

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form 10-K
February 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the Fiscal Year Ended December 31, 2015

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File No. 1-6300

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
(Exact name of Registrant as specified in its charter)

Pennsylvania 23-6216339
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

The Bellevue 19102
200 South Broad Street
Philadelphia, Pennsylvania
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (215) 875-0700

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Shares of Beneficial Interest, par value \$1.00 per share	New York Stock Exchange
Series A Preferred Shares, par value \$0.01 per share	New York Stock Exchange
Series B Preferred Shares, par value \$0.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No ý

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
The aggregate market value, as of June 30, 2015, of the shares of beneficial interest, par value \$1.00 per share, of the Registrant held by non-affiliates of the Registrant was approximately \$1.4 billion. (Aggregate market value is estimated solely for the purposes of this report and shall not be construed as an admission for the purposes of determining affiliate status.)
On February 22, 2016, 69,263,083 shares of beneficial interest, par value \$1.00 per share, of the Registrant were outstanding.

Documents Incorporated by Reference
Portions of the Registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
 ANNUAL REPORT ON FORM 10-K
 FOR THE YEAR ENDED DECEMBER 31, 2015
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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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 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.

Except as the context otherwise requires, references in this Annual Report on Form 10-K to “we,” “our,” “us,” the “Company” and “PREIT” refer to Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating partnership, PREIT Associates, L.P.

PART I

ITEM 1. BUSINESS.

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). In 2015, we acquired Springfield Town Center in Springfield, Virginia and we sold two of our wholly owned mall properties and our partnership interest in one other retail property. We also sold another mall property in February 2016. 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.

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.

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.”

We are a fully integrated, self-managed and self-administered REIT that has elected to be treated as a REIT for federal income tax purposes. In general, we are required each year to distribute to our shareholders at least 90% of our net taxable income and to meet certain other requirements in order to maintain the favorable tax treatment associated with qualifying as a REIT.

PREIT’S BUSINESS

We are primarily engaged in the ownership, management, leasing, acquisition, redevelopment, development and disposition of shopping malls. In general, our malls include tenants that are national or regional department stores, large format retailers or other anchors and a diverse mix of national, regional and local in-line stores offering apparel (women’s, family, teen, children’s, men’s), shoes, eyewear, cards and gifts, jewelry, sporting goods, home furnishings and personal care items, among other things.

To enhance the experience for shoppers, most of our malls have restaurants and/or food courts, and some of the malls have multi-screen movie theaters and other entertainment options, either as part of the mall or on outparcels around the perimeter of the mall property. In addition, many of our malls have outparcels containing restaurants, banks or other stores. In their geographic trade areas, our malls frequently serve as a central place for community, promotional and charitable events.

The largest mall in our retail portfolio is 1.4 million square feet and contains 115 stores, and the smallest is 0.5 million square feet and contains 52 stores. The other properties in our retail portfolio range from 370,000 to 780,000 square feet.

We derive the substantial majority of our revenue from rent received under leases with tenants for space at retail properties in our real estate portfolio. In-line stores typically generate a majority of the revenue of a mall, with a relatively small proportion coming from anchor tenants, junior anchors or large format retailers. In general, our leases require tenants to pay minimum rent, which is a fixed amount specified in the lease, and which is often subject to scheduled increases during the term of the lease for longer term leases. In 2015, 84% of the new leases that we signed contained scheduled rent increases, and these increases, which are typically scheduled to occur between two and four times during the term, ranged from 1.4% to 13.3%, with approximately 87% ranging from 2.0% to 4.0%. In addition

or in the alternative, certain tenants are required to pay percentage rent, which can be either a percentage of their sales revenue that exceeds certain levels specified in their lease agreements, or a percentage of their total sales revenue. The majority of our leases also provide that the tenant will reimburse us for certain expenses relating to the property for common area maintenance ("CAM"), real estate taxes, utilities, insurance and other operating expenses incurred in the operation of the property subject, in some cases, to certain limitations. The proportion of the expenses for which tenants are

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responsible is historically related to the tenant's pro rata share of space at the property. As discussed below, we have continued to shift the provision in our leases that addresses these items to be a fixed amount, which gives greater predictability to tenants, and a majority of such revenue is derived from leases specifying fixed CAM.

Retail real estate industry participants sometimes classify malls based on the average sales per square foot of non anchor mall tenants, the population and average household income of the trade area and the geographic market, the growth rates of the population and average household income in the trade area and geographic market, and numerous other factors. Based on these factors, in general, malls that have high average sales per square foot and are in trade areas with large populations and high household incomes and/or growth rates are considered Class A malls, malls with average sales per square foot that are in the middle range of population or household income and/or growth rates are considered Class B malls, and malls with lower average sales and smaller populations and lower household incomes and/or growth rates are considered Class C malls. Although these classifications are defined differently by different market participants, in general, some of our malls are in the Class A range and many might be classified as Class B or Class C properties. The classification of a mall can change, and one of the goals of our current property strategic plans, remerchandising programs and non-core property disposition program is to increase the average sales per square foot of certain of our properties and correspondingly increase their rental income and cash flows, and thus potentially their class, in order to maximize the value of the property. The malls that we have sold pursuant to our strategic property disposition program have generally been Class C properties. Approximately 80.4% of our 2015 Net Operating Income ("NOI") (a non-GAAP measure; as defined below) came from our Premier and Core Growth property categories (as described below), which generally include Class A and Class B properties.

Portfolio Stratification

Premier Malls

When listing our malls in order by individual property 2015 sales per square foot, there is a group of six malls at the top of that list that collectively had 2015 average sales per square foot of \$565, average non anchor occupancy of 97.1% as of December 31, 2015 and contributed approximately 34.6% of our NOI in 2015. This "Premier" group includes such properties as Cherry Hill Mall in Cherry Hill, New Jersey and Willow Grove Park in suburban Philadelphia, Pennsylvania. Excluded from the figures above is Springfield Town Center, a mall in Springfield, Virginia which we consider a Premier Mall, however, since we acquired this property in 2015, it is not part of our "Same Store" properties, which 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.

Core Growth Malls

The next 17 properties on our list are a collection of solidly performing properties that had 2015 average sales per square foot of \$380, average non anchor occupancy of 93.1% as of December 31, 2015 and contributed approximately 45.8% of our NOI in 2015. We divide this "Core Growth Malls" group further into "Core Growth Malls- Major Markets" and "Core Growth Malls- Market Dominant." The Core Growth Malls- Major Markets group consists of malls that are located in the top 50 metropolitan statistical areas ("MSAs") such as Philadelphia, Pennsylvania and Washington, DC, and includes such properties as The Mall at Prince George's and Francis Scott Key Mall in the Washington, DC MSA, and Moorestown Mall and Springfield Mall in the Philadelphia MSA. The Core Growth Malls- Market Dominant group consists of malls that are located in other MSAs, and includes such properties as Viewmont Mall in Scranton, Pennsylvania, Capital City Mall located near Harrisburg, Pennsylvania and Wyoming Valley Mall in Wilkes-Barre, Pennsylvania.

Non Core Malls

The next six properties on our list, the "Non Core Malls," consist of properties that we plan to sell. The Non Core Malls exhibit moderate performance, had 2015 average sales per square foot of \$300, average non anchor occupancy of 90.3% as of December 31, 2015 and contributed 8.2% of our NOI in 2015. Four of the Non Core Malls are under contract for sale, and one Non Core Mall (Palmer Park Mall in Easton, Pennsylvania) was sold in February 2016. Our portfolio also includes other retail properties including power centers, street level retail, office properties and properties under redevelopment. These new, sold and other retail properties contributed approximately 11.4% of our

NOI in 2015. When stabilized, we expect Springfield Town Center to be classified as a Premier Mall.

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BUSINESS STRATEGY

Our primary objective is to maximize the long-term value of the Company for our shareholders. To that end, our business goals are to obtain the highest possible rental income, tenant sales and occupancy at our properties in order to maximize our cash flows, net operating income, funds from operations, funds available for distribution to shareholders and other operating measures and results, and ultimately to maximize the values of our properties.

To achieve this primary goal, we have developed a business strategy focused on increasing the values of our properties, and ultimately of the Company, which includes:

- Raising the overall level of quality of our portfolio and of individual properties in our portfolio;
- Improving the operating results of our properties;
- Taking steps to position the Company for future growth opportunities; and
- Improving our balance sheet by reducing debt and leverage, and maintaining a solid liquidity position.

Raising the Overall Level of Quality of Our Portfolio and of Individual Properties in Our Portfolio

A key element of our strategy is to elevate the overall level of quality of our portfolio. We intend to accomplish this, in part, by disposing of lower productivity non-core properties and by selectively acquiring higher quality assets. We also plan to enhance the value of some of our properties (most of which are in the Core Growth group).

Portfolio Actions. We continue to refine our collection of properties to enhance the overall quality of the portfolio. We seek to have a portfolio that derives most of its NOI (a non-GAAP measure; as defined below) from higher productivity properties, and one that is represented in the vicinity of a few major east coast cities. One avenue for raising the level of quality of our portfolio is to dispose of certain non-core assets, which have sales productivity or occupancy below the average for our portfolio. In 2015, we sold Uniontown Mall and Voorhees Town Center, and in February 2016 we sold Palmer Park Mall. These properties had average aggregate sales per square foot of \$283 and occupancy of 90.2%, which were materially less than the figures for the balance of our portfolio. In 2015, we also sold our 50% interest in Springfield Park, a shopping center in Springfield, Pennsylvania. We are also currently seeking to sell five other malls, four of which are currently under contract for sale. We anticipate that the proposed disposition of these lower-performing properties, together with the property sales that have already closed, will result in improved operating metrics for the remaining collection of assets (other things being equal), which are indicators of the quality of our portfolio.

In addition to our strategic property disposition program, we seek to selectively acquire high quality properties to enhance our portfolio. In 2015, we acquired Springfield Town Center, a property that was recently redeveloped. As discussed below under “—Improving the Operating Results of Our Properties,” we believe that both these dispositions and this acquisition will aid our bargaining position in lease negotiations and potentially help increase rental rates.

Redevelopment. We might also seek to improve particular properties, to increase the potential value of properties in our portfolio, and to maintain or enhance their competitive positions by redeveloping them. We do so in order to attract more customers and retailers, which we expect to lead to increases in sales, occupancy and rental rates.

Redevelopments are generally more involved than strategic property plans or remerchandising programs and usually require some use of capital. The table below sets forth our property redevelopment summary as of December 31, 2015.

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, Pennsylvania	\$160.0-\$190.0	\$320.0-\$380.0	\$31.9	8-9%	2016	2018	2020

(in millions of dollars)

-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.

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Exton Square Mall - Phase I, Exton, Pennsylvania	\$30.0-\$33.0	\$30.0-\$33.0	\$3.9	9-10%	2016	2017	2018
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-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.

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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
Plymouth Meeting Mall, Plymouth Meeting, Pennsylvania -Addition of 33,000 square foot Legoland Discovery Center, one of nine in the United States.	\$6.6-\$7.3	\$6.6-\$7.3	\$0.1	8-9%	2016	2017	2018

Cumberland Mall, Vineland, New Jersey -Opening a Dick's Sporting Goods in the former JCPenney anchor store location in early 2017.	\$7.5-\$8.3	\$7.5-\$8.3	\$0.1	10-11%	2016	2016	2018
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In July 2014, we entered into a 50/50 joint venture with The Macerich Company ("Macerich") to redevelop 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. We and Macerich are jointly and severally responsible for a minimum investment in the project of \$300.0 million. The Fashion Outlets of Philadelphia is in a key location in Philadelphia, strategically positioned above regional mass transit, adjacent to the convention center and tourism sites, and amidst numerous offices and residential sites. An important aspect of any redevelopment project, including the redevelopment of the Fashion Outlets of Philadelphia, is its effect on the property and on the tenants and customers during the time that a redevelopment is taking place. While we might undertake a redevelopment to maximize the long term performance of the property, in the short term, the operations and performance of the property, as measured by sales, occupancy and NOI, might be negatively affected. Tenants might be dislodged as space for the redevelopment is aggregated, which affects tenant sales and rental rates. As the Fashion Outlets of Philadelphia is redeveloped, it is expected that occupancy, sales and NOI will continue to decrease until the newly constructed space is completed, leased and occupied. As of December 31, 2015, the portion of the Fashion Outlets of Philadelphia that was formerly known as Gallery I is closed, and the rest of the inline space at the Fashion Outlets of Philadelphia is expected to be closed in 2016. Through December 31, 2015, we had incurred costs of \$31.9 million relating to the redevelopment.

Mall-Specific Plans. We seek to unlock value in our portfolio through a variety of targeted efforts at our properties. We believe that certain of our properties, including ones which are in trade areas around major cities or are leading properties in secondary markets, can benefit from strategic remerchandising strategies, including, for example, selective re-tenanting of certain spaces in certain properties with higher quality, better-matched tenants. Based on the demographics of the trade area or the relevant competition, we believe that this subset of properties provides opportunities for meaningful value creation at the property level. We believe that we can successfully implement particular strategies at these assets, such as adding restaurants, making fashion and certain fashion categories the focus of the retailers at such properties, and relocating and right-sizing certain stores. We also continuously work to optimize the match between the demographics of the trade area, such as the household income level, and the nature and mix of tenants at such properties. We strive to work closely with tenants to enhance their merchandising opportunities at our properties. We believe that these approaches can attract more national and other tenants to the property and can lead to higher occupancy and NOI.

Shopper Experiences. In addition to such property-wide remerchandising efforts, we also seek to offer unique shopper experiences at our properties by having tenants that provide products, services or interactions that are unlike other offerings in the trade area. We seek to add first-to-market tenants, entertainment options, beauty and fashion purveyors, and unique tenants like a popular upscale flea market, as well as providing amenities like children's play areas and mall shopping smartphone apps. In 2015, a number of well-known retailers opened stores at our properties. The following operators also opened stores or expanded in our portfolio: Lego, Lululemon Athletica, Top Shop, Michael Kors, Tumi, Dave & Busters, Journey's and Field and Stream, among others. We are also striving to add restaurants of recognized chefs and other dining options with unique concepts, as studies indicate that mall restaurant customers spend more and stay on the property longer.

Improving the Operating Results of Our Properties

We aim to improve the overall operational performance of our portfolio of properties with a multi-pronged approach. Occupancy. We continue to work to increase non anchor and total occupancy in our properties. In 2015, non anchor occupancy at our Same Store malls decreased by 160 basis points to 93.7% and total occupancy at our Same Store malls decreased by 180 basis points to 95.4%. 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. In connection with the remerchandising plans at several of our properties described above, we are seeking or have obtained tenants for space in our properties that are the focus of remerchandising plans and for new space of different types such as pads or kiosks. We are also seeking tenants that have not previously been prevalent at our mall properties.

Key Tenants; Mall Leasing. We continue to recruit, and expand our relationships with, certain high profile retailers, and to initiate and expand our relationships with other quality and first-to-market retailers or concepts. We coordinate closely with tenants on new store locations in an effort to position our properties for our tenants' latest concept or store prototype, in order to drive traffic to our malls and stimulate customer spending. We believe that increasing our occupancy in ways that are tailored to particular properties will be helpful to our leasing efforts and will help increase rental rates and tenant sales.

Rental Rates and Releasing Spreads. For the year ended December 31, 2015, we generated sales per square foot of \$435 from our operating malls, an increase of 8.5% from 2014, excluding sold malls and mall under redevelopment. At properties with improved or already higher sales per square foot, these sales levels have helped attract new tenants and helped us retain current tenants that seek to take advantage of the property's increased productivity. We have worked to capitalize on the increase in, or high level of, sales per square foot by seeking positive rent renewal spreads, including from renewals and new leases following expirations of leases entered into during the economic downturn of recent years. In 2015, renewal spreads increased 5.4% on non anchor leases under 10,000 square feet and 7.9% for non anchor leases of at least 10,000 square feet. More than half of the near-term lease expirations in our portfolio are in the Premier and Core Growth groups of properties. Despite a significant increase in sales productivity, occupancy costs have remained relatively constant. We believe we have a meaningful opportunity to drive NOI and asset values by capitalizing on this increased sales productivity through increased rents on renewals or replacing underperforming tenants.

As discussed above, in 2015, we sold two Non-Core malls and our interests in a partnership classified as "other retail," and in February 2016, we sold one Non-Core mall. We are now seeking to dispose of five more Non-Core malls. We believe that the disposition of these less productive assets will help improve our negotiating position with retailers with multiple stores in our portfolio (including stores at these properties), and potentially enable us to obtain higher rental rates from them in the remaining properties.

Specialty Leasing and Partnership Marketing. Some space at our properties might be available for a shorter period of time, pending a lease with a permanent tenant or in connection with a redevelopment. We strive to manage the use of this space through our specialty leasing function, which manages the short term leasing of stores and the licensing of income-generating carts and kiosks, with the goal of maximizing the rent we receive during the period when a space is not subject to a longer term lease.

We also seek to generate ancillary revenue (such as sponsorship marketing revenue and promotional income) from the properties in our portfolio. We believe that increased efforts in this area can enable us to increase the proportion of net operating income derived from ancillary revenue.

Operating Expenses and CAM Charges. Our strategy for improving operating results also includes efforts to control or reduce the costs of operating our properties. With respect to operating expenses, we have taken steps to manage a significant proportion of them through contracts with third party vendors for housekeeping and maintenance, security services, landscaping and trash removal. These contracts provide reasonable control, certainty and predictability. For example, we renegotiated our security contract in 2013 to better control our operating expenses in the future. We also seek to contain certain expenses through our active programs for managing utility expense and real estate taxes. We have taken advantage of opportunities to buy electricity economically in states that have opened their energy markets to competition, and we expect to continue with this approach. In 2015, we saw a decrease in property operating expenses at our properties as compared to 2014 primarily due to lower snow removal and utility expenses in 2015 at our properties located in the Mid Atlantic States, which were affected by a severe winter in 2014 with numerous snowfalls with significant accumulation and higher electric utility rates. We also review the annual tax assessments of our properties and, when appropriate, pursue appeals.

With respect to CAM charges, we have continued to offer tenants an option of fixed CAM, in contrast to the traditional pro rata CAM. Fixed CAM, while shifting some risk to us as landlord, offers tenants increased predictability of their costs, a decrease in the number of items to be negotiated in a lease thus speeding lease execution, and reduced need for detailed CAM billings, reconciliations and collections. It is taking several years for all tenants of our properties to be subject to leases with a fixed CAM provision, but we believe there is an opportunity to increase our cost recoveries.

Taking Steps to Position the Company for Future Growth Opportunities

We are taking steps to position the Company to generate future growth. In connection therewith, we have implemented processes designed to ensure strong internal discipline in the use, harvesting and recycling of our capital, and these processes will be applied in connection with proposals to redevelop properties or to reposition properties with a mix of uses, or possibly, in the future, to acquire additional properties.

