year Ended December 31, 2014		
	Consolidated	Share of Unconsolidated Partnerships	Total (a non-GAAP measure)
Real estate revenue	\$ 426,596	\$ 47,504	\$ 474,100
Property operating expenses	(180,427)	(15,815)	(196,242)
Net operating income	246,169	31,689	277,858
General and administrative expenses	(35,518)	—	(35,518)
Provision for employee separation expense	(4,961)	—	(4,961)
Other income	6,107	—	6,107
Acquisition costs and other expenses	(4,937)	(397)	(5,334)
Interest expense, net	(82,165)	(10,873)	(93,038)
Depreciation of non real estate assets	(1,621)	—	(1,621)
Gains on sales of non-operating real estate	1,774	—	1,774
Preferred share dividends	(15,848)	—	(15,848)
Funds from operations attributable to common shareholders and OP Unit holders (FFO)	109,000	20,419	129,419
Depreciation of real estate assets	(142,683)	(9,850)	(152,533)
Impairment of assets	(19,695)	—	(19,695)
Equity in income of partnerships	10,569	(10,569)	—
Net gains on sales of interests in real estate	12,699	—	12,699
Preferred share dividends	15,848	—	15,848
Net loss	\$ (14,262)	\$ —	\$ (14,262)

(in thousands of dollars)	For the Year Ended December 31, 2013			
	Continuing Operations			Total (a non-GAAP measure)
	Consolidated	Share of Unconsolidated Partnerships	Discontinued Operations	
Real estate revenue	\$ 431,728	\$ 40,195	\$10,014	\$ 481,937
Property 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
Acquisition costs and other expenses	(1,422)	—	—	(1,422)
Interest expense, net	(98,731)	(11,084)	(1,753)	(111,568)
Depreciation on non real estate assets	(1,132)	—	—	(1,132)
Preferred share dividends	(15,848)	—	—	(15,848)
Funds from operations attributable to common shareholders and OP Unit holders (FFO)	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)
Gains on sales of discontinued operations	78,512	—	—	78,512
Preferred share dividends	15,848	—	—	15,848
Net income	\$ 37,213	\$ —	\$ —	\$ 37,213

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, 2015 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 our 2013 Revolving Facility, subject to the terms and conditions of our 2013 Revolving Facility. 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 2015 were \$79.6 million, based on distributions of \$2.0625 per Series A Preferred Share, distributions of \$1.8438 per Series B Preferred Share and \$0.84 per common share and OP Unit. For the first quarter of 2016, we have announced a distribution of \$0.21 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 2013 Revolving Facility and our Term Loans, as further described below.

In December 2014, our universal shelf registration statement was filed with the SEC and became effective. 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 our prior universal shelf 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 our shelf registration statement, or otherwise, on terms that are favorable to us, or at all.

CREDIT AGREEMENTS We have entered into four credit agreements (collectively, the “Credit Agreements”), as further discussed and defined below: (1) the 2013 Revolving Facility, (2) the 2014 7-Year Term Loan, (3) the 2014 5-Year Term Loan, and (4) the 2015 5-Year Term Loan. The 2014 7-Year Term Loan, the 2014 5-Year Term Loan and the 2015 5-Year Term Loan are collectively referred to as the “Term Loans.”

As of December 31, 2015, the Company had borrowed \$400.0 million under the Term Loans and \$65.0 million under the 2013 Revolving Facility (with \$7.9 million pledged as collateral for a letter of credit at December 31, 2015; the Company pledged \$7.4 million for an additional letter of credit in January 2016). Following recent property sales, the net operating income (“NOI”) from the Company’s remaining unencumbered properties is at a level such that within the Unencumbered Debt Yield covenant (as described below) under the Credit Agreements, the maximum amount that was available to be borrowed by the Company under the 2013 Revolving Facility as of December 31, 2015 was \$301.0 million.

2013 REVOLVING FACILITY, AS AMENDED In April 2013, PREIT, PREIT Associates and PRI (collectively, the “Borrower” or “we”) entered into a credit agreement (as amended, 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. 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 (as defined below). In June 2015, we further amended the 2013 Revolving Facility to lower the interest rates in the applicable pricing grid, modify one covenant and to extend the Termination Date to June 26, 2018. 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.

Pursuant to the June 2015 amendment, the initial maturity of the 2013 Revolving Facility is June 26, 2018, 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.