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External Opportunities. We seek to acquire, in an opportunistic, selective and disciplined manner, properties that are well-located, that are in trade areas with growing or stable demographics, that have operating metrics that are better than or equal to our existing portfolio averages, and that we believe have strong potential for increased cash flows and appreciation in value if we call upon our relationships with retailers and apply our skills in asset management and redevelopment. We also seek to acquire additional parcels or properties that are included within, or adjacent to, the properties already in our portfolio, in order to gain greater control over the merchandising and tenant mix of a property. Taking advantage of any acquisition opportunities will likely involve some use of debt or equity capital. As discussed above, in March 2015, we completed the acquisition of Springfield Town Center. The redevelopment of the property, which has been underway since 2013, is complete, and we expect operations at the property to stabilize in 2018.

We pursue development of retail and mixed use projects that we expect can meet the financial and strategic criteria we apply, given economic, market and other circumstances. We seek to leverage our skill sets in site selection, entitlement and planning, design, cost estimation and project management to develop new retail and mixed use properties. We seek properties in trade areas that we believe have sufficient demand, once developed, to generate cash flows that meet the financial thresholds we establish in the given environment. We manage all aspects of these undertakings, including market and trade area research, acquisition, preliminary development work, construction and leasing. In August 2015, Gloucester Premium Outlets in Gloucester Township, New Jersey, a property owned by a partnership in which we own a 25% interest, opened.

Depending on the nature of the acquisition or development opportunity, we might involve a partner, including in connection with projects involving a use other than retail.

Organic Opportunities. We look for ways to maximize the value of our assets by adding a mix of uses, such as office or multi-family residential housing, initiated either by ourselves or with a partner, that are designed to attract a greater number of people to the property. Multiple constituencies, from local governments to city planners to citizen groups, have indicated a preference for in-place development, development near transportation hubs, the addition of uses to existing properties, and sustainable development, as opposed to locating, acquiring and developing new green field sites. Also, if appropriate, we will seek to attract certain nontraditional tenants to these properties, including tenants using the space for purposes such as entertainment, education, health care, government and child care, which can bring larger numbers of people to the property, as well as regional, local or nontraditional retailers. Such uses will, we believe, increase traffic and enable us to generate additional revenue and grow the value of the property.

Improving Our Balance Sheet by Reducing Debt and Leverage; Maintaining Liquidity

Leverage. From 2012 to 2014, we reduced our ratio of Total Liabilities to Gross Asset Value (as defined in our principal credit agreements) largely because of our strategic property disposition program, which generated proceeds that were used to pay down debt, and which, in turn, generally offset amounts borrowed in connection with various projects and acquisitions. While our ratio of Total Liabilities to Gross Asset Value increased following our acquisition of Springfield Town Center, we continue to contemplate ways to reduce our leverage further through a variety of means available to us. These means might include selling properties or interests in properties with values in excess of their mortgage loans and applying any excess proceeds to debt reduction; entering into joint ventures or other partnerships or arrangements involving our contribution of assets; issuing common or preferred equity or equity-related securities if market conditions are favorable; or through other actions. We are also striving to reduce further our ratio of Total Liabilities to Gross Asset Value by increasing our Gross Asset Value through improving our operating performance.

Mortgage Loan Refinancings and Repayments. We might pursue opportunities to make favorable changes to individual mortgage loans on our properties. When we refinance such loans, we might seek a new term, better rates and excess proceeds. An aspect of our approach to debt financing is that we strive to lengthen and stagger the maturities of our debt obligations in order to better manage our future capital requirements. We might seek to repay certain mortgage loans in full in order to unencumber the associated properties, which enables us to increase our pool of unencumbered assets, have greater financial flexibility and obtain additional financing, like our unsecured 2013 Revolving Facility and our unsecured Term Loans.

Liquidity. As of December 31, 2015, our consolidated balance sheet reflected \$22.9 million in cash and cash equivalents. We believe that this amount and our net cash provided by operations, together with the available credit under the 2013 Revolving Facility, provide sufficient liquidity to meet our liquidity requirements and to take advantage of opportunities in the short to intermediate term.

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Capital Recycling. We regularly conduct portfolio property reviews and, if appropriate, we seek to dispose of malls, other retail properties or outparcels that we do not believe meet the financial and strategic criteria we apply, given economic, market and other circumstances. Disposing of these properties can enable us to redeploy or recycle our capital to other uses, such as to repay debt, to reinvest in other real estate assets and development and redevelopment projects, and for other corporate purposes.

RECENT DEVELOPMENTS

Recent Acquisition and Dispositions

In continuing to execute our strategy of elevating the quality of our portfolio, in 2015, we acquired one property, Springfield Town Center in Springfield, Virginia, and we disposed of two Non Core Mall properties and interests in a property classified as “other retail.”

Acquisition. 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.

Dispositions and Joint Venture. The table below presents our dispositions of consolidated properties since January 1, 2015:

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate	Sale Price (in millions of dollars)	Gain/ (Loss)
2016					
February	Palmer Park Mall, Easton, PA	Mall	13.6%	\$ 18.0	\$—
2015					
August	Uniontown Mall, Uniontown, PA	Mall	17.5%	\$ 23.0	\$—
October	Voorhees Town Center, Voorhees, NJ	Mall	10.3%	\$ 13.4	\$—

At the time of sale, the two Non Core Malls sold in 2015 and one property sold in February 2016 had aggregate average trailing 12 month sales per square foot of \$283 and non-anchor occupancy of 90.2%.

In 2015, we also sold our entire 50% partnership interest in Springfield Park power center located in Springfield, Pennsylvania for \$20.2 million and recognized a gain of \$12.0 million.

We are seeking to to dispose of seven more properties: New River Valley Mall in Christiansburg, Virginia; Gadsden Mall in Gadsden, Alabama; Wiregrass Mall in Dothan, Alabama; Lycoming Mall in Pennsdale, Pennsylvania; Washington Crown Center in Washington, Pennsylvania; and two street retail properties in Philadelphia, Pennsylvania. Palmer Park Mall in Easton, Pennsylvania was sold in February 2016.

Operating Performance

Funds From Operations (“FFO”), a non-GAAP measure, increased 5.3% from the prior year, and FFO as adjusted, another non-GAAP measure, increased 2.7% from the prior year. Adjustments included accelerated amortization of deferred financing costs and mortgage prepayment penalty, acquisition costs, employee separation expense and hedging losses. FFO as adjusted per share decreased 3.6% over 2014 primarily due to the impact of the 6,250,000 OP Units issued in connection with the acquisition of Springfield Town Center

Same Store net operating income (“Same Store NOI”), a non-GAAP measure, increased 2.6% over the prior year. Same Store NOI, excluding lease termination revenue, increased 2.6% compared to 2014. The proportion of Same Store NOI from our Premier and Core Growth properties increased to 80.4% from 79.6%.

Net loss was \$129.6 million in 2015, an increase of \$115.3 million compared to a net loss of \$14.3 million in 2014, but such increase was primarily the result of a \$120.1 million increase in impairment charges in 2015 as compared to 2014, partially offset by an increase in Same Store NOI.

Renewal spreads increased 5.4% on non anchor leases under 10,000 square feet and 7.9% for non anchor leases of at least 10,000 square feet. Renewal spreads increased 5.4% for all leases including anchors and non anchors. Average gross rent at Premier Malls and Core Growth Malls increased 5.7%, and average gross rent increased 7.5% for all properties.

Retail portfolio occupancy at December 31, 2015 was 95.0%, a decrease of 230 basis points. Non anchor occupancy was 93.3%, a decrease of 250 basis points. Same Store mall occupancy decreased 180 basis points to 95.4%. Same Store non anchor occupancy decreased 160 basis points to 93.7%. The decrease is primarily due to store closings of tenants that filed for bankruptcy in late 2014 and early 2015 that remained vacant as of December 31, 2015.

Sales per square foot at our mall properties were \$435, an increase of 8.5% from 2014, including consolidated and unconsolidated properties.

Descriptions of each non-GAAP measure mentioned above and the related reconciliation to the comparable GAAP measures are located in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Reconciliation of GAAP Net Income (Loss) to Non-GAAP Measures.”

Financing Activity

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.”

Leverage. After significant reductions in 2013 and 2012, and a modest reduction in 2014, our ratio of Total Liabilities to Gross Asset Value under our Credit Agreements increased by 167 basis points to 49.3% as of December 31, 2015. The increase was primarily due to the acquisition of Springfield Town Center, which was acquired with \$340.0 million of borrowings and assumed liabilities and \$145.2 million of equity in the form of 6,250,000 OP Units.

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.

Mortgage Loan Activity. In June 2015, we entered into a \$96.2 million mortgage loan secured by Patrick Henry Mall in Newport News, Virginia. The mortgage loan has a fixed interest rate of 4.35% per annum and a maturity date of July 2025 .

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 September 2015, we entered into a \$170.0 million mortgage loan secured by Willow Grove Park in Willow Grove, Pennsylvania. The mortgage loan has a fixed interest rate of 3.88% per annum and a maturity date of October 2025.

In September 2015, the unconsolidated partnership that owns Springfield Mall in Springfield, Pennsylvania entered into a \$65.0

million mortgage loan secured by the property with a fixed interest rate of 4.45% and a term of 10 years with no options to extend. 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.

CAPITAL STRATEGY

In support of the business strategies described above, our long-term corporate finance objective is to maximize the availability and minimize the cost of the capital we employ to fund our operations. In pursuit of this objective and for other business reasons, we seek the broadest range of funding sources (including commercial banks, institutional lenders, equity and debt investors and joint venture partners) and funding vehicles (including mortgage loans, commercial loans, sales of properties or interests in properties, and debt and equity securities) available to us on the most favorable terms. We pursue this goal by maintaining relationships with various capital sources and utilizing a variety of financing instruments, enhancing our flexibility to execute our business strategy in different economic environments or at different points in the business cycle.

Two mortgage loans with an aggregate balance of \$220.5 million secured by consolidated properties are scheduled to mature in 2016, and two mortgage loans with an aggregate balance of \$153.4 million secured by a consolidated property and one unconsolidated property are scheduled to mature in 2017. We expect to have sufficient resources to repay all of such loans in full on their maturity dates. While mortgage interest rates remain relatively low, we will seek to extend these mortgage loans to the maximum extent possible, or to replace them with longer term mortgage loans. In the case of the \$79.3 million mortgage loan on Valley Mall, which matures in 2016, we intend to repay amounts due with borrowings from our 2013 Revolving Facility.

In general, in determining the amount and type of debt capital to employ in our business, we consider several factors, including: general economic conditions, the capital market environment, prevailing and forecasted interest rates for various debt instruments, the cost of equity capital, property values, capitalization rates for mall properties, our financing needs for acquisition, redevelopment and development opportunities, the debt ratios of other mall REITs and publicly-traded real estate companies, and the federal tax law requirement that REITs distribute at least 90% of net taxable income, among other factors.

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 various types of financial instruments. 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 our underlying exposure, and subject to our ability to satisfy collateral requirements.

Capital Availability

To maintain our status as a REIT, we are required, under federal tax laws, to distribute to shareholders 90% of our net taxable income, which generally leaves insufficient funds to finance major initiatives internally. Because of these requirements, we ordinarily fund most of our significant capital requirements, such as the capital for acquisitions, redevelopments and developments, through secured and unsecured indebtedness, sales of properties or interests in properties and, when appropriate, the issuance of additional debt, equity or equity-related securities.

In 2015, we recast our \$400.0 million 2013 Revolving Facility. In 2014 and 2015, we entered the Term Loans for an aggregate amount of \$400.0 million: a five year agreement for a \$150.0 million facility, expandable to \$300.0 million, a seven year agreement for a \$100.0 million facility, expandable to \$200.0 million and a five year agreement for a \$150.0 million facility. Certain covenants and provisions of these loans might restrict our ability to use our cash flows and any debt or equity capital we obtain to execute our strategy. 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.

In addition, our ability to finance our growth using these sources depends, in part, on our creditworthiness, the availability of credit to us, the market for our securities at the time or times we need capital and prevailing conditions

in the capital and credit markets, among other things.

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OWNERSHIP STRUCTURE

We hold our interests in our portfolio of properties through our operating partnership, PREIT Associates, L.P. We are the sole general partner of PREIT Associates and, as of December 31, 2015, held a 89.2% controlling interest in PREIT Associates. We consolidate PREIT Associates for financial reporting purposes. We own our interests in our properties through various ownership structures, including partnerships and tenancy in common arrangements (collectively, “partnerships”). PREIT owns interests in some of these properties directly and has pledged the entire economic benefit of ownership to PREIT Associates. PREIT Associates’ direct or indirect economic interest in the properties ranges from 25% or 50% (for eight partnership properties) up to 100%. See “Item 2. Properties—Retail Properties.”

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.

COMPETITION

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, factory outlet centers, theme/festival centers and community centers, as well as other commercial real estate developers and real estate owners, particularly those with properties near our properties, on the basis of several factors, including location and rent charged. We compete with these companies to attract customers to our properties, as well as to attract anchor and in-line stores and other tenants. We also compete to acquire land for new site development or to acquire parcels or properties to add to our existing properties. Our malls and our other retail 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 properties and from other retail channels or formats as well, including internet retailers. This competition could have a material adverse effect on our ability to lease space and on the amount of rent and expense reimbursements that we receive.

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

We compete with many other entities engaged in real estate investment activities for acquisitions of malls, other retail properties and prime development sites or sites adjacent to our properties, including institutional pension funds, other REITs and other owner-operators of retail properties. When we seek to make acquisitions, competitors might drive up the price we must pay for properties, parcels, other assets or other companies or might themselves succeed in acquiring those properties, parcels, assets or companies. In addition, our potential acquisition targets might find our competitors to be more attractive suitors if they have greater resources, are willing to pay more, or have a more compatible operating philosophy. In particular, larger REITs might enjoy significant competitive advantages that result from, among other things, a lower cost of capital, a better ability to raise capital, a better ability to finance an acquisition, 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 or site, or generate lower cash flow from an acquired property or site than we expect, our investment returns will be reduced, which will adversely affect the value of our securities.

ENVIRONMENTAL

Under various federal, state and local laws, ordinances, regulations and case law, an owner, former owner or operator of real estate might be liable for the costs of removal or remediation of hazardous or toxic substances present at, on, under, in or released from its property, regardless of whether the owner, operator or other responsible party knew of or was at fault for the release or presence of hazardous or toxic substances. Contamination might adversely affect the owner's ability to sell or lease real estate or borrow with real estate as collateral. In connection with our ownership, operation, management, development and redevelopment of properties, or any other properties we acquire in the future, we might be liable under these laws and might incur costs in responding to these liabilities.

Each of our retail properties has been subjected to a Phase I or similar environmental audit (which involves a visual property inspection and a review of records, but not soil sampling or ground water analysis) by environmental consultants. These audits have not revealed, and we are not aware of, any environmental liability that we believe would have a material adverse effect on our results of operations. It is possible, however, that there are material environmental liabilities of which we are unaware.

We are aware of certain past environmental matters at some of our properties. We have, in the past, investigated and, where appropriate, performed remediation of such environmental matters, but we might be required in the future to perform testing relating to these matters or to satisfy requirements for further remediation, or we might incur liability as a result of such environmental matters. See “Item 1A. Risk Factors—Risks Related to Our Business and Our Properties—We might incur costs to comply with environmental laws, which could have an adverse effect on our results of operations.”

EMPLOYEES

We had 397 employees at our properties and in our corporate office as of December 31, 2015. None of our employees are represented by a labor union.

INSURANCE

We have comprehensive liability, fire, flood, cyber liability, terrorism, extended coverage and rental loss insurance that we believe is adequate and consistent with the level of coverage that is standard in our industry. We cannot assure you, however, that our insurance coverage will be adequate to protect against a loss of our invested capital or anticipated profits, or that we will be able to obtain adequate coverage at a reasonable cost in the future.

STATUS AS A REIT

We conduct our operations in a manner intended to maintain our qualification as a REIT under the Internal Revenue Code of 1986, as amended. Generally, as a REIT, we will not be subject to federal or state income taxes on our net taxable income that we currently distribute to our shareholders. Our qualification and taxation as a REIT depend on our ability to meet various qualification tests (including dividend distribution, asset ownership and income tests) and certain share ownership requirements prescribed in the Internal Revenue Code.

CORPORATE HEADQUARTERS

Our principal executive offices are located at The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102.

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.

AVAILABLE INFORMATION

We maintain a website with the address www.preit.com. We are not including or incorporating by reference the information contained on our website into this report. We make available on our website, free of charge and as soon as practicable after filing with the SEC, copies of our most recently filed Annual Report on Form 10-K, all Quarterly Reports on Form 10-Q and all Current Reports on Form 8-K filed during each year, including all amendments to these reports, if any. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports are also available on the SEC's website at <http://www.sec.gov>. In addition, copies of our corporate governance guidelines, codes of business conduct and ethics (which include the code of ethics applicable to our Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer) and the governing charters for the audit, nominating and governance, and executive compensation and human resources committees of our Board of Trustees are available free of charge on our website, as well as in print to any shareholder upon request. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We intend to comply with the requirements of Item 5.05 of Form 8-K regarding amendments to and waivers under the code of business conduct and ethics applicable to our Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer by providing such information on our website within four days after effecting any amendment to, or granting any waiver under, that code, and we will maintain such information on our website for at least twelve months.

ITEM 1A. RISK FACTORS.

RISKS RELATED TO OUR BUSINESS AND OUR PROPERTIES

Changes in the retail industry, particularly among anchor tenant retailers, could adversely affect our results of operations and financial condition.

The income we generate depends in part on our anchor or other major tenants' ability to attract customers to our properties and generate traffic, which affects the property's ability to attract non anchor tenants, and thus the revenue generated by the property. In recent years, in connection with economic conditions and other changes in the retail industry, including customers' use of smartphones and websites and the continued expansion of ecommerce generally, some anchor tenant retailers have experienced decreases in operating performance, and in response, they are contemplating strategic, operational and other changes. The strategic and operational changes being considered by anchor tenants include subleasing, combinations and other consolidation designed to increase scale, leverage with suppliers like landlords, and other efficiencies, which might result in the restructuring of these companies and which could involve withdrawal from certain geographic areas, such as secondary or tertiary trade areas, or the closure or sale of stores operated by them. For example, in January 2015, J.C. Penney Company, Inc. ("JC Penney") announced that it is closing 40 stores, including one in a mall in our portfolio (Cumberland Mall), after closing 33 the prior year, including its store at Exton Square Mall. Also, Macy's has announced that it will close 40 stores in 2016, including its store at Valley Mall in Hagerstown, Maryland and Sears Holdings, whose brands include Sears and Kmart, said that it is closing more than 200 stores. We cannot assure you that there will not be additional store closings by JC Penney, Macy's, Sears and Kmart, or any other anchor or other tenant in the future, which could affect our results of operations, cash flows, and ability to make cash distributions. The closure of one or more anchor stores would have a negative effect on the affected properties, on our portfolio and on our results of operations. In addition, a lease termination by an anchor for any reason, a failure by an anchor to occupy the premises, or any other cessation of operations by an anchor could result in lease terminations or reductions in rent by other tenants of the same property whose leases permit cancellation or rent reduction (i.e., co-tenancy provisions) if an anchor's lease is terminated or the anchor otherwise ceases occupancy or operations. In that event, we might be unable to re-lease the vacated space of the anchor or non anchor stores in a timely manner, or at all. In addition, the leases of some anchors might permit the anchor to transfer its lease, including any attendant approval rights, to another retailer. The transfer to a new anchor could cause customer traffic in the property to decrease or to be composed of different types of customers, which could reduce the income generated by that property. A transfer of a lease to a new anchor also could allow other tenants to make reduced rental payments or to terminate their leases at the property, which could adversely affect our results of operations.

Approximately 38% of our non anchor leases expire in 2016 or 2017 or are in holdover status, and if we are unable to renew these leases or re-lease the space covered by these leases on equivalent terms, we might experience reduced occupancy and traffic at our properties and lower rental revenue, net operating income, cash flows and funds available for distributions.

The current conditions in the economy, including rising interest rates and changes in the means and patterns of consumer behavior, may affect employment growth and cause fluctuations and variations in retail sales, consumer confidence and consumer spending on retail goods. The weaker operating performance of certain retailers in recent years has resulted in store closings and in delays or deferred decisions regarding the openings of new retail stores at some of our properties and affected renewals of both anchor and non anchor leases. In recent years, partially because of the economic environment, we frequently renewed leases with terms of one year, two years or three years, rather than the more typical five years or ten years. These shorter term leases enabled both the tenant and us, before entering into a longer term lease, to evaluate the advantages and disadvantages of a longer term lease at a later time in the economic cycle, at least in part with the expectation that there will be greater visibility into future conditions in the economy and future trends. As a result, we have a substantial number of such leases that are in holdover status or will expire in the next few years, including some leases with our top 20 tenants, and including both anchor and non anchor leases. See "Item 2. Properties—Retail Lease Expiration Schedule" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Leasing Activity." We might not be successful in

renewing the leases for, or re-leasing, the space covered by leases that are in holdover status or that are expiring in 2016 and 2017, or obtaining positive rent renewal spreads, or even renewing the leases on terms comparable to those of the expiring leases. If we are not successful, we will be likely to experience reduced occupancy, traffic, rental revenue and net operating income, which could have a material adverse effect on our financial condition, results of operations and ability to make distributions to shareholders.

Expense reimbursements are relatively low and might continue to be relatively low. Also, operating expense amounts have increased and, in the future, are likely to continue to increase, reducing our cash flow and funds available for future distributions.

Our leases have historically provided that the tenant is liable for a portion of common area maintenance (“CAM”) costs, real estate taxes and other operating expenses. If these expenses increase, then under such provisions, the tenant’s portion of such expenses also increases. Our new leases are continuing to incorporate terms providing for fixed CAM or caps on the rate of annual increases in CAM. In these cases, a tenant will pay a set or capped expense reimbursement amount, regardless of the actual amount of operating expenses. The tenant’s payment remains the same even if operating expenses increase, causing us to be responsible for the excess amount. To the extent that existing leases, new leases or renewals of leases do not require a pro rata contribution from tenants, and to the extent that any new fixed CAM provision sets an amount below actual expense levels, we are liable for the cost of such expenses in excess of the portion paid by tenants, if any. This has affected and could, in the future, adversely affect our net effective rent, our results of operations and our ability to make distributions to shareholders. Further, if a property is not fully occupied, as it typically is not, we are required to pay the portion of the expenses allocable to the vacant space that is otherwise typically paid by tenants, which would adversely affect our results of operations and our ability to make distributions to shareholders.

Our properties are also subject to the risk of increases in CAM and other operating expenses, which typically include real estate taxes, energy and other utility costs, repairs, maintenance on and capital improvements to common areas, security, housekeeping, property and liability insurance and administrative costs. A significant portion of our operating expenses are managed through contracts with third-party vendors. Vendor consolidation could result in increased expense for such services. In addition, in recent years, municipalities have sought to raise real estate taxes paid by our property in their jurisdiction because of their strained budgets, our recent redevelopment of such property or for other reasons. In some cases, our mall might be the largest single taxpayer in a jurisdiction, which could make real estate tax increases significant to us. If operating expenses increase, the availability of other comparable retail space in the specific geographic markets where our properties are located might limit our ability to pass these increases through to tenants, or, if we do pass all or a part of these increases on, might lead tenants to seek retail space elsewhere, which, in either case, could adversely affect our results of operations and limit our ability to make distributions to shareholders.

The valuation and accounting treatment of certain long-lived assets, such as real estate, or of intangible assets, such as goodwill, could result in future asset impairments, which would be recorded as operating losses.

Real estate investments and related intangible assets are reviewed for impairment whenever events or changes in circumstances, such as a decrease in net operating income, the loss of an anchor tenant or an agreement of sale at a price below book value, indicate that the carrying amount of the property might not be recoverable. An operating property to be held and used is considered impaired under applicable accounting authority only if management’s estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges, is less than the carrying value of the property. 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. This estimate takes into consideration factors such as expected future net operating income, trends and prospects, and upcoming lease maturities, as well as the effects of demand, competition and other factors. The current conditions in the economy have negatively affected retail sales, employment growth and consumer spending on retail goods. We have set our estimates of future cash flows to be generated by our properties taking into account these factors, which might cause changes in our estimates in the future. If we find that the carrying value of real estate investments and related intangible assets has been impaired, as we did in 2015, 2014 and 2013, we will recognize impairment with respect to such assets. Applicable accounting principles require that goodwill and certain intangible assets be tested for impairment annually or earlier upon the occurrence of certain events or substantive changes in circumstances. If we find that the carrying value of goodwill or certain intangible assets exceeds estimated fair value, we will reduce the carrying value of the real estate investment or goodwill or intangible asset to the estimated fair value, and we will recognize impairment with respect to such investments or goodwill or intangible assets.

Impairment of long-lived assets is required to be recorded as a noncash operating expense. Our 2015, 2014 and 2013 impairment analyses resulted in noncash impairment charges on long lived assets of \$140.3 million, \$19.7 million and \$30.0 million, respectively, and, as a result, the carrying values of our impaired assets were reset to their estimated fair

values as of the respective dates on which the impairments were recognized. Any further decline in the estimated fair values of these assets could result in additional impairment charges. It is possible that such impairments, if required, could be material. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Asset Impairment.”

Conditions in the U.S. economy continue to be challenging, and might adversely affect our cash flows from operations.

The U.S. economy has continued to experience relatively slow job and income growth, and reduced or fluctuating business and consumer confidence and retail sales. These conditions have impacted consumer spending on retail goods. Changes in the patterns of consumer spending have led to decreased operating performance of and bankruptcy or similar filings by several

retailer tenants, which has led to store closings, delays or deferred decisions regarding lease renewals and the openings of new retail stores at our properties, and has in some cases affected the ability of our current tenants to meet their obligations to us. This could adversely affect our ability to generate cash flows, meet our debt service requirements, comply with the covenants under our Credit Agreements, make capital expenditures and make distributions to shareholders. These conditions could also have a material adverse effect on our financial condition and results of operations.

Any store closings, leasing and construction delays, lease terminations, tenant financial difficulties or tenant bankruptcies we encounter could adversely affect our financial condition and results of operations.

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. There are also a number of tenants that are based outside the U.S., and these tenants are affected by economic conditions in the country where their headquarters are located and internationally. Any of such tenants might enter into or renew leases with relatively shorter terms. Such tenants might also defer or fail to make rental payments when due, delay or defer lease commencement, voluntarily vacate the premises or declare bankruptcy, which could result in the termination of the tenant's lease, or preclude the collection of rent in connection with the space for a period of time, and could result in material losses to us and harm to our results of operations. Also, it might take time to terminate leases of underperforming or nonperforming tenants, and we might incur costs to remove such tenants. Some of our tenants occupy stores at multiple locations in our portfolio, and so the effect of any bankruptcy or store closing of those tenants might be more significant to us than the bankruptcy or store closings of other 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 our 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.

If a tenant files for bankruptcy, the tenant might have the right to reject and terminate its leases, and we cannot be sure that it will affirm its leases and continue to make rental payments in a timely manner. A bankruptcy filing by, or relating to, one of our tenants would bar all efforts by us to collect pre-bankruptcy debts from that tenant, or from their property, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of its bankruptcy. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages in connection with such balances. If a bankrupt tenant vacates a space, it might not do so in a timely manner, and we might be unable to re-lease the vacated space during that time, or at all. In addition, such a scenario with one tenant could result in lease terminations or reductions in rent by other tenants of the same property whose leases have co-tenancy provisions. These other tenants might seek changes to the terms of their leases, including changes to the amount of rent. Any unsecured claim we hold against a bankrupt tenant might be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws that limit the amount of the claim we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of any unsecured claims we hold, which would adversely affect our financial condition and results of operations. In some instances, retailers that have sought protection from creditors under bankruptcy law have had difficulty in obtaining debtor-in-possession financing, which has decreased the likelihood that such retailers will emerge from bankruptcy protection and has limited their alternatives. Tenant bankruptcies and liquidations have adversely affected, and are likely in the future to adversely affect, our financial condition and results of operations.

The investments we have made in redeveloping older properties and developing new properties could be subject to delays or other risks and might not yield the returns we anticipate, which would harm our financial condition and operating results.

Currently, we are planning or engaged in redevelopment projects at a number of our properties, including our 50/50 joint venture to redevelop the Fashion Outlets of Philadelphia, which is a significant project. We are also engaged in various early stage development steps at three other projects. To the extent we continue current redevelopment or

development projects or enter into new redevelopment or development projects in the longer term, they will be subject to a number of risks that could negatively affect our return on investment, financial condition, results of operations and our ability to make distributions to shareholders, including, among others:

- delayed ability or inability to reach projected occupancy, rental rates, profitability, and investment return;
- timing delays due to tenant decision delays, delays in anchor approvals of redevelopment plans, where required, and other factors outside our control, which might make a project less profitable or unprofitable, or delay profitability; and
- expenditure of money and time on projects that might be significantly delayed before stabilization.

Some of our retail properties were constructed or last renovated more than 10 years ago. Older, unrenovated properties tend to generate lower rent and might require significant expense for maintenance or renovations to maintain competitiveness, which,

if incurred, could harm our results of operations. Subject to the terms and conditions of our Credit Agreements, as a key component of our growth strategy, we plan to continue to redevelop existing properties, and we might develop or redevelop other projects as opportunities arise. These plans are subject to then-prevailing economic, capital market and retail industry conditions.

We might elect not to proceed with certain development projects after they are begun. In general, when we elect not to proceed with a project, development costs for such a project will be expensed in the then-current period. The accelerated recognition of these expenses could have a material adverse effect on our results of operations for the period in which the expenses are recognized.

Our retail properties are concentrated in the Eastern United States, particularly in the Mid-Atlantic region, and adverse market conditions in that region might affect the ability of our tenants to make lease payments and the interest of prospective tenants to enter into leases, which might reduce the amount of revenue generated by our properties.

Our retail properties are concentrated in the Eastern United States, particularly in the Mid-Atlantic region, including a number of properties in the Philadelphia, and to a lesser extent, the Washington, D.C metropolitan areas. To the extent adverse conditions affecting retail properties, such as economic conditions, population trends, changing demographics and urbanization, availability and costs of financing, construction costs, income, sales and property tax laws, and weather conditions, are particularly adverse in these areas, our results of operations will be affected to a greater degree than companies that do not have concentrations in these regions. If the sales of stores operating at our properties were to decline significantly due to adverse regional conditions, the risk that our tenants, including anchors, will be unable to fulfill the terms of their leases to pay rent or will enter into bankruptcy might increase. Furthermore, such adverse regional conditions might affect the likelihood or timing of lease commitments by new tenants or lease renewals by existing tenants as such parties delay their leasing decisions in order to obtain the most current information about trends in their businesses or industries. If, as a result of prolonged adverse regional conditions, occupancy at our properties decreases or our properties do not generate sufficient revenue to meet our operating and other expenses, including debt service, our financial position, results of operations, cash flow and ability to make distributions to shareholders would be adversely affected.

We have invested and expect to invest in the future in partnerships with third parties to acquire, develop or redevelop properties, and we might not control the management, redevelopment or disposition of these properties, or we might be exposed to other risks.

We have invested and expect to invest in the future as a partner with third parties in the acquisition or ownership of existing properties or the development of new properties, in contrast to acquiring or owning properties or developing projects by ourselves. Entering into partnerships with third parties involves risks not present where we act alone, in that we might not have primary control over the acquisition, disposition, development, redevelopment, financing, leasing, management, budgeting and other aspects of the property or project. These limitations might adversely affect our ability to develop, redevelop or sell these properties at the most advantageous time for us, if at all. Also, there might be restrictive provisions and rights that apply to sales or transfers of interests in our partnership properties, which might require us to make decisions about buying or selling interests at a disadvantageous time.

In July 2014, we entered into a 50/50 joint venture with Macerich to redevelop 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. We retained a 50% interest in the Fashion Outlets of Philadelphia. We account for our retained 50% investment in the Fashion Outlets of Philadelphia using the equity method of accounting.

Some of our retail properties are owned by partnerships for which major decisions, such as a sale, lease, refinancing, redevelopment, expansion or rehabilitation of a property, or a change of property manager, require the consent of all partners. Accordingly, because decisions must be unanimous, necessary actions might be delayed significantly and it might be difficult or even impossible to remove a partner that is serving as the property manager. We might not be able to resolve favorably any conflicts which arise with respect to such decisions, or we might be required to provide financial or other inducements to our partners to obtain a resolution. In cases where we are not the controlling partner or where we are only one of the general partners, there are many decisions that do not relate to fundamental matters that do not require our approval and that we do not control. Also, in cases in which we serve as managing general

partner of the partnership that owns the property, we might have certain fiduciary responsibilities to the other partners in those partnerships.

Business disagreements with partners might arise. We might incur substantial expenses in resolving these disputes. Moreover, we cannot assure you that our resolution of a dispute with a partner will be on terms that are favorable to us.

The profitability of each partnership we enter into with a third party that has short-term financing or debt requiring a balloon payment is dependent on the subsequent availability of long-term financing on satisfactory terms. If satisfactory long-term financing is not available, we might have to rely on other sources of short-term financing or equity contributions. Although these partnerships are not wholly-owned by us, if any obligations were recourse, we might be required to pay the full amount of any obligation of the partnership, or we might elect to pay all of the obligations of such a partnership to protect our equity interest in its properties and assets. This could cause us to utilize a substantial portion of our liquidity sources or operating funds and could have a material adverse effect on our operating results and reduce amounts available for distribution to shareholders.

Other risks of investments in partnerships with third parties include:

- partners might become bankrupt or fail to fund their share of required capital contributions, which might inhibit our ability to make important decisions in a timely fashion or necessitate our funding their share to preserve our investment, which might be at a disadvantageous time or in a significant amount;
- partners might have business interests or goals that are inconsistent with our business interests or goals;
- partners might be in a position to take action contrary to our policies or objectives;
- we might incur liability for the actions of our partners; and
- third-party managers might not be sensitive to publicly-traded company or REIT tax compliance matters.

We might be unable to effectively manage any redevelopment and development projects involving a mix of uses, or other unique aspects, such as a project located in a city rather than a suburb, which could affect our financial condition and results of operations.

The complex nature of redevelopment and development projects calls for substantial management time, attention and skill. Some of our redevelopment and development projects currently, and in the future, might involve mixed uses of the properties, including residential, office and other uses. We might not have all of the necessary or desirable skill sets to manage such projects. If a development or redevelopment project includes a non-retail use, we might seek to sell the rights to that component to a third-party developer with experience in that use, or we might seek to partner with such a developer. If we are not able to sell the rights to, or partner with, such a developer, or if we choose to develop the other component ourselves, we would be exposed not only to those risks typically associated with the development of commercial real estate generally, and of retail real estate, but also to specific risks associated with the development, ownership and property management of non-retail real estate, such as the demand for residential or office space of the types to be developed and the effects of general economic conditions on such property types, as opposed to the effects on retail real estate, with which we are more familiar. Also, if we pursue a redevelopment or development project with a different or unique aspect, such as a project in a dense city location like the redevelopment of the Fashion Outlets of Philadelphia, either in a partnership with another developer (like with Macerich for the Fashion Outlets of Philadelphia) or ourselves, we would be, and are, exposed to the particular risks associated with the unique aspect such as, in the case of dense city projects, differences in the entitlements process, different types of responses by particular stakeholders and different involvement and priorities of local, state and federal government entities. In addition, even if we sell the rights to develop the other component or elect to participate in the development through a partnership, we might be exposed to the risks associated with the failure of the other party to complete the development as expected. These include the risk that the other party would default on its obligations, necessitating that we complete the other component ourselves (including providing any necessary financing). The lack of sufficient management resources, or of the necessary skill sets to execute our plans, or the failure of a partner in connection with a joint, mixed-use or other unique development, could delay or prevent us from realizing our expectations with respect to any such projects and could adversely affect our results of operations and financial condition.

We face competition for the acquisition of properties, development sites and other assets, which might impede our ability to make future acquisitions or might increase the cost of these acquisitions.

We compete with many other entities engaged in real estate investment activities for acquisitions of malls, other retail properties and other prime development sites or sites adjacent to our properties, including institutional pension funds,

other REITs and other owner-operators of retail properties. Our efforts to compete for acquisitions are also subject to the terms and conditions of our Credit Agreements. When we seek to make acquisitions, competitors might drive up the price we must pay for properties, parcels, other assets or other companies, or might themselves succeed in acquiring those properties, parcels, assets or companies. In addition, our potential acquisition targets might find our competitors to be more attractive suitors if they have greater resources, are willing to pay more, or have a more compatible operating philosophy. In particular, larger REITs might enjoy significant competitive advantages that result from, among other things, a lower cost of capital, a better ability to raise capital, a better ability to finance an acquisition, and enhanced operating efficiencies. We might not succeed in acquiring retail properties or development sites that we seek, or, if we pay a higher price for a property or site, or generate lower cash flow

from an acquired property or site than we expect, our investment returns will be reduced, which will adversely affect the value of our securities.

We might not be successful in identifying suitable acquisitions that meet the criteria we apply, given economic, market or other circumstances, which might impede our growth.

Acquisitions of retail properties have historically been an important component of our growth strategy. Expanding by acquisitions requires us to identify suitable acquisition candidates or investment opportunities that meet the criteria we apply, given economic, market or other circumstances, and that are compatible with our growth strategy. We must also typically obtain financing on terms that are acceptable to us. We analyze potential acquisitions on a property-by-property and market-by-market basis. We might not be successful in identifying suitable properties or other assets in our existing geographic markets or in markets new to us that meet the acquisition criteria we apply, given economic, market or other circumstances, in financing such properties or other assets or in consummating acquisitions or investments on satisfactory terms. In connection with prospective acquisitions, we generally conduct a due diligence review of the target property or portfolio or investment. While the process of due diligence is intended to provide us with an independent basis to evaluate a prospective acquisition, in some cases we might be given limited time or be given limited materials to review, or pertinent facts might not be adequately uncovered. In such cases, the decision of whether to pursue acquiring the property or portfolio might be based on insufficient, incomplete or inaccurate information, which might lead us to make acquisitions that might have additional or larger issues than we anticipated. If so, these issues might reduce the returns on our investment and affect our financial condition and results of operations. An inability to successfully identify, consummate or finance acquisitions could reduce the number of acquisitions we complete and impede our growth, which could adversely affect our results of operations.