Subject to the terms of the Credit Agreements, we have 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.

The 2013 Revolving Facility contains certain affirmative and negative covenants which are identical to those contained in the other Credit Agreements and which are described in detail below in the section entitled “—Identical covenants and common provisions contained in the Credit Agreements.”

TERM LOANS

2015 5-YEAR TERM LOAN In June 2015, we entered into a five year term loan agreement (the “2015 5-Year Term Loan”) with Wells Fargo Bank, National Association, PNC Bank, National Association and the other financial institutions signatory thereto, for a \$150.0 million senior unsecured five year term loan facility. The maturity date of the 2015 5-Year Term Loan is June 2020. At closing, we borrowed the entire \$150.0 million under the 2015 5-Year Term Loan, and used the proceeds to repay \$150.0 million of the then outstanding balance under the 2013 Revolving Facility.

The 2015 5-Year Term Loan contains certain affirmative and negative covenants and other provisions, which are identical to those contained in the

other Credit Agreements, and which are described in detail below in the section entitled “—Identical covenants and common provisions contained in the Credit Agreements.”

The 2015 5-Year Term Loan also contains an additional covenant that prohibits us prior to receiving an investment grade credit rating, if any, from allowing 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.

2014 TERM LOANS In January 2014, we 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 “2014 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 “2014 7-Year Term Loan” and, together with the 2014 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.

In June 2015, we entered into an amendment to each of the 2014 Term Loans under which we are required to maintain, on a consolidated basis, minimum Unencumbered Debt Yield of 11.0%, versus 12.0% previously, consistent with the amendment to the covenant in the 2013 Revolving Facility, and the provision of the 2015 5-Year Term Loan. The cross-default provisions in the 2014 Term Loans were also amended to add the new 2015 5-Year Term Loan.

Level	Ratio of Total Liabilities to Gross Asset Value	Applicable Margin			
		2013 Revolving Facility	2014 7-Year Term Loan	2014 5-Year Term Loan	2015 5-Year Term Loan
1	Less than 0.450 to 1.00	1.20%	1.80%	1.35%	1.35%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.25%	1.95%	1.45%	1.45%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.30% ⁽¹⁾	2.15% ⁽¹⁾	1.60% ⁽¹⁾	1.60% ⁽¹⁾
4	Equal to or greater than 0.550 to 1.00	1.55%	2.35%	1.90%	1.90%

⁽¹⁾ The rate in effect at December 31, 2015.

We may prepay any of the Credit Agreements (other than the 2014 7-Year Term Loan) at any time without premium or penalty, subject to reimbursement obligations for the lenders’ breakage costs for LIBOR borrowings. We must repay the entire principal amount outstanding under the 2013 Revolving Facility at the end of its term, as the term may be extended. The payment of the 2014 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% from closing to one year after closing, to 2% from one year after closing to two years after closing, to 1% from two years after closing to three years after closing, and without penalty thereafter.

The Credit Agreements contain certain affirmative and negative covenants that are identical, including, without limitation, requirements that we maintain, on a consolidated basis: (1) minimum Tangible Net Worth of not less than 75% of our 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

Subject to the terms of the Credit Agreements, we have the option to increase the maximum amount available under the 2014 Term Loans, through an accordion option (subject to certain conditions), 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 5-Year Term Loan may be increased from \$150.0 million to as much as \$300.0 million, and the 2014 7-Year Term Loan may be increased from \$100.0 million to as much as \$200.0 million.

The 2014 Term Loans contain certain affirmative and negative covenants and other provisions, which are identical to those contained in the other Credit Agreements, and which are described in detail below in the section entitled “—Identical covenants and common provisions contained in the Credit Agreements.”

IDENTICAL COVENANTS AND COMMON PROVISIONS CONTAINED IN THE CREDIT AGREEMENTS Amounts borrowed under the Credit Agreements bear interest at the rate specified below per annum, depending on our leverage, plus LIBOR, unless and until the Borrower receives an investment grade credit rating and provides notice to the Administrative Agent (the “Rating Date”), after which alternative rates would apply. In determining our leverage (the ratio of Total Liabilities to Gross Asset Value), the capitalization rate used to calculate Gross Asset Value is 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. The 2013 Revolving Facility is subject to a facility fee, which is currently 0.25%, depending on leverage, and is recorded in interest expense in the consolidated statements of operations. In the event that we seek and obtain an investment grade credit rating, alternative interest rates and facility fees would apply.

more than two occasions during the term; (3) minimum ratio of Adjusted EBITDA to Fixed Charges of 1.50:1 (4) minimum Unencumbered Debt Yield of 11.0%; (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; (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 and (ii) 110% of REIT taxable income for a fiscal year; and (15) 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.