We might be unable to integrate effectively any additional properties we might acquire, which might result in disruptions to our business and additional expense.

Subject to the terms and conditions of our Credit Agreements, to the extent that we pursue acquisitions of additional properties or portfolios of properties that meet the investment criteria we apply, given economic, market and other circumstances, we might not be able to adapt our management and operational systems to effectively manage any such acquired properties or portfolios.

Specific risks for our ongoing operations posed by acquisitions we have completed or that we might complete in the future, include:

- we might not achieve the expected value-creation potential, operating efficiencies, economies of scale or other benefits of such transactions, including effective execution on acquired development rights;
- we might not have adequate personnel, personnel with necessary skill sets or financial and other resources to successfully handle our increased operations;
- we might not be successful in leasing space in acquired properties or renewing leases of existing tenants after our acquisition of the property;
- the combined portfolio might not perform at the level we anticipate;
- the additional property or portfolio might require excessive time and financial resources to make necessary improvements or renovations and might divert the attention of management away from our other operations;
- we might experience difficulties and incur unforeseen expenses in connection with assimilating and retaining employees working at acquired properties, and in assimilating any acquired properties;
- we might experience problems and incur unforeseen expenses in connection with upgrading and expanding our systems and processes to incorporate any such acquisitions; and
- we might incur unexpected liabilities in connection with the properties and businesses we acquire.

If we fail to successfully integrate any properties, portfolios, assets or companies we acquire, or fail to effectively handle our increased operations or to realize the intended benefits of any such transactions, our financial condition and results of operations, and our ability to make distributions to shareholders, might be adversely affected.

Our business could be harmed if members of our senior management team terminate their employment with us or otherwise are unable to continue in their current capacity.

Our future success depends, to a meaningful extent, upon the continued services of Joseph F. Coradino, our Chief Executive Officer, and the services of our corporate management team. These executives have substantial experience in managing, developing and acquiring retail real estate. Although we have entered into employment agreements with Joseph F. Coradino and certain other members of our corporate management team, they could elect to terminate those agreements at any time. The loss of services of one or more members of our corporate management team could harm our business and our prospects.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose invested capital and anticipated profits.

There are some types of losses, including those of a catastrophic nature, such as losses due to wars, earthquakes, floods, hurricanes, pollution, environmental matters, information technology system failures and lease and contract claims, that are generally uninsurable or not economically insurable, or might be subject to insurance coverage limitations, including large deductibles or co-payments or caps on coverage amounts. Under federal terrorism risk insurance legislation, the United States government provides reinsurance coverage to insurance companies following a declared terrorism event. The legislation's intent is to reinsure declared events of terrorism that cause more than \$100.0 million in damages or losses. There is a generally similar program relating to flood insurance. If either or both of these programs were no longer in effect, it might become prohibitively expensive, or impossible, to obtain insurance that covers damages or losses from those types of events. Tenants might also encounter difficulty obtaining coverage.

If one of these events occurred to, or caused the destruction of, one or more of our properties, we could lose both our invested capital and anticipated profits from that property. We also might remain obligated for any mortgage loan or other financial obligation related to the property. In addition, if we are unable to obtain insurance in the future at acceptable levels and at a reasonable cost, the possibility of losses in excess of our insurance coverage might increase and we might not be able to comply with covenants under our debt agreements, which could adversely affect our financial condition. If any of our properties were to experience a significant, uninsured loss, it could seriously disrupt our operations, delay our receipt of revenue and result in large expense to repair or rebuild the property. These types of events could adversely affect our cash flow, results of operations and ability to make distributions to shareholders. We might incur costs to comply with environmental laws, which could have an adverse effect on our results of operations.

Under various federal, state and local laws, ordinances, regulations and case law, an owner, former owner or operator of real estate might be liable for the costs of removal or remediation of hazardous or toxic substances present at, on, under, in or released from its property, regardless of whether the owner, operator or other responsible party knew of or was at fault for the release or presence of hazardous or toxic substances. The responsible party also might be liable to the government or to third parties for substantial property damage and investigation and cleanup costs. Even if more than one person might have been responsible for the contamination, each person covered by the environmental laws might be held responsible for all of the clean-up costs incurred. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination might adversely affect the owner's ability to sell or lease real estate or borrow with that real estate as collateral. In connection with our ownership, operation, management, development and redevelopment of properties, or any other properties we acquire in the future, we might be liable under these laws and might incur costs in responding to these liabilities.

We are aware of certain environmental matters at some of our properties. We have, in the past, investigated and, where appropriate, performed remediation of such environmental matters, but we might be required in the future to perform testing relating to these matters and further remediation might be required, or we might incur liability as a result of such environmental matters. Environmental matters at our properties include the following:

Asbestos. Asbestos-containing materials are present at a number of our properties, primarily in the form of floor tiles, mastics, roofing materials and adhesives. Fire-proofing material containing asbestos is present at some of our properties in limited concentrations or in limited areas. Under applicable laws and practices, asbestos-containing material in good, non-friable condition are allowed to be present, although removal might be required in certain circumstances. In particular, in the course of any redevelopment, renovation, construction or build out of tenant space, asbestos-containing materials are generally removed.

Underground and Above Ground Storage Tanks. Underground and above ground storage tanks are or were present at some of our properties. These tanks were used to store waste oils or other petroleum products primarily related to the operation of automobile service center establishments at those properties. In some cases, the underground storage tanks have been abandoned in place, filled in with inert materials or removed and replaced with above ground tanks.

Some of these tanks might have leaked into the soil, leading to ground water and soil contamination. Where leakage has occurred, we might incur investigation, remediation and monitoring costs if responsible current or former tenants, or other responsible parties, are unavailable to pay such costs.

Ground Water and Soil Contamination. Ground water contamination has been found at some properties in which we currently or formerly had an interest. At some properties, dry cleaning operations, which might have used solvents, contributed to ground water and soil contamination.

Each of our retail properties has been subjected to a Phase I or similar environmental audit (which involves a visual property inspection and a review of records, but not soil sampling or ground water analysis) by environmental consultants. These audits have not revealed, and we are not aware of, any environmental liability that we believe would have a material adverse effect on our results of operations. It is possible, however, that there are material environmental liabilities of which we are unaware. Also, we cannot assure you that future laws will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of our tenants, by the existing condition of the land, by operations in the vicinity of the properties (such as the presence of underground storage tanks) or by the activities of unrelated third parties.

We have environmental liability insurance coverage for the types of environmental liabilities described above, which currently covers liability for pollution and on-site remediation of up to \$25.0 million per occurrence and \$25.0 million in the aggregate. We cannot assure you that this coverage will be adequate to cover future environmental liabilities. If this environmental coverage were inadequate, we would be obligated to fund those liabilities. We might be unable to continue to obtain insurance for environmental matters, at a reasonable cost or at all, in the future.

In addition to the costs of remediation, we might incur additional costs to comply with federal, state and local laws relating to environmental protection and human health and safety generally. There are also various federal, state and local fire, health, life-safety and similar regulations that might be applicable to our operations and that might subject us to liability in the form of fines or damages for noncompliance. The cost described above, individually or in the aggregate, could adversely affect our results of operations.

Inflation may adversely affect our financial condition and results of operations.

Inflationary price increases could have an adverse effect on consumer spending, which could impact our tenants' sales and, in turn, our tenants' business operations. This could affect the amount of rent these tenants pay, including if their leases provide for percentage rent or percentage of sales rent, and their ability to pay rent. Also, inflation could cause increases in operating expenses, which could increase occupancy costs for tenants and, to the extent that we are unable to recover operating expenses from tenants, could increase operating expenses for us. In addition, if the rate of inflation exceeds the scheduled rent increases included in our leases, then our net operating income and our profitability would decrease. Inflation could also result in increases in market interest rates, which could not only negatively impact consumer spending and tenant investment decisions, but would also increase the borrowing costs associated with our existing or any future variable rate debt, to the extent such rates are not effectively hedged or fixed.

RISKS RELATED TO THE REAL ESTATE INDUSTRY

Online shopping and other uses of technology could affect the business models and viability of retailers, which could, in turn, affect their demand for retail real estate.

Online retailing and shopping and the use of technology to aid purchase decisions have increased in recent years, and are expected to continue to increase in the future. Also, small local and regional businesses and specialty retailers, who have previously been limited to marketing and selling their products within their immediate geographical area, are now able to reach a broader group of consumers and compete with a broader group of retailers, including the retailers at our properties. In certain categories, such as books, music, apparel and electronics, online retailing has become a significant proportion of total sales, and has affected retailers and consumers significantly. The information available online empowers consumers with knowledge about products and information about prices and other offers in a different way than is available in a single physical store with sales associates. Consumers are able to purchase products anytime and anywhere, and are able to compare more products than are typically found in a single retail location, and they are able to read product reviews and to compare product features and pricing. In addition, customers of certain of our retailers use technology including smartphones to check competitors' product offerings and prices while in their stores evaluating merchandise. Some tenants utilize our shopping centers as showrooms or as part of an omni-channel strategy (allowing for customers to shop online or in stores and for order fulfillment and returns to take place in stores or via shipping). In this model, customers may make purchases during or immediately after visiting our malls, with such sales not currently being captured in our tenant sales figures or monetized in our minimum or percentage rents.

Online shopping and technology, such as smartphone applications, might affect the business models, sales and profitability of retailers, which might, in turn, affect the demand for retail real estate, occupancy at our properties and the amount of rent that we receive. Any resulting decreases in rental revenue could have a material adverse effect on our financial condition, results of operations and ability to make distributions to shareholders.

The retail real estate industry is highly competitive, and this competition could harm our ability to operate profitably. Competition in the retail real estate industry is intense. We compete with other public and private retail real estate companies, including companies that own or manage malls, power centers, strip centers, lifestyle centers, factory outlet centers, theme/festival centers and community centers, as well as other commercial real estate developers and real estate owners, particularly those with properties near our properties, on the basis of several factors, including location and rent charged. We compete with these companies to attract customers to our properties, as well as to attract anchor, non anchor and other tenants. We also compete to acquire land for new site development or to add to our existing properties. Our 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 properties and from other retail formats as well, including retailers with a significant online presence. This competition could have a material adverse effect on our ability to lease space and on the amount of rent and expense reimbursements that we receive.

The existence or development of competing retail properties and the related increased competition for tenants might, subject to the terms and conditions of our 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 affect the 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.

Acts of violence or war or other terrorist activity, including at our properties, could adversely affect our financial condition and results of operations.

Violent activities or terrorist or other attacks could directly affect the value of our properties as a result of casualties or through property damage, destruction or loss, or by making shoppers afraid to patronize such properties. The availability of insurance for such acts, or of insurance generally, might decrease, or cost more, which could increase our operating expenses and adversely affect our financial condition and results of operations. Future acts of violence or terrorist attacks in the United States might result in declining economic activity, which could harm the demand for goods and services offered by our tenants and the value of our properties, and might adversely affect the value of an investment in our securities. Such a decrease in retail demand could make it difficult for us to renew leases or enter into new leases at our properties at lease rates equal to or above historical rates. To the extent that our tenants are directly or indirectly affected by future attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. Customers of the tenants at an affected property, and at other properties, might be less inclined to shop at an affected location or at a retail property generally. Such acts might erode business and consumer confidence and spending, and might result in increased volatility in national and international financial markets and economies. Any such acts could decrease demand for retail goods or real estate, decrease or delay the occupancy of our properties, and limit our access to capital or increase our cost of raising capital. The illiquidity of real estate investments might delay or prevent us from selling properties that we determine no longer meet the strategic and financial criteria we apply and could significantly affect our ability to respond in a timely manner to adverse changes in the performance of our properties and harm our financial condition.

Substantially all of our assets consist of investments in real properties. We review all of the assets in our portfolio regularly and we make determinations about which assets have growth potential and which properties do not meet the strategic or financial criteria we apply and should thus be divested. We consider a few properties as “non-core” and intend to dispose of them. Because real estate investments are relatively illiquid, our ability to quickly sell one or more properties in our portfolio in response to our evaluation or to changing economic and financial conditions is limited, particularly given current economic and retail industry conditions. The real estate market is affected by many factors that are beyond our control, such as general economic conditions, the availability of financing, interest rates, and the supply and demand for space. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. The number of prospective buyers interested in purchasing malls is limited. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. In addition, prospective buyers might experience

increased costs of debt financing or other difficulties in obtaining debt financing, which might make it more difficult for us to sell properties or might adversely affect the price we receive for properties that we do sell. There are also limitations under federal income tax laws applicable to REITs that could limit our ability to sell assets. Therefore, if we want to sell one or more of our properties, we might not be able to make such dispositions in the desired time period, or at all, and might receive less consideration than we seek or than we originally invested in the property.

Before a property can be sold, we might be required to make expenditures to correct defects or to make improvements. We cannot assure you that we will have funds available to correct those defects or to make those improvements, and if we cannot do so, we might not be able to sell the property, or might be required to sell the property on unfavorable terms. In acquiring a property, we might agree with the sellers or others to provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as limitations on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could significantly harm our financial condition and results of operations. In addition, failure to sell the Non-Core malls that we intend to sell could delay or negatively affect our strategy to obtain higher rental rates from retailers with multiple stores in our portfolios, including at these Non-Core properties.

We are subject to risks that affect the retail real estate environment generally.

Our business focuses on retail real estate, predominantly malls. As such, we are subject to certain risks that can affect the ability of our retail properties to generate sufficient revenue to meet our operating and other expenses, including debt service, to make capital expenditures and to make distributions to our shareholders. We face continuing challenges because of changing consumer preferences and because the conditions in the economy affect employment growth and cause fluctuations and variations in retail sales and in business and consumer confidence and consumer spending on retail goods. In general, a number of factors can negatively affect the income generated by a retail property or the value of a property, including: a downturn in the national, regional or local economy; a decrease in employment or consumer confidence or spending; increases in operating costs, such as common area maintenance, real estate taxes, utility rates and insurance premiums; higher energy or fuel costs resulting from adverse weather conditions, natural disasters, geopolitical concerns, terrorist activities and other factors; changes in interest rate levels and the cost and availability of financing; a weakening of local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants; trends in the retail industry; seasonality; changes in perceptions by retailers or shoppers of the safety, convenience and attractiveness of a retail property; perceived changes in the convenience and quality of competing retail properties and other retailing options such as internet shopping or other strategies, such as using smartphones or other technologies to determine where to make and to assist in making purchases; and changes in laws and regulations applicable to real property, including tax and zoning laws. Changes in one or more of these factors can lead to a decrease in the revenue or income generated by our properties and can have a material adverse effect on our financial condition and results of operations.

A significant privacy breach or IT system disruption could adversely affect our business and we might be required to increase our spending on data and system security.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. In addition, our business relationships with our tenants involve the storage and transmission of proprietary information and sensitive or confidential data. Like many businesses today, we have experienced an increase in cyber-threats and intrusions. Breaches in security could expose us, our tenants or our employees to a risk of loss or misuse of proprietary information and of sensitive or confidential data. In addition, our information technology systems, some of which are managed or hosted by third-parties, may be susceptible to damage, disruptions or shutdowns due to computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events, failures during the process of upgrading or replacing software, databases or components thereof, power outages or hardware failures. Any of these occurrences could result in disruptions in our operations, the loss of existing or potential tenants or shoppers, damage to our brand and reputation, and litigation and potential liability. In addition, the cost and operational consequences of implementing further data or system protection measures could be significant.

Our retailer tenants' businesses require the collection, transmission and retention of large volumes of shopper and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems. The integrity and protection of that shopper and employee data is critical. The information, security and privacy requirements imposed by governmental regulation are increasingly demanding.

Retailers' systems may not be able to satisfy these changing requirements and shopper and employee expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten retailers' information systems and records. A breach in the security of retailers' information technology systems could lead to an interruption in the operation of such systems, resulting in operational inefficiencies and a loss of profits. Shoppers could further lose confidence in a retailer's ability to protect their information, which could cause them to shop at such retailers' stores less frequently, or to stop shopping with them altogether. Additionally, a significant theft, loss or misappropriation of, or access to, shoppers' or other proprietary data or other breach of retailers' information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt retailers' operations, damage their reputations and expose them to claims from shoppers and employees, any of which could have a material adverse effect on their financial condition and results of operations. If our retailer tenants experience any of

these events, the business of such retailers might be adversely affected. This could, in turn, have an adverse effect on our financial condition or results of operations.

RISKS RELATED TO OUR INDEBTEDNESS AND OUR FINANCING

We have substantial debt and stated value of preferred shares outstanding, which could adversely affect our overall financial health and our operating flexibility. We require significant cash flows to satisfy our debt service and dividends on our preferred shares outstanding. These obligations may prevent us from using our cash flows for other purposes. If we are unable to satisfy these obligations, we might default on our debt or reduce, defer or suspend our dividend payments on preferred shares.

We use a substantial amount of debt and preferred shares outstanding to finance our business. As of December 31, 2015, we had an aggregate consolidated indebtedness of \$1,790.5 million, the majority of which consisted of mortgage loans secured by our properties. These aggregate debt amounts do not include our proportionate share of indebtedness of our partnership properties, which was \$202.1 million. We also had outstanding, in the aggregate, \$115.0 million of 8.25% Series A Preferred Shares and \$86.3 million of 7.375% Series B Preferred Shares.

Our substantial indebtedness and preferred shares outstanding involve significant obligations for the payment of interest, principal and dividends. If we do not have sufficient cash flow from operations to meet these obligations, we might be forced to sell assets to generate cash, which might be on unfavorable terms, if at all, or we might not be able to make all required payments of principal and interest on our debt, which could result in a default or have a material adverse effect on our financial condition and results of operations, and which might adversely affect the value of our preferred shares or our common shares, or our ability to make distributions to shareholders.

Our substantial obligations arising from our indebtedness and preferred shares could also have other negative consequences to our shareholders, including the acceleration of a significant amount of our debt if we are not in compliance with the terms of such debt or, if such debt contains cross-default or cross-acceleration provisions (as our Credit Agreements do), other debt. If we fail to meet our obligations under our debt and our preferred shares, we could lose assets due to foreclosure or sale on unfavorable terms, which could create taxable income without accompanying cash proceeds, or such failure could harm our ability to obtain additional financing in the future for working capital, capital expenditures, debt service requirements, acquisitions, redevelopment and development activities, execution of our business strategy or other general corporate purposes. Also, our indebtedness and mandated debt service might limit our ability to refinance existing debt or to do so at a reasonable cost, might make us more vulnerable to adverse economic and market conditions, might limit our ability to respond to competition or to take advantage of opportunities, and might discourage business partners from working with us or counterparties from entering into hedging transactions with us.

In addition to our current debt, we might incur additional debt in the future in the form of mortgage loans, unsecured borrowings, additional borrowing under our 2013 Revolving Facility or Term Loans, other term loan borrowings or other financing vehicles, or by issuing additional preferred shares. We might do so in order to finance acquisitions, to develop or redevelop properties or for other general corporate purposes, subject to the terms and conditions of our Credit Agreements, which could exacerbate the risks set forth above.

If we are unable to comply with the covenants in our Credit Agreements, we might be adversely affected.

The Credit Agreements require us to satisfy certain customary affirmative and negative covenants and to meet numerous financial tests, including tests relating to our leverage, unencumbered debt yield, interest coverage, fixed charge coverage, tangible net worth, corporate debt yield and facility debt yield. These covenants could restrict our ability to pursue acquisitions,

redevelopment and development projects or limit our ability to respond to changes and competition, and reduce our flexibility in conducting our operations by limiting our ability to borrow money, sell or place liens on assets, manage our

cash flows, repurchase securities, make capital expenditures or make distributions to shareholders. We expect the current conditions in the economy and the retail industry to continue to affect our operating results. The leverage covenant in the Credit Agreements generally takes our net operating income and applies capitalization rates to calculate Gross Asset Value, and consequently, deterioration or improvement to our operating performance also affects the calculation of our leverage. In addition, a material decline in future operating results could affect our ability

to comply with other financial ratio covenants contained in our Credit Agreements, which are calculated on a trailing four quarter basis. Also, we might be restricted in the amount we can borrow based on the Unencumbered Debt Yield covenant under the Credit Agreements. Following recent property sales, the NOI from our remaining unencumbered properties is at a level such that the maximum amount that was available to be borrowed by us under the 2013 Revolving Facility was \$301.0 million as of December 31, 2015.

As of December 31, 2015, we were in compliance with all the financial covenants in our Credit Agreements, but our inability to comply with these covenants in the future would require us to seek waivers or amendments. There is no assurance that we could obtain such waivers or amendments, and even if obtained, we would likely incur additional costs. Our inability to obtain

any such waiver or amendment could result in a breach and a possible event of default under our Credit Agreements, which could allow the lenders to discontinue lending or issuing letters of credit, terminate any commitments they have made to provide us with additional funds, and/or declare amounts outstanding to be immediately due and payable. If a default were to occur, we might have to refinance the debt through secured or unsecured debt financing or private or public offerings of debt or equity securities. If we are unable to do so, we might have to liquidate assets, potentially on unfavorable terms. Any of such consequences could negatively affect our financial position, results of operations, cash flow and ability to make capital expenditures and distributions to shareholders.

We might not be able to refinance our existing obligations or obtain the capital required to finance our activities. The REIT provisions of the Internal Revenue Code of 1986, as amended, generally require the distribution to shareholders of 90% of a REIT's net taxable income, excluding net capital gains, which generally leaves insufficient funds to finance major initiatives internally. Due to these requirements, and subject to the terms of the Credit Agreements, we generally fund certain capital requirements, such as the capital for renovations, expansions, redevelopments, other non-recurring capital improvements, scheduled debt maturities, and acquisitions of properties or other assets, through secured and unsecured indebtedness and, when available and market conditions are favorable, the issuance of additional equity securities.

As of December 31, 2015, we had \$220.5 million of indebtedness with initial maturities on or before December 31, 2016 at our consolidated properties. Also, subject to the terms and conditions of our Credit Agreements, we estimate that we will need \$188.5 million of additional capital to complete our current active development and redevelopment projects, including the redevelopment of the Fashion Outlets of Philadelphia. Our ability to finance growth from financing sources depends, in part, on our creditworthiness, the availability of credit to us from financing sources, or the market for our debt, equity or equity-related securities when we need capital, and on conditions in the capital markets generally. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for information about our available sources of funds.

Much of our indebtedness does not require significant principal payments prior to maturity, and we might enter into agreements on similar terms in future transactions. If our mortgage loans and other debts cannot be repaid in full, refinanced or extended at maturity on acceptable terms, or at all, a lender could foreclose upon the mortgaged property and receive an assignment of rent and leases or pursue other remedies, or we might be forced to dispose of one or more of our properties on unfavorable terms, which could have a material adverse effect on our financial condition and results of operations and which might adversely affect our cash flow and our ability to make distributions to shareholders.

Payments by our direct and indirect subsidiaries of dividends and distributions to us might be adversely affected by their obligations to make prior payments to the creditors of these subsidiaries.

We own substantially all of our assets through our interest in PREIT Associates. PREIT Associates holds substantially all of its properties and assets through subsidiaries, including subsidiary partnerships and limited liability companies, and derives substantially all of its cash flow from cash distributions to it by its subsidiaries. We, in turn, derive substantially all of our cash flow from cash distributions to us by PREIT Associates. Our direct and indirect subsidiaries must make payments on their obligations to their creditors when due and payable before they may make distributions to us. Thus, PREIT Associates' ability to make distributions to its partners, including us, depends on its subsidiaries' ability first to satisfy their obligations to their creditors. Similarly, our ability to pay dividends to holders of our shares depends on PREIT Associates' ability first to satisfy its obligations to its creditors before making distributions to us. If the subsidiaries were unable to make payments to their creditors when due and payable, or if the subsidiaries had insufficient funds both to make payments to creditors and distribute funds to PREIT Associates, we might not have sufficient cash to satisfy our obligations and/or make distributions to our shareholders.

In addition, we will only have the right to participate in any distribution of the assets of any of our direct or indirect subsidiaries upon the liquidation, reorganization or insolvency of such subsidiary after the claims of the creditors, including mortgage lenders and trade creditors, of that subsidiary are satisfied. Our shareholders, in turn, will have the right to participate in any distribution of our assets upon our liquidation, reorganization or insolvency only after the claims of our creditors, including trade creditors, are satisfied.

Some of our properties are owned or ground-leased by subsidiaries that we created solely to own or ground-lease those properties. The mortgaged properties and related assets are restricted solely for the payment of the related loans and are not available to pay our other debts, which could impair our ability to borrow, which in turn could have a material adverse effect on our operating results and reduce amounts available for distribution to shareholders.

Our hedging arrangements might not be successful in limiting our risk exposure, and we might incur expenses in connection with these arrangements or their termination that could harm our results of operations or financial condition.

In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest-bearing liabilities. We use interest rate hedging arrangements to manage our exposure to interest rate volatility, but these arrangements might expose us to additional risks, such as requiring that we fund our contractual payment obligations under such arrangements in relatively large amounts or on short notice. We are also subject to credit risk with respect to the counterparties to derivative contracts. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, we may experience delays in obtaining any recovery under the derivative contract in a dissolution, assignment for the benefit of creditors, liquidation, winding-up, bankruptcy or other analogous proceeding. As of December 31, 2015, the aggregate fair value of our derivative instruments was an unrealized loss of \$1.7 million, which is expected to be subsequently reclassified into earnings in the periods that the hedged forecasted transactions affect earnings. Developing an effective interest rate risk strategy is complex, and no strategy can completely insulate us from risks associated with interest rate fluctuations. We might enter into interest rate swaps as hedges in connection with forecasted debt transactions or payments, and if we repay such debt earlier than expected and are no longer obligated to make such payments, then we might determine that the swaps no longer meet the criteria for effective hedges, and we might incur gain or loss on such ineffectiveness. For the year ended December 31, 2015, we recorded a net loss on hedge ineffectiveness of \$0.5 million in connection with our early and anticipated early repayment of variable interest rate debt. We cannot assure you that our hedging activities will have a positive impact, and it is possible that our strategies could adversely affect our financial condition or results of operations. We might be subject to additional costs, such as transaction fees or breakage costs, if we terminate these arrangements.

We are subject to risks associated with increases in interest rates, including in connection with our variable interest rate debt.

As of December 31, 2015, we had \$642.6 million of indebtedness with variable interest rates, although we have fixed the interest rates on \$521.7 million of this variable rate debt by using derivative instruments. We might incur additional variable rate debt in the future, and, if we do so, the proportion of our debt with variable interest rates might increase. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.”

An increase in market interest rates applicable to the variable portion of the debt portfolio would increase the interest incurred and cash flows necessary to service such debt, subject to our hedging arrangements on such debt. This has and could, in the future, adversely affect our results of operations and our ability to make distributions to shareholders. Also, in coming years, as our current mortgage loans mature, if these mortgage loans are refinanced at higher interest rates than the rates in effect at the time of the prior loans, our interest expense in connection with debt secured by our properties will increase, and could adversely affect our results of operations and ability to make distributions to shareholders.

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

Our organizational documents contain provisions that might discourage a takeover of us and depress our share price. Our organizational documents contain, or might contain in the future, provisions that might have an anti-takeover effect and might inhibit a change in our management and the opportunity to realize a premium over the then-prevailing market price of our securities. These provisions currently include:

- (1) There are ownership limits and restrictions on transferability in our trust agreement. In order to protect our status as a REIT, no more than 50% of the value of our outstanding shares (after taking into account options to acquire shares) may be owned, directly or constructively, by five or fewer individuals (as defined in the Internal Revenue Code of 1986, as amended), and the shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. To assist us in satisfying these tests, subject to some exceptions, our trust agreement prohibits any shareholder from owning more than 9.9% of our outstanding shares of beneficial interest (exclusive of preferred shares) or more than 9.9% of any

class or series of preferred shares. The trust agreement also prohibits transfers of shares that would cause a shareholder to exceed the 9.9% limit or cause our shares to be beneficially owned by fewer than 100 persons. Our Board of Trustees may exempt a person from the 9.9% ownership limit if it receives a ruling from the Internal Revenue Service or an opinion of counsel or tax accountants that exceeding the 9.9% ownership limit as to that person would not jeopardize our tax status as a REIT. Our Board has granted such exemptions to Cohen & Steers Capital Management, Inc. and Blackrock, Inc. Absent an exemption, this restriction might:

discourage, delay or prevent a tender offer or other transaction or a change in control of management that might involve a premium price for our shares or otherwise be in the best interests of our shareholders; or compel a shareholder who had acquired more than 9.9% of our shares to transfer the additional shares to a trust and, as a result, to forfeit the benefits of owning the additional shares.

Our trust agreement permits our Board of Trustees to issue preferred shares with terms that might discourage a third party from acquiring the Company. Our trust agreement permits our Board of Trustees to create and issue multiple classes and series of preferred shares, and classes and series of preferred shares having preferences to the existing shares on any matter, without a vote of shareholders, including preferences in rights in liquidation or to dividends and option rights, and other securities having conversion or option rights. Also, the Board might (2) authorize the creation and issuance by our subsidiaries and affiliates of securities having conversion and option rights in respect of our shares. Our trust agreement further provides that the terms of such rights or other securities might provide for disparate treatment of certain holders or groups of holders of such rights or other securities. The issuance of such rights or other securities could have the effect of discouraging, delaying or preventing a change in control of us, even if a change in control were in our shareholders' interest or would give the shareholders the opportunity to realize a premium over the then-prevailing market price of our securities.

Advance Notice Requirements for Shareholder Nominations of Trustees. The Company's advance notice procedures with regard to shareholder proposals relating to the nomination of candidates for election as trustees, as provided in our amended and restated Trust Agreement, require, among other things, that advance written notice of (3) any such proposals, containing prescribed information, be given to our Secretary at our principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the prior year's meeting (or within 10 business days of the day notice is given of the annual meeting date, if the annual meeting date is not within 30 days of the anniversary date of the immediately preceding annual meeting).

Limited partners of PREIT Associates may vote on certain fundamental changes we propose, which could inhibit a change in control that might otherwise result in a premium to our shareholders.

Our assets generally are held through our interests in PREIT Associates. We currently hold a majority of the outstanding OP Units. However, PREIT Associates might, from time to time, issue additional OP Units to third parties in exchange for contributions of property to PREIT Associates in amounts that could, individually or in the aggregate, be substantial. These issuances will dilute our percentage ownership of PREIT Associates. OP Units generally do not carry a right to vote on any matter voted on by our shareholders, although OP Units might, under certain circumstances, be redeemed for our shares. However, before the date on which at least half of the units issued on September 30, 1997 in connection with our acquisition of The Rubin Organization have been redeemed, the holders of units issued on September 30, 1997 are entitled to vote such units together with our shareholders, as a single class, on any proposal to merge, consolidate or sell substantially all of our assets. Ronald Rubin, our Executive Chairman, and Joseph F. Coradino, our Chief Executive Officer, are among the holders of these units.

These existing rights could inhibit a change in control that might otherwise result in a premium to our shareholders. In addition, we cannot assure you that we will not agree to extend comparable rights to other limited partners in PREIT Associates.

We have, in the past, and might again, in the future, enter into tax protection agreements for the benefit of certain former property owners, including some limited partners of PREIT Associates, that might affect our ability to sell or refinance some of our properties that we might otherwise want to sell or refinance, which could harm our financial condition.

As the general partner of PREIT Associates, we have agreed to indemnify certain former property owners, including some who are our officers or trustees or who have become limited partners of PREIT Associates, against tax liabilities that they might incur if we sell a property in a taxable transaction or significantly reduce the debt secured by a property acquired from them within a certain number of years after we acquired it, and we might do so again in the future. In some cases, these agreements might make it uneconomical for us to sell or refinance these properties, even in circumstances in which it otherwise would be advantageous to do so, which could interfere with our ability to execute strategic dispositions, harm our ability to address liquidity needs in the future or otherwise harm our financial condition.

Some of our officers and trustees have interests in properties that we manage and therefore might have conflicts of interest that could adversely affect our business.

We provide management, leasing and development services for partnerships and other ventures in which our officers and trustees, including Ronald Rubin, our Executive Chairman, have indirect ownership interests. In addition, we lease substantial office space from an entity in which the Mr. Rubin has an interest. Although we have a related party transaction policy and provision for a Special Committee of the Board of Trustees to review such transactions, our officers or trustees who have

interests in the other parties to these transactions have a conflict of interest in deciding to enter into these agreements and in negotiating their terms, which could result in our obtaining terms that are less favorable than we might otherwise obtain, which could adversely affect our business.

RISKS RELATING TO OUR SECURITIES

We could face adverse consequences as a result of the actions of activist shareholders.

In recent years, proxy contests and other forms of shareholder activism have been directed against numerous public companies, including us. Shareholders may engage in proxy solicitations, advance shareholder proposals, or otherwise attempt to effect changes in or acquire control over us. Campaigns by shareholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term shareholder value through actions such as financial restructuring, increased debt, special dividends, share repurchases, or sales of assets or the entire company. Shareholder activists may also seek to involve themselves in the governance, strategic direction and operations of the company.

If a shareholder, by itself or in conjunction with other shareholders or as part of a group, engages in activist activities with respect to us, our business could be adversely affected because responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, potentially disrupting operations and diverting the attention of our Board of Trustees, senior management and employees from the execution of business strategies. In addition, perceived uncertainties as to our future direction might result in the loss of potential business opportunities and harm our ability to attract new tenants, customers and investors. If individuals are elected to our Board of Trustees with a specific agenda, it might adversely affect our ability to effectively and timely implement our strategies and initiatives and to retain and attract experienced executives and employees. Finally, we might experience a significant increase in legal fees and administrative and associated costs incurred in connection with responding to a proxy contest or related action. These actions could also negatively affect our share price.

A few significant shareholders may influence or control the direction of our business, and, if the ownership of our common shares continues to be concentrated, or becomes more concentrated in the future, it could prevent our other shareholders from influencing significant corporate decisions.

As of December 31, 2015, a small number of institutional shareholders together own or control more than 50% of our outstanding common shares. In addition, affiliates of Vornado Realty Trust own OP Units issued in connection with our acquisition of Springfield Town Center that are convertible into common shares that would represent over 8% of our outstanding common shares. Although these investors do not act as a group, they may be able to exercise influence over matters requiring shareholder approval, including approval of significant corporate transactions that might affect the price of our shares. The concentration of ownership of our shares held by these investors may make some transactions more difficult or impossible without their support.

The interests of these investors may conflict with our interests or the interests of our other shareholders. For example, the concentration of ownership with these investors could allow them to influence our policies and strategies and could delay, defer or prevent a transaction or business combination from occurring that might otherwise be favorable to us and our other shareholders.

Holders of our common shares might have their interest in us diluted by actions we take in the future.

We continue to contemplate ways to reduce our leverage through a variety of means available to us, subject to the terms of the Credit Agreements. These means might include obtaining equity capital, including through the issuance of common or preferred equity or equity-related securities if market conditions are favorable. In addition, we might contemplate acquisitions of properties or portfolios, and we might issue equity, in the form of common shares or OP Units in consideration for such acquisitions, potentially in substantial amounts, as was the case with the acquisition of Springfield Town Center in 2015. Any issuance of equity securities might result in substantial dilution in the percentage of our common shares held by our then existing shareholders, and the interest of our shareholders might be materially adversely affected. The market price of our common shares could decline as a result of sales of a large

number of shares in the market or the perception that such sales could occur. Additionally, future sales or issuances of substantial amounts of our common shares might be at prices below the then-current market price of our common shares and might adversely affect the market price of our common shares.

Many factors, including changes in interest rates and the negative perceptions of the retail sector generally, can have an adverse effect on the market value of our securities.

As is the case with other publicly traded companies, a number of factors might adversely affect the price of our securities,

many of which are beyond our control. These factors include:

Increases in market interest rates, relative to the dividend yield on our shares. If market interest rates increase, prospective purchasers of our securities might require a higher yield. Higher market interest rates would not, however, result in more funds being available for us to distribute to shareholders and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution to our shareholders. Thus, higher market interest rates could cause the market price of our shares to decrease;

Possible future issuances of equity, equity-related or convertible securities, including securities senior as to distributions or liquidation rights;

A decline in the anticipated benefits of an investment in our securities as compared to an investment in securities of companies in other industries (including benefits associated with the tax treatment of dividends and distributions);

Perception, by market professionals and participants, of REITs generally and REITs in the retail sector, and malls in particular. Our portfolio of properties consists almost entirely of retail properties and we expect to continue to focus primarily on retail properties in the future;

Perception by market participants of our potential for payment of cash distributions and for growth;

Levels and concentrations of institutional investor and research analyst interest in our securities;

Relatively low trading volumes in securities of REITs;

Our results of operations and financial condition; and

Investor confidence in the stock market or the real estate sector generally.

Any additional issuances of preferred shares in the future might adversely affect the earnings per share available to common shareholders and amounts available to common shareholders for payments of dividends.

We are not restricted by our organizational documents, contractual arrangements or otherwise from issuing additional preferred shares, including any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, preferred shares or any substantially similar securities in the future.

The market value of our common shares is based primarily upon the market's perception of our growth potential and our current and potential future earnings, net operating income, funds from operations, our liquidity and capital resources, and cash distributions. Consequently, our common shares might trade at prices that are higher or lower than our net asset value per common share. If our future earnings, net operating income, funds from operations or cash distributions are less than expected, it is likely that the market price of our common shares will decrease. These metrics might be adversely affected by the existence of preferred shares, including our existing preferred shares and additional preferred shares that we might issue.

We might change the dividend policy for our common shares in the future.

In February 2016, our Board of Trustees declared a cash dividend of \$0.21 per share, payable in March 2016. Our future payment of distributions will be at the discretion of our Board of Trustees and will depend on numerous factors, including our cash flow, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code, the terms and conditions of our Credit Agreements and other factors that our Board of Trustees deems relevant. Any change in our dividend policy could have a material adverse effect on the market price of our common shares.

In addition, the Credit Agreements provide generally that dividends may not exceed 110% of REIT Taxable Income (as defined in the Credit Agreements) for a fiscal year, or 95% of funds from operations (unless necessary for us to maintain our status as a REIT). We must maintain our status as a REIT at all times.