These covenants and restrictions limit our ability to incur additional indebtedness, grant liens on assets and enter into negative pledge agreements, merge, consolidate or sell all or substantially all of our assets and enter into certain transactions with affiliates. The Credit Agreements are subject to customary events of default and are cross-defaulted with one another. As of December 31, 2015, we were in compliance with all such financial covenants.

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 (2), or (4) with respect to the Term Loans, are guarantors under the 2013 Revolving Facility, as amended, will serve as guarantors for funds borrowed under the Credit Agreements. In the event that we seek and obtain an investment grade credit rating, if any, 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.

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 Credit Agreements immediately due and payable, and the Commitments of the lenders to make further loans under the 2013 Revolving Facility and the 2014 Term Loans, or with respect to the accordions under the 2013 Revolving Facility and the 2014 Term Loans, 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.

MORTGAGE LOAN ACTIVITY—CONSOLIDATED PROPERTIES The following table presents the mortgage loans we have entered into or extended since January 1, 2013 related to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2015 Activity:				
March	Francis Scott Key Mall ⁽¹⁾⁽²⁾	\$ 5.8	LIBOR plus 2.60%	March 2018
June	Patrick Henry Mall ⁽³⁾	96.2	4.35% fixed	July 2025
September	Willow Grove Park Mall ⁽⁴⁾	170.0	3.88% fixed	October 2025

2013 Activity:				
February	Francis Scott Key Mall ⁽¹⁾⁽²⁾	\$ 62.6	LIBOR plus 2.60%	March 2018
February	Lycoming Mall ⁽⁵⁾	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 ⁽⁶⁾	51.0	LIBOR plus 2.10%	September 2014
December	Wyoming Valley Mall	78.0	5.17% fixed	December 2023

⁽¹⁾ Interest only payments.

⁽²⁾ The mortgage loan was increased by \$5.8 million in 2015.

⁽³⁾ We used the proceeds of the mortgage loan to repay the \$83.8 million mortgage loan plus accrued interest and incurred a \$0.8 million prepayment penalty. The balance of the proceeds were used for general corporate purposes.

⁽⁴⁾ We used the proceeds of the mortgage loan to repay the \$133.6 million mortgage loan plus accrued interest. The balance of the proceeds were used for general corporate purposes.

⁽⁵⁾ 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.

⁽⁶⁾ 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. We repaid the loan in July 2014.

As of December 31, 2015, we were in compliance with all such financial covenants.

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 SHARES We have 4,600,000 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the “Series A Preferred Shares”) outstanding and 3,450,000 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares (the “Series B Preferred Shares”) outstanding. 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.

OTHER MORTGAGE LOAN ACTIVITY In April 2015, we repaid a \$55.3 million mortgage loan plus accrued interest secured by Magnolia Mall in Florence, South Carolina using \$40.0 million from our 2013 Revolving Facility and the balance from available working capital.

In July 2014, we repaid a \$25.8 million mortgage loan plus accrued interest secured by 801 Market Street, Philadelphia, Pennsylvania, a property that is part of the Fashion Outlets of Philadelphia, using proceeds from the transaction relating to the Fashion Outlets of Philadelphia with Macerich.

Also in July 2014, we repaid a \$51.0 million mortgage loan plus accrued interest secured by Logan Valley Mall in Altoona, Pennsylvania using \$50.0 million from our 2013 Revolving Facility and \$1.0 million from available working capital. The \$50.0 million borrowed from the 2013 Revolving Facility was subsequently repaid in July 2014 using proceeds from the transaction relating to the Fashion Outlets of Philadelphia with Macerich.

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.