Some of the distributions we make might be classified as a return of capital. In general, if the distributions are in excess of our current and accumulated earnings and profits (determined under the Internal Revenue Code of 1986, as amended), then such distributions would be considered a return of capital for federal income tax purposes to the extent of a holder's adjusted basis in its shares. A return of capital is not taxable, but has the effect of reducing the holder's adjusted tax basis in the investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, the distributions will be treated as gain from the sale or exchange of such shares.

Individual taxpayers might perceive REIT securities as less desirable relative to the securities of other corporations because of the lower tax rate on certain dividends from such corporations, which might have an adverse effect on the market value of our securities.

Historically, the dividends of corporations other than REITs have been taxed at ordinary income rates, which range as high as 39.6%. In 2003, the maximum tax rate on certain corporate dividends received by individuals was reduced to a historically low maximum rate of 15%. Beginning January 1, 2013, this maximum rate was increased to 23.8% (including the tax on net investment income). However, dividends from REITs do not generally qualify for the lower tax rate on corporate dividends

because REITs generally do not pay corporate-level tax on income that they distribute currently to shareholders, and instead are taxed at ordinary income rates. This differing treatment of dividends received from REITs and from corporations that are not REITs might cause individual investors to view an investment in the shares of a non-REIT corporation as more attractive than shares in REITs, which might negatively affect the value of our shares.

TAX RISKS

If we were to fail to qualify as a REIT, our shareholders would be adversely affected.

We believe that we have qualified as a REIT since our inception and intend to continue to qualify as a REIT. To qualify as a REIT, however, we must comply with certain highly technical and complex requirements under the Internal Revenue Code, which is complicated in the case of a REIT such as ours that holds its assets primarily in partnership form. We cannot be certain we have complied with these requirements because there are very limited judicial and administrative interpretations of these provisions, and even a technical or inadvertent mistake could jeopardize our REIT status. In addition, facts and circumstances that might be beyond our control might affect our ability to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the federal income tax consequences of qualification. Indeed, the recently enacted Protecting Americans from Tax Hikes Act of 2015 contained a number of changes to the Internal Revenue Code provisions applicable to REITs, including, among others, (1) a reduction from 25% to 20% of the maximum permitted value of a REIT's assets that can consist of stock or securities of one or more taxable REIT subsidiaries (such as our subsidiary PREIT-RUBIN, Inc.) and (2) a new 100% excise tax that applies to the extent it is determined that a REIT has been undercharged for certain services provided by a taxable REIT subsidiary.

If we were to fail to qualify as a REIT, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Also, unless the Internal Revenue Service granted us relief under statutory provisions, we would remain disqualified from treatment as a REIT for the four taxable years following the year during which we first failed to qualify. The additional tax incurred at regular corporate rates would significantly reduce the cash flow available for distribution to shareholders and for debt service. In addition, we would no longer be required to make any distributions to shareholders and our securities could be delisted from the exchange on which they are listed. If there were a determination that we do not qualify as a REIT, there would be a material adverse effect on our results of operations and there could be a material reduction in the value of our common shares. Furthermore, as a REIT, we might be subject to a 100% "prohibited transactions" tax on the gain from dispositions of property if we are deemed to hold the property primarily for sale to customers in the ordinary course of business, unless the disposition qualifies under a safe harbor exception for properties that have been held for at least two years and with respect to which certain other requirements are met. The potential application of the prohibited transactions tax could cause us to forego or delay potential dispositions of property or other opportunities that might otherwise be attractive to us, or to undertake such dispositions or other opportunities through a taxable REIT subsidiary, which would generally result in income taxes being incurred.

We might be unable to comply with the strict income distribution requirements applicable to REITs, or compliance with such requirements could adversely affect our financial condition or cause us to forego otherwise attractive opportunities.

To obtain the favorable tax treatment associated with qualifying as a REIT, in general, we are required each year to distribute to our shareholders at least 90% of our net taxable income. In addition, we are subject to a tax on any undistributed portion of our income at regular corporate rates and might also be subject to a 4% excise tax on this undistributed income. We could be required to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT, even if conditions are not favorable for borrowing, which could adversely affect our financial condition and results of operations. In addition, compliance with these REIT requirements might cause us to forego opportunities we would otherwise pursue.

We could face possible adverse changes in state and local tax laws, which might result in an increase in our tax liability.

From time to time, changes in state and local tax laws or regulations are enacted, which might result in an increase in our tax liability. The shortfall in tax revenue for states and municipalities in recent years might lead to an increase in the frequency and size of such changes. If such changes occur, we might be required to pay additional taxes on our assets, including our properties, or income. These increased tax costs could adversely affect our financial condition and results of operations and our ability to make distributions to shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

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ITEM 2. PROPERTIES.

RETAIL PROPERTIES

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.

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 Pennssdale, 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.

In general, we own the land underlying our properties in fee or, in the case of our properties held by partnerships with others, ownership by the partnership entity is in fee. At certain properties, however, the underlying land is owned by third parties and leased to us or the partnership in which we hold an interest pursuant to long-term ground leases. In a ground lease, the building owner pays rent for the use of the land and is responsible for all costs and expenses related to the building and improvements.

See financial statement Schedule III for financial statement information regarding the consolidated properties.

The following tables present information regarding our retail properties. We refer to the total retail space of these properties, including anchors and non anchor stores, as “total square feet,” and the portion that we own as “owned square feet.”

Consolidated Retail Properties

Property/Location ⁽¹⁾	Ownership Interest	Total Square Feet ⁽²⁾	Owned Square Feet ⁽³⁾	Year Built / Last Renovated	Occupancy ⁽⁴⁾	Anchors/Major Tenants ⁽⁵⁾
MALLS						
Beaver Valley Mall, Monaca, PA	100	% 1,153,809	949,039	1970/1991	95.3	% Boscov's, JC Penney, Macy's and Sears
Capital City Mall, Camp Hill, PA	100	% 618,624	498,624	1974/2005	98.6	% JC Penney, Field & Stream, Macy's and Sears
Cherry Hill Mall, Cherry Hill, NJ	100	% 1,304,698	825,813	1961/2009	96.8	% Apple, The Container Store, Crate and Barrel, JC Penney, Macy's and Nordstrom
Crossroads Mall, Beckley, WV ⁽⁶⁾	100	% 468,214	468,214	1981	96.2	% Belk, Dick's Sporting Goods, JC Penney and Sears
Cumberland Mall, Vineland, NJ	100	% 946,378	673,148	1973/2003	88.7	% Best Buy, BJ's Wholesale Club,

Dartmouth Mall, Dartmouth, MA	100	%	670,859	530,859	1971/2000	99.0	%	Boscov's, Burlington Coat Factory, Home Depot JC Penney, Macy's and Sears
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Property/Location ⁽¹⁾	Ownership Interest	Total Square Feet ⁽²⁾	Owned Square Feet ⁽³⁾	Year Built / Last Renovated	Occupancy ⁽⁴⁾	Anchors/Major Tenants ⁽⁵⁾
Exton Square Mall, Exton, PA ⁽⁶⁾	100	% 1,087,728	810,260	1973/2000	79.7	% Boscov's, K-Mart ⁽⁷⁾ , Macy's and Sears
Francis Scott Key Mall, Frederick, MD	100	% 755,766	616,433	1978/1991	98.6	% Barnes & Noble, JC Penney, Macy's, Sears and Value City Furniture
Jacksonville Mall, Jacksonville, NC	100	% 494,591	494,591	1981/2008	98.2	% Barnes & Noble, Belk, JC Penney and Sears
Logan Valley Mall, Altoona, PA	100	% 781,790	781,790	1960/1997	95.4	% JC Penney, Macy's and Sears
Magnolia Mall, Florence, SC	100	% 619,309	619,309	1979/2007	99.3	% Barnes & Noble, Belk, Best Buy, Dick's Sporting Goods, JC Penney and Sears
Moorestown Mall, Moorestown, NJ	100	% 1,069,693	748,493	1963/2008	94.3	% Boscov's, Lord & Taylor, Macy's, Regal Cinema RPX and Sears
Patrick Henry Mall, Newport News, VA	100	% 716,558	432,401	1988/2005	95.6	% Dick's Sporting Goods, Dillard's, JC Penney and Macy's
Plymouth Meeting Mall, Plymouth Meeting, PA	100	% 947,880	733,245	1966/2009	93.5	% AMC Theater, Boscov's, Macy's and Whole Foods
The Mall at Prince Georges, Hyattsville, MD	100	% 916,237	916,237	1959/2004	98.3	% JC Penney, Macy's, Marshalls, Ross Dress for Less and Target
Springfield Town Center, Springfield, VA ⁽⁶⁾	100	% 1,364,479	974,494	1974/2015	85.8	% Dick's Sporting Goods, JC Penney, Macy's, Nordstrom Rack, Regal Cinemas and Target
Valley Mall, Hagerstown, MD	100	% 914,591	671,191	1974/1999	97.6	% Bon-Ton, JC Penney, Macy's ⁽⁸⁾ and Sears
Valley View Mall, La Crosse, WI	100	% 629,344	374,748	1980/2001	96.5	% Barnes & Noble, Herberger's, JC Penney, Macy's and Sears
Viewmont Mall, Scranton, PA	100	% 770,805	631,004	1968/2006	99.3	% JC Penney, Macy's and Sears
Washington Crown Center, Washington, PA	100	% 673,110	533,015	1969/1999	95.7	% Bon-Ton, Gander Mountain Sports, Macy's and Sears
Willow Grove Park, Willow Grove, PA	100	% 1,179,374	766,253	1982/2001	99.3	% Apple, Bloomingdale's, JC Penney, Macy's,

Woodland Mall, Grand Rapids, MI	100	%	1,169,271	444,084	1968/1998	99.6	%	Nordstrom Rack and Sears Apple, Barnes & Noble, JC Penney, Kohl's, Macy's and Sears
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Property/Location ⁽¹⁾	Ownership Interest	Total Square Feet ⁽²⁾	Owned Square Feet ⁽³⁾	Year Built / Last Renovated	Occupancy% ⁽⁴⁾	Anchors/Major Tenants ⁽⁵⁾
Wyoming Valley Mall, Wilkes-Barre, PA	100	% 910,297	910,297	1971/2006	95.1	% Bon-Ton, JC Penney, Macy's and Sears
Total consolidated mall properties		20,163,405	15,403,542			

(1) The location stated is the major city or town nearest to the property and is not necessarily the local jurisdiction in which the property is located.

(2) Total square feet includes space owned by us and space owned by tenants or other lessors.

(3) Owned square feet includes only space owned by us and excludes space owned by tenants or other lessors.

(4) Occupancy is calculated based on space owned by us, excludes space owned by tenants or other lessors and includes space occupied by both anchor and non anchor tenants, irrespective of the term of their agreements.

(5) Includes anchors/major tenants that own their space or lease from lessors other than us and do not pay rent to us.

(6) A portion of the underlying land at this property is subject to a ground lease.

(7) Sears intends to close this tenant owned store in 2016.

(8) Macy's announced it intends to close this tenant owned store in 2016.

Held For Sale Properties

Property/Location ⁽¹⁾	Ownership Interest	Total Square Feet ⁽²⁾	Owned Square Feet ⁽³⁾	Year Built / Last Renovated	Occupancy% ⁽⁴⁾	Anchors/Major Tenants ⁽⁵⁾
MALLS						
Gadsden Mall, Gadsden, AL	100	% 506,461	506,461	1974/1990	96.8	% Belk, JC Penney and Sears
Lycoming Mall, Pennsdale, PA	100	% 806,758	687,020	1978/2007	94.5	% Best Buy, Bon-Ton, Burlington Coat Factory, Dick's Sporting Goods, JC Penney, Macy's ⁽⁶⁾ and Sears
New River Valley Mall, Christiansburg, VA	100	% 463,464	463,464	1988/2007	84.0	% Belk, Dick's Sporting Goods, JC Penney, Regal Cinemas and Sears
Palmer Park Mall, Easton, PA ⁽⁷⁾	100	% 457,981	457,981	1972	94.6	% Bon-Ton and Boscov's
Wiregrass Commons Mall, Dothan, AL	100	% 634,899	302,747	1986/2008	94.7	% Belk, Burlington Coat Factory and JC Penney
Total held for sale mall properties		2,869,563	2,417,673			
OTHER RETAIL						
Walnut/Chestnut Street,	100	% 68,662	68,662	1910/1960/2015	100.0	% AT&T Mobility

Philadelphia,
Pennsylvania

Total held for sale properties 2,938,225 2,486,335

- (1) The location stated is the major city or town nearest to the property and is not necessarily the local jurisdiction in which the property is located.
- (2) Total square feet includes space owned by us and space owned by tenants or other lessors.
- (3) Owned square feet includes only space owned by us and excludes space owned by tenants or other lessors.

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- (4) Occupancy is calculated based on space owned by us, excludes space owned by tenants or other lessors and includes space occupied by both anchor and non anchor tenants, irrespective of the term of their agreements.
- (5) Includes anchors/major tenants that own their space or lease from lessors other than us and do not pay rent to us. Tenant currently holds a long-term ground lease with an option to purchase the related store and parking area at a nominal purchase price. These locations are deemed owned by their anchor occupants as they only pay a nominal rent.
- (6) Palmer Park Mall was sold in February 2016.

Unconsolidated Operating Properties

Property/Location ⁽¹⁾	Ownership Interest	Total Square Feet ⁽²⁾	Owned Square Feet ⁽³⁾	Year Built / Last Renovated	Occupancy% ⁽⁴⁾	Anchors/Major Tenants ⁽⁵⁾
MALLS						
Lehigh Valley Mall, Allentown, PA	50	% 1,168,567	961,275	1960/2008	96.9	% Apple, Barnes & Noble, Boscov's, JC Penney and Macy's
Springfield Mall, Springfield, PA	50	% 611,192	223,293	1974/1997	98.1	% Macy's and Target
OTHER RETAIL						
Gloucester Premium Outlets, Blackwood, NJ	25	% 370,238	370,238	2015	85.8	% Nike Factory Store, Old Navy
Metroplex Shopping Center, Plymouth Meeting, PA	50	% 778,190	477,461	2001	100.0	% Giant Food Store, Lowe's and Target
The Court at Oxford Valley, Langhorne, PA	50	% 704,526	456,903	1996	99.9	% Best Buy, BJ's Wholesale Club, Dick's Sporting Goods and Home Depot
Red Rose Commons, Lancaster, PA	50	% 462,881	263,291	1998	100.0	% Home Depot and Weis Markets
Total unconsolidated retail properties		4,095,594	2,752,461			

- (1) The location stated is the major city or town nearest to the property and is not necessarily the local jurisdiction in which the property is located.
- (2) Total square feet includes space owned by the unconsolidated partnership and space owned by tenants or other lessors.
- (3) Owned square feet includes only space owned by the unconsolidated partnership and excludes space owned by tenants or other lessors.
- (4) Occupancy is calculated based on space owned by the unconsolidated partnership that is occupied, includes space occupied by both anchor and non anchor tenants and includes all tenants irrespective of the term of their agreements.
- (5) Includes anchors that own their space or lease from lessors other than us and do not pay rent to us.

The following table sets forth our gross rent per square foot (for consolidated, unconsolidated, discontinued and held for sale properties) for the five years ended December 31, 2015:

Year	Anchor Stores	Non Anchor Stores
2011 ⁽¹⁾	\$4.12	\$31.45
2012 ⁽¹⁾	4.83	32.03
2013	5.36	33.02
2014	5.69	34.64
2015	5.71	37.00

⁽¹⁾ Prior periods reflect the exclusion of tenants that have vacated their space and are not paying rent.

LARGE FORMAT RETAILERS AND ANCHORS

Historically, large format retailers and anchors have been an important element of attracting customers to a mall, and they have generally been department stores whose merchandise appeals to a broad range of customers, although in recent years we have attracted some non-traditional large format retailers. These large format retailers and anchors either own their stores, the land under them and adjacent parking areas, or enter into long-term leases at rent that is generally lower than the rent charged to in-line tenants. Well-known, large format retailers and anchors continue to play an important role in generating customer traffic and making malls desirable locations for in-line store tenants, even though the market share of traditional department store anchors has been declining and such companies have experienced significant changes. See “Item 1A. Risk Factors—Risks Related to Our Business and Our Properties.” The following table indicates the parent company of each of our large format retailers and anchors and sets forth the number of stores and square feet owned or leased by each at our retail properties, including consolidated, unconsolidated and held for sale properties, as of December 31, 2015:

Tenant Name ⁽¹⁾	Number of Stores ⁽²⁾	GLA ⁽²⁾	Percent of Total GLA ⁽³⁾	
Belk, Inc.	6	540,718	2.0	%
Best Buy Co., Inc.				
Best Buy	5	177,857		
Best Buy Mobile	16	24,886		
Total Best Buy Co., Inc.	21	202,743	0.7	%
BJ’s Wholesale Club, Inc.	2	234,761	0.9	%
The Bon-Ton Stores, Inc.				
Bon-Ton	5	538,892		
Herberger’s	1	41,344		
Total Bon-Ton Stores, Inc.	6	580,236	2.1	%
Boscov’s Department Store	7	1,275,837	4.7	%
Burlington Coat Factory	3	257,085	0.9	%
Carmike Cinemas, Inc.	2	85,510	0.3	%
Dick’s Sporting Goods, Inc.				
Dick’s Sporting Goods	11	515,716		
Field & Stream	1	50,302		
Total Dick’s Sporting Goods, Inc.	12	566,018	2.1	%
Dillard’s, Inc.	2	307,204	1.1	%
Gander Mountain Co.	1	83,835	0.3	%
Giant Food Stores, LLC	1	67,185	0.2	%
Hollywood Theaters, Inc.	1	54,073	0.2	%
The Home Depot, Inc.	3	397,322	1.5	%
J.C. Penney Company, Inc.	23	2,929,903	10.8	%

Tenant Name ⁽¹⁾	Number of Stores ⁽²⁾	GLA ⁽²⁾	Percent of Total GLA ⁽³⁾	
Lord & Taylor	1	121,200	0.4	%
Lowes, Inc.	1	163,215	0.6	%
Macy's, Inc.				
Macy's ⁽⁴⁾	22	3,803,435		
Bloomingdale's	1	237,537		
Total Macy's, Inc.	23	4,040,972	14.9	%
Nordstrom, Inc.				
Nordstrom	1	138,000		
Nordstrom Rack	2	73,439		
Total Nordstrom, Inc.	3	211,439	0.8	%
Premier Cinema Corporation	1	51,412	0.2	%
Regal Cinemas	5	259,197	1.0	%
Sears Holdings Corporation				
Sears	19	2,687,238		
K-Mart ⁽⁵⁾	1	96,268		
Total Sears Holdings Corporation	20	2,783,506	10.2	%
Target Corporation	4	649,440	2.4	%
Weis Markets, Inc.	1	65,032	0.2	%
Whole Foods, Inc.	1	65,155	0.2	%
	150	15,992,998	58.8	%

To qualify as a large format retailer or an anchor for inclusion in this table, a tenant must occupy at least 50,000

(1) square feet or be part of a chain that has stores in our portfolio occupying at least 50,000 square feet. This table lists all stores from such chains, regardless of the size of the individual stores.

(2) Number of stores and gross leasable area ("GLA") include anchors that own their own space or lease from lessors other than us and do not pay rent to us.

(3) Percent of Total GLA is calculated based on the total GLA of all properties, including held for sale properties.

(4) Macy's announced it will close a tenant owned store at Valley Mall in 2016.

(5) Sears intends to close this tenant owned store at Exton Square Mall in 2016.

MAJOR TENANTS

The following table presents information regarding the top 20 tenants at our retail properties, including consolidated, unconsolidated properties and held for sale properties, by gross rent as of December 31, 2015:

Primary Tenant ⁽¹⁾	Brands	Total Stores	Percent of PREIT's Annual Gross Rent ⁽²⁾	
L Brands, Inc.	Bath & Body Works, Henri Bendel, Pink, Victoria's Secret	63	3.7	%
Signet Jewelers Limited	J.B. Robinson Jewelers, Kay Jewelers, LeRoy's, Marks and Morgan Jewelers, Piercing Pagoda, Plumb Gold, Shaw's Jewelers, Silver & Gold Connection, Totally Pagoda, Zale's Jewelers	96	3.3	%
Foot Locker, Inc.	Champs, Foot Locker, Footaction, House of Hoops by Foot Locker, Kids Foot Locker, Lady Foot Locker, Nike Yardline	56	3.1	%
Gap, Inc.	Banana Republic, Gap/Gap Kids/Gap Outlet/Baby Gap, Old Navy	36	2.7	%
American Eagle Outfitters, Inc.	Aerie, American Eagle Outfitters	33	2.5	%
J.C. Penney Company, Inc.	JC Penney	23	2.5	%
Ascena Retail Group, Inc.	Ann Taylor, Dress Barn, Justice, Lane Bryant, Loft, Maurices	47	1.9	%
Dick's Sporting Goods, Inc.	Dick's Sporting Goods, Field & Stream	12	1.7	%
Macy's, Inc. ⁽³⁾	Bloomingdale's, Macy's	23	1.6	%
Genesco, Inc.	Hat Shack, Hat World, Johnston & Murphy, Journey's, Journey's Kidz, Lids, Lids Locker Room, Shi by Journey's, Underground by Journey's	61	1.6	%
Sears Holding Corporation ⁽⁴⁾	Kmart, Sears	20	1.5	%
Regal Entertainment Group	Regal Cinemas	5	1.4	%
Luxottica Group S.p.A.	Lenscrafters, Pearle Vision, Sunglass Hut/Watch Station	40	1.3	%
Abercrombie & Fitch Co.	abercrombie, Abercrombie & Fitch, Hollister Co.	17	1.3	%
Forever 21, Inc.	Forever 21	9	1.3	%
Advent CR Holdings, Inc.	Charlotte Russe	18	1.2	%
The Children's Place Retail Stores, Inc.	The Children's Place	26	1.1	%
Boscov's Department Store	Boscov's	7	1.1	%
The Finish Line, Inc.	Finish Line	18	1.1	%
Shoe Show, Inc.	Shoe Dept., Shoe Dept. Encore	22	1.0	%
Total		632	36.9	%

(1) Tenant includes all brands and concepts of the tenant.

Includes our proportionate share of tenant rent from partnership properties that are not consolidated by us, based on

(2) our ownership percentage in the respective partnerships. Annualized gross rent is calculated based on gross monthly rent as of December 31, 2015.

(3) Macy's announced it intends to close a tenant owned store at Valley Mall in 2016.

(4) Sears intends to close a tenant owned Kmart store at Exton Square Mall, in 2016.

RETAIL LEASE EXPIRATION SCHEDULE—NON ANCHORS

The following table presents scheduled lease expirations of non anchor tenants as of December 31, 2015:

For the Year Ended December 31,	All Tenants			Tenants in Bankruptcy ⁽¹⁾						
	Number of Leases Expiring	GLA of Expiring Leases	PREIT's Share of Gross Rent in Expiring Year ⁽²⁾	Average Expiring Gross Rent psf	Percent of PREIT's Total Gross Rent	GLA of Expiring Leases	PREIT's Share of Gross Rent in Expiring Year ⁽²⁾	Average Expiring Gross Rent psf	Percent of PREIT's Share of Gross Rent in Expiring Year	
2015 and Prior ⁽³⁾	139	332,214	\$13,564	\$40.83	3.9 %	—	\$—	\$—	— %	
2016	395	1,287,072	45,674	35.49	13.1 %	17,690	523	24.78	18.1 %	
2017	421	1,301,759	46,763	35.92	13.4 %	9,144	388	69.51	26.1 %	
2018	278	1,268,192	40,223	31.72	11.6 %	6,444	177	34.07	11.8 %	
2019	257	1,013,923	34,126	33.66	9.8 %	—	—	—	— %	
2020	205	1,166,211	30,020	25.74	8.6 %	7,426	64	—	— %	
2021	146	795,152	23,175	29.15	6.7 %	12,810	449	25.89	21.0 %	
2022	118	486,314	18,959	38.99	5.5 %	6,395	129	20.17	12.6 %	
2023	126	720,854	23,614	32.76	6.8 %	7,682	106	13.80	10.4 %	
2024	155	638,573	28,094	43.99	8.1 %	—	—	—	— %	
2025	204	913,002	28,189	30.88	8.1 %	—	—	—	— %	
Thereafter	78	754,489	15,427	20.45	4.4 %	—	—	—	— %	
Total/Average	2,522	10,677,755	\$347,828	\$32.58	100.0 %	67,591	\$1,836	\$27.46	100.0 %	

(1) As described above under “Item 1A. Risk Factors,” if a tenant files for bankruptcy, the tenant might have the right to reject and terminate its leases, and we cannot be sure that it will affirm its leases and continue to make rental payments in a timely manner. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages in connection with such balances.

(2) In thousands of dollars. Includes held for sale properties and includes our proportionate share of tenant rent from partnership properties that are not consolidated by us, based on our ownership percentage in the respective partnerships. Annualized gross rent is calculated based only on gross monthly rent as of December 31, 2015.

(3) Includes all tenant leases that had expired and were on a month to month basis as of December 31, 2015.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Leasing Activity” for information regarding rent for leases signed in 2015.

RETAIL LEASE EXPIRATION SCHEDULE—ANCHORS

The following table presents scheduled lease expirations of anchor tenants as of December 31, 2015 (includes leases with tenants that have filed for bankruptcy protection, depending on the current status of the lease):

For the Year Ending December 31,	Number of Leases Expiring	GLA of Expiring Leases	PREIT's Share of Gross Rent in Expiring Year ⁽¹⁾⁽²⁾	Average Expiring Gross Rent psf	Percent of PREIT's Total	
2016	10	990,212	\$3,761	\$3.80	10.5	%
2017	9	1,319,105	4,209	3.19	11.7	%
2018	8	993,739	4,451	4.48	12.4	%
2019	16	1,717,860	5,821	3.39	16.2	%
2020	11	1,319,127	6,680	5.06	18.6	%
2021	7	789,538	3,910	4.95	10.9	%
2022	4	521,173	2,647	5.08	7.4	%
2023	—	—	—	N/A	—	%
2024	—	—	—	N/A	—	%
2025	2	390,245	1,275	3.27	3.6	%
Thereafter	3	277,509	3,116	11.23	8.7	%
Total/Average	70	8,318,508	\$35,870	\$4.31	100.0	%

In thousands of dollars. Includes held for sale properties and includes our proportionate share of tenant rent from

(1) partnership properties that are not consolidated by us, based on our ownership percentage in the respective partnerships. Annualized gross rent is calculated based only on gross monthly rent as of December 31, 2015.

(2) None of the amounts shown in this column are associated with tenants that have filed for bankruptcy protection.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Leasing Activity” for information regarding rent in leases signed in 2015.

DEVELOPMENT PROPERTIES

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.”

OFFICE SPACE

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.

ITEM 3. LEGAL PROCEEDINGS.

In the normal course of business, we have become, and might in the future 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 condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Common Shares

Our common shares of beneficial interest are listed on the New York Stock Exchange under the symbol "PEI." The following table presents the high and low sales prices for our common shares of beneficial interest, as reported by the New York Stock Exchange, and cash distributions paid per share for the periods indicated:

	High	Low	Dividend Paid
Quarter ended March 31, 2015	\$25.34	\$21.20	\$0.21
Quarter ended June 30, 2015	\$23.55	\$21.25	0.21
Quarter ended September 30, 2015	\$23.26	\$18.65	0.21
Quarter ended December 31, 2015	\$23.37	\$19.42	0.21
			\$0.84
	High	Low	Dividend Paid
Quarter ended March 31, 2014	\$20.05	\$17.14	\$0.20
Quarter ended June 30, 2014	\$18.83	\$16.35	0.20
Quarter ended September 30, 2014	\$21.14	\$18.65	0.20
Quarter ended December 31, 2014	\$24.35	\$18.90	0.20
			\$0.80

As of December 31, 2015, there were approximately 2,600 holders of record of our common shares and approximately 12,700 beneficial holders of our common shares.

We currently anticipate that cash distributions will continue to be paid in March, June, September and December. In February 2016, our Board of Trustees declared a cash dividend of \$0.21 per share payable in March 2016. Our future payment of distributions will be at the discretion of our Board of Trustees and will depend upon numerous factors, including our cash flow, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code, the terms and conditions of our Credit Agreements, and other factors that our Board of Trustees deems relevant.

The Credit Agreements provide generally that dividends may not exceed 110% of REIT Taxable Income for a fiscal year, or 95% of FFO (unless necessary for us to maintain our status as a REIT). All capitalized terms used in this section and not otherwise defined have the meanings ascribed to such terms in the Credit Agreements. We must maintain our status as a REIT at all times.

Units

Class A and Class B Units of PREIT Associates ("OP Units") are redeemable by PREIT Associates at the election of the limited partner holding the OP Units at the time and for the consideration set forth in PREIT Associates' partnership agreement. In general, and subject to exceptions and limitations, beginning one year following the respective issue dates, "qualifying parties" may give one or more notices of redemption with respect to all or any part of the Class A Units then held by that party. Class B Units are redeemable at the option of the holder at any time after issuance. If a notice of redemption is given, we have the right to elect to acquire the OP Units tendered for redemption for our own account, either in exchange for the issuance of a like number of our common shares, subject to adjustments for stock splits, recapitalizations and like events, or a cash payment equal to the average of the closing prices of our shares on the ten consecutive trading days immediately before our receipt, in our capacity as general partner of PREIT Associates, of the notice of redemption. If we decline to exercise this right, then PREIT Associates will pay a cash

amount equal to the number of OP Units tendered multiplied by such average closing price.

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Issuer Purchases of Equity Securities

The following table shows the total number of shares that we acquired in the three months ended December 31, 2015 and the average price paid per share.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1—October 31, 2015	—	\$—	—	\$—
November 1—November 30, 2015	—	—	—	—
December 1—December 31, 2015	5,507	22.01	—	—
Total	5,507	\$22.01	—	\$—

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth Selected Financial Data for the Company as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011. The information set forth below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current year presentation.

	For the Year Ended December 31,				
(in thousands, except per share amounts)	2015	2014	2013	2012	2011
Operating results:					
Total revenue	\$425,411	\$432,703	\$438,678	\$419,347	\$419,138
Impairment of assets	\$(140,318)	\$(19,695)	\$(6,304)	\$—	\$(24,359)
Gains on sales of interests in real estate, net	\$12,362	\$12,699	\$—	\$—	\$1,590
Loss from continuing operations	\$(129,567)	\$(14,262)	\$(20,449)	\$(4,419)	\$(67,876)
Gains on sales of discontinued operations	\$—	\$—	\$78,512	\$947	\$—
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)	\$—
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)
Basic and diluted (loss) earnings per share	\$(1.93)	\$(0.44)	\$0.31	\$(0.89)	\$(1.66)
Impairment of assets of discontinued operations	\$—	\$—	\$(23,662)	\$(3,805)	\$(27,977)
Weighted average shares outstanding – basic and diluted	68,740	68,217	63,662	55,122	54,639
	As of December 31,				
(in thousands)	2015	2014	2013	2012	2011
Consolidated balance sheet data:					
Total investments in real estate	\$3,367,889	\$3,285,404	\$3,527,868	\$3,477,540	\$3,576,997
Intangible assets, net	\$22,248	\$6,452	\$9,075	\$8,673	\$9,921
Total assets	\$2,806,516	\$2,539,703	\$2,718,581	\$2,877,624	\$2,910,254
Total debt, including debt premium and discount	\$1,790,495	\$1,537,947	\$1,632,650	\$1,900,052	\$2,162,432
Noncontrolling interest	\$155,369	\$29,279	\$34,194	\$38,588	\$43,711
Total equity - PREIT	\$629,261	\$815,458	\$892,258	\$674,641	\$544,327
	For the Year Ended December 31,				
(in thousands, except per share amounts)	2015	2014	2013	2012	2011
Cash flow data:					
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)
	\$225,860	\$(170,522)	\$(166,720)	\$(19,954)	\$(104,019)

Cash provided by (used in) financing
activities

Cash distributions per share – common	\$0.84	\$0.80	\$0.74	\$0.63	\$0.60
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ITEM 7. 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.

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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 on Form 10-K 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.

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
(in millions of dollars)							
Fashion Outlets of Philadelphia, Philadelphia, Pennsylvania	\$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, Pennsylvania	\$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, Pennsylvania	\$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, New Jersey	\$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	%

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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	—	—	% —

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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.

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(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.

See “Item 2. Properties—Retail Lease Expiration Schedule” for information regarding average minimum rent on expiring leases.

The following table sets forth our results of operations for the years ended December 31, 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

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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 snowfalls 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.

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 investments. 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.”

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
(in thousands of dollars)	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)

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 in 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

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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:

(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.

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:

	For the year ended December 31, 2013
(in thousands of dollars)	
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:

- \$40.8 million gain on sale of Christiana Center;
- \$32.7 million gain on sale of Paxton Towne Centre;
- \$4.3 million gain on sale of Commons at Magnolia; and
- \$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,

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FFO may not be a useful performance measure when comparing our operating performance to that of other non-real estate commercial enterprises. We compensate for these limitations by using FFO in conjunction with other GAAP financial performance measures, such as net income and net cash provided by operating activities, and other non-GAAP financial performance measures, such as NOI. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of our financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available for our cash needs, including our ability to make cash distributions. We believe that net income is the most directly comparable GAAP measurement to FFO.

We also present Funds From Operations, as adjusted, and Funds From Operations per diluted share and OP Unit, as adjusted, which are non-GAAP measures, to show the effect of 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.

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 of dollars, except per share amounts)	For the Year Ended December 31,				
	2015	% Change 2014 to 2015	2014	% Change 2013 to 2014	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	\$ 1.89	(3.6	)% \$ 1.96	2.1	% \$ 1.92

holders, as adjusted, per diluted share and
OP Unit

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

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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:

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For the Year Ended December 31, 2015

(in thousands of dollars)	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 gain 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)

For the Year Ended December 31, 2014

(in thousands of dollars)	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 on non real estate assets	(1,621	) —	(1,621)
Gain on sales on 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)

For the Year Ended December 31, 2013

Continuing Operations

(in thousands of dollars)	Consolidated	Share of Unconsolidated Partnerships	Discontinued Operations	Total (a non-GAAP measure)
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 other expenses	(1,422)	—	—	(1,422)
Interest expense, net	(98,731)	(11,084)	(1,753)	(111,568)
Depreciation of non real estate assets	(1,132)	—	—	(1,132)
Preferred share dividends	(15,848)	—	—	(15,848)
Funds from operations 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)
Gain on sale 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 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:

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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.

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.

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%
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 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.

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.

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.

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.

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.

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

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

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

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

Mortgage Loans

Our mortgage loans, which are secured by 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

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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 properties 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

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 documentation). 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 effectiveness 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 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 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 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, 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 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.

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 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 compared 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 proceeds 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-operating 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 million 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 commitments related to our capital improvement projects and development projects of \$31.8 million in the form of tenant allowances, lease termination fees, 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.

ENVIRONMENTAL

We are aware of certain environmental matters at some of our properties. We have, in the past, performed remediation of such environmental matters, and we are not aware of any significant remaining potential liability relating to these environmental matters 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 “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, factory outlet centers, theme/festival centers and community centers, as well as other commercial real estate developers and real estate owners, particularly those with properties near our properties, on the basis of several factors, including location and rent charged. We compete with these companies to attract customers to our properties, as well as to attract anchor and non anchor store and other tenants. We also compete to acquire land for new site development or to acquire parcels or properties to add to our existing properties. 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 properties and from other retail formats as well, including internet retailers. This competition could have a material adverse effect on our ability to lease space and on the amount of rent and expense reimbursements that we receive.

The existence or development of competing retail properties and the related increased competition for tenants might, subject to the terms and conditions of the Credit Agreements, require us to make capital improvements to properties that we would have deferred or would not have otherwise planned to make and might also affect the total sales, sales per square foot, occupancy and net operating income of such properties. Any such capital improvements, undertaken individually or collectively, would involve costs and expenses that could adversely affect our results of operations. We compete with many other entities engaged in real estate investment activities for acquisitions of malls, other retail properties and prime development sites or sites adjacent to our properties, including institutional pension funds, other REITs and other owner-operators of retail properties. When we seek to make acquisitions, competitors might drive up the price we must pay for properties, parcels, other assets or other companies or might themselves succeed in acquiring those properties, parcels, assets or companies. In addition, our potential acquisition targets might find our competitors to be more attractive suitors if they have greater resources, are willing to pay more, or have a more compatible operating philosophy. In particular, larger REITs might enjoy significant competitive advantages that result from, among other things, a lower cost of capital, a better ability to raise capital, a better ability to finance an acquisition, 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 locations in our portfolio, and so the effect of any bankruptcy or store closings of those tenants might be more significant to us than the bankruptcy or store closings of other tenants. See "Item 2. Properties—Major Tenants." In addition, under many of our leases, our tenants pay rent based, in whole or in part, on a percentage of their sales. Accordingly, declines in these tenants' sales directly affect our results of operations. Also, if tenants are unable to comply with the terms of their leases, or otherwise seek changes to the terms, including changes to the amount of rent, we might modify lease terms in ways that are less favorable to us. Given current conditions in the economy, certain industries and the capital markets, in some instances retailers that have sought protection from creditors under bankruptcy law have had difficulty in obtaining debtor-in-possession financing, which has decreased the likelihood that such retailers will emerge from bankruptcy protection and has limited their alternatives.

SEASONALITY

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

INFLATION

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

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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 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.