MORTGAGE LOANS Our mortgage loans, which are secured by 15 of our consolidated and held for sale properties, are due in installments over various terms extending to the year 2025. Eleven of these mortgage loans bear interest at fixed interest rates that range from 3.88% to 5.95% and had a weighted average interest rate of 4.66% at December 31, 2015. Four of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.94% at December 31, 2015. The weighted average interest rate of all consolidated mortgage loans was 4.44% at December 31, 2015. 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, 2015:

(in thousands of dollars)	Payments by Period					
	Total	2016	2017	2018	2019-2020	Thereafter
Consolidated mortgage loans:						
Principal payments	\$ 137,001	\$ 15,989	\$ 16,244	\$ 16,952	\$ 35,782	\$ 52,034
Balloon payments	1,188,494	219,480	150,000	116,469	27,161	675,384
Total consolidated mortgage loans	\$ 1,325,495	\$ 235,469	\$ 166,244	\$ 133,421	\$ 62,943	\$ 727,418
Held for sale mortgage loans:						
Held for sale principal payments	\$ 2,128	\$ 960	\$ 1,001	\$ 167	\$ —	\$ —
Held for sale balloon payments ⁽¹⁾	58,957	—	—	30,907	28,050	—
Total held for sale mortgage loans	\$ 61,085	\$ 960	\$ 1,001	\$ 31,074	\$ 28,050	\$ —
Total mortgage loans	\$ 1,386,580	\$ 236,429	\$ 167,245	\$ 164,495	\$ 90,993	\$ 727,418

⁽¹⁾ Lycoming Mall has a balloon payment of \$30.9 million due in March 2018 and New River Valley Mall has a balloon payment of \$28.1 million due in January 2019.

CONTRACTUAL OBLIGATIONS The following table presents our consolidated aggregate contractual obligations as of December 31, 2015 for the periods presented:

(in thousands of dollars)	Total	2016	2017	2018	2019-2020	Thereafter
Mortgage loans	\$ 1,325,495	\$ 235,469	\$ 166,244	\$ 133,421	\$ 62,943	\$ 727,418
Mortgage loans - held for sale	61,085	960	1,001	31,074	28,050	—
Term Loans	400,000	—	—	—	300,000	100,000
2013 Revolving Facility	65,000	—	—	65,000	—	—
Interest on indebtedness ⁽¹⁾	335,313	64,404	58,731	49,182	78,712	84,284
Operating leases	7,211	2,123	1,960	1,785	1,343	—
Ground leases	843	651	91	74	6	21
Development and redevelopment commitments ⁽²⁾	31,757	27,091	1,666	—	3,000	—
Total	\$2,226,704	\$ 330,698	\$229,693	\$280,536	\$ 474,054	\$ 911,723

⁽¹⁾ Includes payments expected to be made on consolidated and held for sale debt, 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, 2016, but cannot provide any assurance that changed circumstances at these projects will not delay the settlement of these obligations. In addition, our operating partnership, PREIT Associates, has jointly and severally guaranteed the obligations of the joint venture we formed with Macerich to develop the Fashion Outlets of Philadelphia to commence and complete a comprehensive redevelopment of that property costing not less than \$300.0 million within 48 months after commencement of construction.

MORTGAGE LOAN ACTIVITY—UNCONSOLIDATED PROPERTIES The following table presents the mortgage loans secured by our unconsolidated prop-
erties entered into since January 1, 2013:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2015 Activity: September	Springfield Mall	\$ 65.0	Fixed 4.45%	September 2025
2014 Activity: December	Gloucester Premium Outlets ⁽¹⁾	\$ 72.9	LIBOR plus 1.50%	June 2018

⁽¹⁾ The unconsolidated entity that owns Gloucester Premium Outlets entered into this construction mortgage loan. The construction mortgage loan has a maximum availability of \$90.0 million, of which \$71.3 million and \$1.6 million was borrowed during 2015 and 2014, respectively, and \$17.1 million was available as of December 31, 2015 (subject to submission of required docu-
mentation). Our interest in the unconsolidated entity is 25%.

INTEREST RATE DERIVATIVE AGREEMENTS As of December 31, 2015, we had entered into 21 interest rate swap agreements with a weighted average interest swap rate of 1.49% on a notional amount of \$521.7 million maturing on various dates through June 2020. 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 effective-
ness of these swap agreements as hedges at inception and do so on a quarterly basis. On December 31, 2015, except as set forth below, we con-
sidered these interest rate swap agreements to be highly effective as cash flow hedges. The interest rate swap agreements are net settled monthly.

In the years ended December 31, 2015, 2014 and 2013, we recorded net losses on hedge ineffectiveness of \$0.5 million and \$1.8 million and \$3.4 million, respectively.

Following our July 2014 repayment of the \$25.8 million mortgage loan secured by 801 Market Street, Philadelphia, Pennsylvania, we anticipated that we would not have sufficient 1-month LIBOR based interest payments to meet the entire swap notional amount related to two of our swaps, and we estimated that this condition would exist until approximately March 2015, when we planned to incur variable rate debt as part of the consideration for Springfield Town Center. These swaps, with an aggregate notional amount of \$40.0 million, did not qualify for ongoing hedge accounting from July 2014 to March 2015 as a result of the unrealized forecasted transactions. We recognized mark-to-market interest expense on these two swaps of \$0.5 million for the period from January 2015 to March 31, 2015 and \$0.5 million for the period from July 2014 to December 2014. Also, previously deferred losses in other comprehensive income for the period from July 2014 to March 2015 in the amount of \$0.1 million related to these interest rate swaps were reclassified into interest expense in 2014. These swaps are scheduled to expire by their terms in January 2019.

Also, in the year ended December 31, 2014, we gave notice to the mort-
gage lender that we intended to repay the mortgage loan secured by Logan Valley Mall prior to its maturity, and in connection therewith, we recorded hedge ineffectiveness of \$1.2 million. The notice of our intention to repay the mortgage loan made it probable that the hedged transaction identified in our original hedge documentation would not occur, and accordingly, we reclassified \$1.2 million from accumulated other comprehensive loss to interest expense. We repaid the mortgage loan secured by Logan Valley Mall in July 2014.

In the year ended December 31, 2013, 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 mil-
lion from “Accumulated other comprehensive income (loss)” to “Interest expense, net.” We also recorded \$0.5 million in net losses on hedge inef-
fectiveness due to the accelerated amortization of \$0.5 million in connection with the partial mortgage loan repayments at Logan Valley Mall.

As of December 31, 2015, the fair value of derivatives in a net liability position, which excludes accrued interest but includes any adjustment for nonperfor-
mance risk related to these agreements, was \$1.7 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 \$135.7 million for 2015 compared to \$145.1 million for 2014 and \$136.2 million for 2013. This decrease in cash from operating activities was primarily due to the sales of properties in 2015 and 2014 and other working capital changes, offset by operating cash flows from Springfield Town Center.

Cash flows used in investing activities were \$379.1 million for 2015 com-
pared to cash flows provided by investing activities of \$31.7 million for 2014 and cash flows provided by investing activities of \$30.7 million for 2013. Investing activities for 2015 included \$320.0 million used in acquiring Springfield Town Center in Springfield, Virginia, investment in construction in progress of \$30.7 million and real estate improvements of \$52.8 million, primarily related to tenant allowances, recurring capital expenditures and ongoing improvements at our properties, offset by pro-
ceeds totaling \$53.0 million from the sale of a 50% interest in Springfield Park in July 2015, the sale of Uniontown Mall in August 2015, the sale of Voorhees Town Center in October 2015 and various sales of non-oper-
ating real estate and land parcels in the fourth quarter of 2015. Investing activities for 2014 reflected dispositions of \$190.4 million, acquisitions of \$20.0 million, investment in construction in progress of \$41.5 million and real estate improvements of \$71.3 million, primarily related to ongoing improvements at our properties.

Cash flows provided by financing activities were \$225.9 million for 2015 compared to cash flows used in financing activities of \$170.5 million for 2014 and \$166.7 million for 2013. Cash flows provided by financing activities in 2015 included net borrowing of \$215.0 million from our 2013 Revolving Facility, \$120.0 million of net borrowings from our Term Loans, \$170.0 million from the mortgage loan on Willow Grove Park, \$96.2 million from the mortgage loan on Patrick Henry Mall and \$5.8 million

addition draw borrowed on the mortgage loan secured by Francis Scott Key Mall, partially offset by the mortgage loan repayment of \$133.5 mil-
lion on Willow Grove Park, the mortgage loan repayment of \$83.8 million on Patrick Henry Mall and the \$55.3 million repayment of the mortgage loan on Magnolia Mall, dividends and distributions of \$79.6 million, and principal installments on mortgage loans of \$20.8 million. Cash flows used in financing activities for 2014 included \$130.0 million of net repayments of the 2013 Revolving Facility, \$130.0 million of net borrowings from our Term Loans, the \$51.0 million repayment of the mortgage loan on Logan Valley Mall and the \$25.8 million repayment of the mortgage loan on 801 Market Street, dividends and distributions of \$72.5 million, and principal installments on mortgage loans of \$17.9 million.

See note 1 to our consolidated financial statements for details regarding costs capitalized during 2015 and 2014.

Commitments

As of December 31, 2015, we had unaccrued contractual and other commit-
ments related to our capital improvement projects and development projects of \$31.8 million in the form of tenant allowances, lease termination fees, and con-
tracts with general service providers and other professional service providers. In addition, our operating partnership, PREIT Associates, has jointly and sev-
erally guaranteed the obligations of the joint venture we formed with Macerich to develop the Fashion Outlets of Philadelphia to commence and complete a comprehensive redevelopment of that property costing not less than \$300.0 million within 48 months after commencement of construction.

Environmental

We are aware of certain environmental matters at some of our proper-
ties. We have, in the past, performed remediation of such environmental matters, and we are not aware of any significant remaining potential li-
ability relating to these environmental matters or of any obligation to satisfy requirements for further remediation. We may be required in the future to perform testing relating to these matters. We have insurance coverage for certain environmental claims up to \$25.0 million per occurrence and up to \$25.0 million in the aggregate. See our Annual Report on Form 10-K 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 market 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, fac-
tory 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 acquire parcels or properties to add to our existing prop-
erties. Our malls and our other operating properties 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 prop-
erties 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 condi-
tions 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 devel-
opment 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, better cash flow 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 loca-
tions 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 in the sec-
tion 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-pos-
session 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, 2015, 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:

- changes in the retail industry, including consolidation and store closings, particularly among anchor tenants;
- 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;
- increases in operating costs that cannot be passed on to tenants;
- current economic conditions and the state of employment growth 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;
- our ability to sell properties that we seek to dispose of or our ability to obtain prices we seek;
- 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;
- risks related to our development and redevelopment activities;
- our ability to identify and execute on suitable acquisition opportunities and to integrate acquired properties into our portfolio;
- our partnerships and joint ventures with third parties to acquire or develop properties

- 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;
- changes to our corporate management team and any resulting modifications to our business strategies;
- the effects of online shopping and other uses of technology on our retail tenants;
- acts of violence at malls, including our properties, or at other similar spaces, and the potential effect on traffic and sales;
- our substantial debt and the stated value of our preferred shares and our high leverage ratio;
- constraining leverage, unencumbered debt yield, interest and tangible net worth covenants under our principal credit agreements;
- our ability to refinance our existing indebtedness when it matures, on favorable terms or at all;
- our ability to raise capital, including through joint ventures or other partnerships, through sales of properties or interests in properties, through the issuance of equity or equity-related securities if market conditions are favorable, or through other actions;
- our short- and long-term liquidity position;
- potential dilution from any capital raising transactions or other equity issuances; and
- general economic, financial and political conditions, including credit and capital market conditions, changes in interest rates or unemployment.

Additional factors that might cause future events, achievements or results to differ materially from those expressed or implied by our forward-looking statements include those discussed in our Annual Report on Form 10-K in the section entitled “Item 1A. Risk Factors.” We do not intend to update or revise any forward-looking statements to reflect new information, future events or otherwise.

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, 2015, our consolidated debt portfolio consisted primarily of \$1,325.5 million of fixed and variable rate mortgage loans, \$150.0 million borrowed under our 2015 5-Year Term Loan, which bore interest at 1.84%, \$150.0 million borrowed under our 2014 5-Year Term Loan, which bore interest at a rate of 1.84%, \$100.0 million borrowed under our 2014 7-Year Term Loan, which bore interest at a rate of 2.39% and \$65.0 million borrowed under our 2013 Revolving Facility, which bore interest at a rate of 1.60%.

Our mortgage loans, which are secured by 15 of our consolidated properties, are due in installments over various terms extending to the year 2025. Eleven of these mortgage loans bear interest at fixed interest rates that range from 3.88% to 5.95% and had a weighted average interest rate of 4.66% at December 31, 2015. Four of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 2.94% at December 31, 2015. The weighted average interest rate of all consolidated mortgage loans was 4.44% at December 31, 2015. 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, including balloon payments, 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
2016	\$ 235,469	5.31%	\$ 960	2.99% ⁽¹⁾
2017	\$ 166,244	5.29%	\$ 1,001	2.99% ⁽¹⁾
2018	\$ 16,952	4.25%	\$ 212,543	2.66% ⁽¹⁾
2019	\$ 17,692	4.25%	\$ 178,050	2.07% ⁽¹⁾
2020 and thereafter	\$ 772,669	4.22%	\$ 250,000	2.17% ⁽¹⁾

⁽¹⁾ Based on the weighted average interest rate in effect as of December 31, 2015.

At December 31, 2015, we had \$642.6 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, 2015, we had entered into 21 interest rate swap agreements with a weighted average interest swap rate of 1.49% on a notional amount of \$521.7 million maturing on various dates through January 2020. 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, 2015 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 \$64.8 million at December 31, 2015. A 100 basis point decrease in market interest rates would have resulted in an increase in our net financial instrument position of \$68.4 million at December 31, 2015. Based on the variable rate debt included in our debt portfolio at December 31, 2015 a 100 basis point increase in interest rates would have resulted in an additional \$1.2 million million in interest expense annually. A 100 basis point decrease would have reduced interest incurred by \$1.2 million annually. Because the information presented above includes only those exposures that existed as of December 31, 2015, 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

MICHAEL J. DEMARCO (3) Trustee Since 2015
President and Chief Operating Officer
Mack-Cali Realty Corp

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.

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

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

BRUCE GOLDMAN
Executive Vice President
General Counsel and Secretary

ROBERT F. MCCADDEN
Executive Vice President
and Chief Financial Officer

ANDREW M. IOANNOU
Executive Vice President
Finance and Acquisitions

MARIO C. VENTRESCA, JR.
Executive Vice President
Operations

JOSEPH J. ARISTONE
Senior Vice President
Leasing

JONATHEN BELL
Senior Vice President
and Chief Accounting Officer

HEATHER CROWELL
Senior Vice President
Corporate Communications
and Investor Relations

DANIEL M. HERMAN
Senior Vice President
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DEBRA L. LAMBERT
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Legal

RUDOLPH ALBERTS, JR.
Vice President
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BRUCE AUERBACH
Vice President
Planning and Construction

BETH DESISTA
Vice President
Specialty Leasing

ANTHONY DILORETO
Vice President
Leasing

MICHAEL A. FENCHAK
Vice President
Asset Management

BRADFORD HUGHART
Vice President
Information Technology

WILLIAM INGRAHAM
Vice President
Partnership and Property Marketing

MICHAEL A. KHOURI
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Leasing

DAVID MARSHALL
Vice President
Financial Services

GILEAD MORSE
Vice President
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Vice President
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Development

SEAN MULROY
Vice President
Business Analytics

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DAN RUBIN
Vice President
Anchor and Outparcel Leasing

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TRANSFER AGENT AND REGISTRAR

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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
preit.com

FORMS 10-K AND 10-Q; CEO AND CFO CERTIFICATIONS

The Company's Annual Report on Form 10-K, including financial state-ments 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 30, 2015, 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, 2015.

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 2015	High	Low	Distributions Paid per Common Share
March 31	\$25.34	\$21.20	\$0.21
June 30	\$23.55	\$21.25	0.21
September 30	\$23.27	\$18.65	0.21
December 31	\$23.37	\$19.42	0.21
			\$0.84

Quarter Ended Calendar Year 2014	High	Low	Distributions Paid per Common Share
March 31	\$20.05	\$ 17.14	\$0.20
June 30	\$18.83	\$16.35	0.20
September 30	\$21.14	\$18.65	0.20
December 31	\$24.35	\$18.90	0.20
			\$0.80

In February 2016, our Board of Trustees declared a cash dividend of \$0.21 per share payable in March 2016. Our future payment of distri-butions 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, 2015, there were approximately 2,600 registered shareholders and 12,700 beneficial holders of record of the Company's common shares of beneficial interest. The Company had an aggregate of approximately 409 employees as of December 31, 2015.

STOCK MARKET

New York Stock Exchange
Common Ticker Symbol: PEI

ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for 11AM on Thursday, June 2, 2016 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



The paper used in this report contains 10% recycled post-consumer waste. The use of this recycled paper is consistent with PREIT's Green Enterprise Initiative.