ITEM 7A. 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

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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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, equity and cash flows for the years ended December 31, 2015, 2014 and 2013, and the notes thereto, our report on internal control over financial reporting, the reports of our independent registered public accounting firm thereon, our summary of unaudited quarterly financial information for the years ended December 31, 2015 and 2014, and the financial statement schedule begin on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

We are committed to providing accurate and timely disclosure in satisfaction of our SEC reporting obligations. In 2002, we established a Disclosure Committee to formalize our disclosure controls and procedures, which are periodically assessed by our Chief Executive Officer and Chief Financial Officer for effectiveness. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015, and have concluded as follows:

Our disclosure controls and procedures are designed to ensure that the information that we are required to disclose in our reports under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our disclosure controls and procedures are effective to ensure that information that we are required to disclose in our Exchange Act reports is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There was no change in our internal controls over financial reporting that occurred during the fourth quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. See "Management's Report on Internal Control Over Financial Reporting" included before the consolidated financial statements contained in this report.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated by reference to, and will be contained in, our definitive proxy statement, and thus we have omitted such information in accordance with General Instruction G(3) to Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to, and will be contained in, our definitive proxy statement, and thus we have omitted such information in accordance with General Instruction G(3) to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.

The information required by this Item is incorporated by reference to, and will be contained in, our definitive proxy statement, and thus we have omitted such information in accordance with General Instruction G(3) to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE.

The information required by this Item is incorporated by reference to, and will be contained in, our definitive proxy statement, and thus we have omitted such information in accordance with General Instruction G(3) to Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item is incorporated by reference to, and will be contained in, our definitive proxy statement, and thus we have omitted such information in accordance with General Instruction G(3) to Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are included in this report:

(1) Financial Statements

Management's Report on Internal Control Over Financial Reporting	<u>F-1</u>
Reports of Independent Registered Public Accounting Firm	<u>F-2</u>
Consolidated Balance Sheets as of December 31, 2015 and 2014	<u>F-4</u>
Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013	<u>F-5</u>
Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	<u>F-7</u>
Consolidated Statements of Equity for the years ended December 31, 2015, 2014 and 2013	<u>F-8</u>
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	<u>F-9</u>
Notes to Consolidated Financial Statements	<u>F-10</u>

(2) Financial Statement Schedules

III – Real Estate and Accumulated Depreciation	<u>S-1</u>
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All other schedules are omitted because they are not applicable, not required or because the required information is reported in the consolidated financial statements or notes thereto.

(3) Exhibits

- 1.1 Purchase Agreement, dated May 1, 2013, by and among PREIT, PREIT Associates, L.P., and Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities, LLC, as representatives of the several Underwriters listed on Schedule A attached thereto, filed as Exhibit 1.1 to PREIT's Current Report on Form 8-K filed on May 3, 2013, is incorporated herein by reference.
- 2.1 Contribution Agreement, dated as of March 2, 2014, by and among Franconia Two, L.P., PR Springfield Town Center LLC, PREIT Associates, L.P. and Vornado Realty L.P., filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on August 1, 2014, is incorporated by reference.
- 2.2 Purchase and Sale Agreement dated as of April 29, 2015 by and between PREIT Associates, L.P. and PR Springfield Associates, L.P. and Rubin Retail Acquisition, L.P., filed as Exhibit 2.1 to PREIT's Quarterly Report on Form 10-Q dated August 3, 2015, is incorporated herein by reference.
- 3.1 Amended and Restated Trust Agreement dated December 18, 2008, filed as Exhibit 3.1 to PREIT's Current Report on Form 8-K filed on December 23, 2008, is incorporated herein by reference.
- 3.2 By-Laws of PREIT as amended through July 26, 2007, filed as Exhibit 3.2 to PREIT's Current Report on Form 8-K filed on August 1, 2007, is incorporated herein by reference.
- 3.3 Designating Amendment to Trust Agreement designating the rights, preferences, privileges, qualifications, limitations and restrictions of PREIT's 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares, liquidation preference \$25.00 per share, par value \$0.01 per share, filed as Exhibit 3.2 to PREIT's Form 8-A filed on April 20, 2012, is incorporated herein by reference.
- 3.4 Amendment, dated June 7, 2012, to Amended and Restated Trust Agreement of Pennsylvania Real Estate Investment Trust dated December 18, 2008, as amended, filed as Exhibit 3.1 to PREIT's Current Report on Form 8-K filed on June 12, 2012, is incorporated herein by reference.
- 3.5 Second Designating Amendment to Trust Agreement designating the rights, preferences, privileges, qualifications, limitations and restrictions of PREIT's 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares, liquidation preference \$25.00 per share, par value \$0.01 per share, filed as Exhibit 3.1 to PREIT's Form 8-A filed on October 11, 2012, is incorporated herein by reference.
- 4.1 First Amended and Restated Agreement of Limited Partnership, dated September 30, 1997, of PREIT Associates, L.P., filed as Exhibit 4.15 to PREIT's Current Report on Form 8-K dated October 14, 1997, is incorporated herein by reference.
- 4.2 First Amendment to the First Amended and Restated Agreement of Limited Partnership, dated September 30, 1997, of PREIT Associates, L.P., filed as Exhibit 4.1 to PREIT's Quarterly Report on Form 10-Q filed on November 13, 1998, is incorporated herein by reference.
- 4.3 Second Amendment to the First Amended and Restated Agreement of Limited Partnership, dated September 30, 1997, of PREIT Associates, L.P., filed as Exhibit 4.2 to PREIT's Quarterly Report on Form 10-Q filed on November 13, 1998, is incorporated herein by reference.

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4.4 Third Amendment to the First Amended and Restated Agreement of Limited Partnership, dated September 30, 1997, of PREIT Associates, L.P., filed as Exhibit 4.3 to PREIT's Quarterly Report on Form 10-Q filed on November 13, 1998, is incorporated herein by reference.

4.5 Fourth Amendment to First Amended and Restated Agreement of Limited Partnership of PREIT Associates L.P. dated May 13, 2003, filed as Exhibit 4.1 to PREIT's Quarterly Report on Form 10-Q filed on November 7, 2003, is incorporated herein by reference.

4.6 Addendum to First Amended and Restated Agreement of Limited Partnership of PREIT Associates, L.P. designating the rights, obligations, duties and preferences of Series A Preferred Units, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on April 20, 2012, is incorporated herein by reference.

4.7 Second Addendum to First Amended and Restated Agreement of Limited Partnership of PREIT Associates, L.P. designating the rights, obligations, duties and preferences of the Series B Preferred Units, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on October 11, 2012, is incorporated herein by reference.

4.8 Form of share certificate evidencing the 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares, filed as Exhibit 4.1 to PREIT's Form 8-A filed on April 20, 2012, is incorporated herein by reference.

4.9 Form of share certificate evidencing the 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares, filed as Exhibit 4.1 to PREIT's Form 8-A filed on October 11, 2012, is incorporated herein by reference.

- 4.10 Registration Rights Agreement, dated March 31, 2015, between Pennsylvania Real Estate Investment Trust, Franconia Two, L.P. and PREIT Associates, L.P. (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by Pennsylvania Real Estate Investment Trust on April 1, 2015).
- 10.1 Credit Agreement dated as of April 17, 2013 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.8 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- 10.2 Guaranty dated as of April 17, 2013 in favor of Wells Fargo Bank, National Association, executed by certain direct and indirect subsidiaries of PREIT Associate, L.P., filed as Exhibit 10.9 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- 10.3 First Amendment to Credit Agreement dated December 24, 2013 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto.
- 10.4 Second Amendment to Credit Agreement dated as of June 26, 2015 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on August 3, 2015, is incorporated herein by reference.
- 10.5 Five-Year Term Loan Agreement dated as of January 8, 2014 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.7 to PREIT's Annual Report on Form 10-K filed on February 28, 2014, is incorporated herein by reference.
- 10.6 Five-Year Term Loan Guaranty dated as of January 8, 2014 in favor of Wells Fargo Bank, National Association, executed by certain direct and indirect subsidiaries of PREIT Associates, L.P, filed as Exhibit 10.8 to PREIT's Annual Report on Form 10-K filed on February 28, 2014, is incorporated herein by reference.
- 10.7 First Amendment to Five-Year Term Loan dated as of November 3, 2014 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.9 to PREIT's Annual Report on Form 10-K filed on February 23, 2015, is incorporated herein by reference.
- 10.8 Third Amendment to Five-Year Term Loan Agreement dated as of June 26, 2015 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.2 to PREIT's Quarterly Report on Form 10-Q filed on August 3, 2015, is incorporated herein by reference.
- 10.9 Seven-Year Term Loan Agreement dated as of January 8, 2014 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.9 to PREIT's Annual Report on Form 10-K filed on February 28, 2014, is incorporated herein by reference.
- 10.10 Seven-Year Term Loan Guaranty dated as of January 8, 2014 in favor of Wells Fargo Bank, National Association, executed by certain direct and indirect subsidiaries of PREIT Associates, L.P, filed as Exhibit 10.10 to PREIT's Annual Report on Form 10-K filed on February 28, 2014, is incorporated herein by

reference.

10.11 First Amendment to Seven-Year Term Loan dated as of November 3, 2014 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.12 to PREIT's Annual Report on Form 10-K filed on February 23, 2015, is incorporated herein by reference.

10.12 Third Amendment to Seven-Year Term Loan Agreement dated as of June 26, 2015 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.3 to PREIT's Quarterly Report on Form 10-Q filed on August 3, 2015, is incorporated herein by reference.

10.13 Five-Year Term Loan Agreement dated as of June 26, 2015 by and among PREIT Associates, L.P., PREIT-RUBIN, Inc., PREIT and the financial institutions party thereto, filed as Exhibit 10.4 to PREIT's Quarterly Report on Form 10-Q filed on August 3, 2015, is incorporated herein by reference.

10.14 Five-Year Term Loan Guaranty dated as of June 26, 2015 in favor of Wells Fargo Bank, National Association, executed by certain direct and indirect subsidiaries of PREIT Associates, L.P., filed as Exhibit 10.5 to PREIT's Quarterly Report on Form 10-Q filed on August 3, 2015, is incorporated herein by reference.

10.15 Promissory Note, dated August 15, 2012, in the principal amount of \$150.0 million, issued by Cherry Hill Center, LLC and PR Cherry Hill STW LLC in favor of New York Life Insurance Company, filed as Exhibit 10.3 to PREIT's Quarterly Report on Form 10-Q filed on October 26, 2012, is incorporated herein by reference.

- 10.16 Promissory Note, dated August 15, 2012, in the principal amount of \$150.0 million, issued by Cherry Hill Center, LLC and PR Cherry Hill STW LLC in favor of Teachers Insurance and Annuity Association of America, filed as Exhibit 10.4 to PREIT's Quarterly Report on Form 10-Q filed on October 26, 2012, is incorporated herein by reference.
- 10.17 Promissory Note, dated December 9, 2005, in the principal amount of \$80.0 million, issued by WG Park, L.P. in favor of Prudential Insurance Company of America, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on December 9, 2005, is incorporated herein by reference.
- 10.18 Promissory Note, dated December 9, 2005, in the principal amount of \$80.0 million, issued by WG Park, L.P. in favor of Teachers Insurance and Annuity Association of America, filed as Exhibit 10.2 to PREIT's Current Report on Form 8-K filed on December 9, 2005, is incorporated herein by reference.
- 10.19 Promissory Note, dated February 13, 2006, in the principal amount of \$90.0 million, issued by PR Hagerstown LLC in favor of Eurohypo AG, New York Branch, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on February 15, 2006, is incorporated herein by reference.
- 10.20 Promissory Note, dated March 24, 2006, in the principal amount of \$156.5 million, issued by PR Woodland Limited Partnership in favor of Prudential Mortgage Capital Company, LLC, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on March 30, 2006, is incorporated herein by reference.
- 10.21 Promissory Note, dated June 8, 2010, in the principal amount of \$140.0 million, issued by Mall at Lehigh Valley, L.P., filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on June 14, 2010, is incorporated herein by reference.
- 10.22 Promissory Note, dated May 17, 2007 in the principal amount of \$150.0 million issued by PR Hyattsville LLC in favor of Wells Fargo Bank, N.A. filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on May 22, 2007 is incorporated herein by reference.
- 10.23 Declaration of Trust, dated June 19, 1997, by PREIT, as grantor, and PREIT, as initial trustee, filed as Exhibit 10.7 to PREIT's Quarterly Report on Form 10-Q filed on August 10, 2009, is incorporated herein by reference.
- +10.24 Amended and Restated Employment Agreement, effective as of December 31, 2008, between PREIT and Bruce Goldman, filed as Exhibit 10.59 to PREIT's Annual Report on Form 10-K filed on March 2, 2009, is incorporated herein by reference.
- +10.25 Amended and Restated Employment Agreement dated as of April 25, 2012 by and between PREIT and Ronald Rubin, filed as Exhibit 10.2 to PREIT's Current Report on Form 8-K filed on April 27, 2012, is incorporated herein by reference.
- +10.26 Amended and Restated Employment Agreement dated as of April 25, 2012 by and between PREIT and Joseph F. Coradino, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on April 27, 2012, is incorporated herein by reference.
- +10.27 Amended and Restated Employment Agreement, dated as of December 31, 2008, between PREIT and Robert F. McCadden, filed as Exhibit 10.4 to PREIT's Current Report on Form 8-K filed on December 31, 2008, is incorporated herein by reference.

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- +10.28 Amendment No. 1 to Amended and Restated Employment Agreement, dated as of May 6, 2009, between PREIT and Robert F. McCadden, filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on May 11, 2009, is incorporated herein by reference.
- +10.29* Letter Agreement, dated as of May 8, 2013 by and between PREIT Services, LLC and Mario C. Ventresca, Jr.
- +10.30 Amended and Restated Nonqualified Supplemental Executive Retirement Agreement dated as of June 7, 2012 by and between PREIT and Joseph F. Coradino, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on June 12, 2012, is incorporated herein by reference.
- +10.31 Nonqualified Supplemental Executive Retirement Agreement, effective as of January 1, 2009, between PREIT and Robert F. McCadden, filed as Exhibit 10.9 to PREIT's Current Report on Form 8-K filed on December 31, 2008, is incorporated herein by reference.
- +10.32 Nonqualified Supplemental Executive Retirement Agreement, effective as of January 1, 2009, between PREIT and Bruce Goldman, filed as Exhibit 10.73 to PREIT's Annual Report on Form 10-K filed on March 2, 2009, is incorporated herein by reference.
- +10.33 Amended and Restated Nonqualified Supplemental Executive Retirement Agreement dated as of June 7, 2012 by and between PREIT and Ronald Rubin, filed as Exhibit 10.2 to PREIT's Current Report on Form 8-K filed on June 12, 2012, is incorporated herein by reference.

- +10.34 Amended and Restated Employee Share Purchase Plan, filed as Exhibit 10.3 to PREIT's Quarterly Report on Form 10-Q filed on August 6, 2010, is incorporated herein by reference.
- +10.35 PREIT's Second Amended and Restated 2003 Equity Incentive Plan, filed as Exhibit 10.3 to PREIT's Current Report on Form 8-K filed on June 12, 2012, is incorporated herein by reference.
- +10.36 Amendment No. 1 to Second Amended and Restated 2003 Equity Plan, filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on July 22, 2013, is incorporated herein by reference.
- +10.37 Form of Incentive Stock Option Agreement under PREIT's 2003 Equity Incentive Plan filed as Exhibit 10.10 to PREIT's Quarterly Report on Form 10-Q filed on November 9, 2004, is incorporated herein by reference.
- +10.38 Form of Nonqualified Stock Option Agreement under PREIT's 2003 Equity Incentive Plan filed as Exhibit 10.11 to PREIT's Quarterly Report on Form 10-Q filed on February 27, 2007, is incorporated herein by reference.
- +10.39 Form of Restricted Share Award Agreement under PREIT's 2003 Equity Incentive Plan filed as Exhibit 10.1 to PREIT's Current Report on Form 8-K filed on February 26, 2008, is incorporated herein by reference.
- +10.40 2011-2013 Restricted Share Unit Program, filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on April 29, 2011, is incorporated herein by reference.
- +10.41 Form of 2011-2013 Restricted Share Unit and Dividend Equivalent Award Agreement, filed as Exhibit 10.2 to PREIT's Quarterly Report on Form 10-Q filed on April 29, 2011, is incorporated herein by reference.
- +10.42 2012-2014 Restricted Share Unit Program, filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on April 30, 2012, is incorporated herein by reference.
- +10.43 Form of 2012-2014 Restricted Share Unit and Dividend Equivalent Award Agreement, filed as Exhibit 10.2 to PREIT's Quarterly Report on Form 10-Q filed on April 30, 2012, is incorporated herein by reference.
- +10.44 2013-2015 Restricted Share Unit Program, filed as Exhibit 10.5 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- +10.45 Form of 2013-2015 Restricted Share Unit and Dividend Equivalent Award Agreement, filed as Exhibit 10.6 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- +10.46 Form of Annual Incentive Compensation Opportunity Award for PREIT's Chief Executive Officer, filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- +10.47 Form of Annual Incentive Compensation Opportunity Award for PREIT's Chief Financial Officer, filed as Exhibit 10.2 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.

reference.

- +10.48 Form of Annual Incentive Compensation Opportunity Award for PREIT's Vice Chairman, filed as Exhibit 10.3 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- +10.49 Form of Annual Incentive Compensation Opportunity Award for PREIT's Executive Vice Presidents, filed as Exhibit 10.4 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- +10.50 2014-2016 Restricted Share Unit Program, filed as Exhibit 10.6 to PREIT's Quarterly Report on Form 10-Q filed on April 25, 2014, is incorporated herein by reference.
- +10.51 Form of 2014-2016 Restricted Share Unit and Dividend Equivalent Award Agreement, filed as Exhibit 10.7 to PREIT's Quarterly Report on Form 10-Q filed on April 25, 2014, is incorporated herein by reference.
- +10.52 Form of Annual Incentive Compensation Opportunity Award for PREIT's Named Executive Officers filed as Exhibit 10.5 to PREIT's Quarterly Report on Form 10-Q filed on April 25, 2014, is incorporated herein by reference.
- +10.53 2015-2017 Restricted Share Unit Program, filed as Exhibit 10.3 to PREIT's Quarterly Report on Form 10-Q filed on May 4, 2015, is incorporated herein by reference.
- +10.54 Form of Restricted Share Unit and Dividend Equivalent Rights Award Agreement, filed as Exhibit 10.4 to PREIT's Quarterly Report on Form 10-Q filed on May 4, 2015, is incorporated herein by reference.
- +10.55 Form of Annual Incentive Compensation Opportunity Award for Named Executive Officers, filed as Exhibit 10.2 to PREIT's Quarterly Report on Form 10-Q filed on May 4, 2015, is incorporated herein by reference.

- +10.56 Separation of Employment Agreement and General Release between Pennsylvania Real Estate Investment Trust, PREIT Services, L.P. and George Rubin dated as of June 13, 2014 filed as Exhibit 10.1 to PREIT's Quarterly Report on Form 10-Q filed on August 1, 2014, is incorporated herein by reference.
- +10.57 Separation of Employment Agreement and General Release, dated October 15, 2013, by and between PREIT, PREIT Services, LLC and Edward Glickman, filed as Exhibit 10.7 to PREIT's Quarterly Report on Form 10-Q filed on April 26, 2013, is incorporated herein by reference.
- 10.58 Registration Rights Agreement, dated as of September 30, 1997, between PREIT and Florence Mall Partners, filed as Exhibit 10.31 to PREIT's Current Report on Form 8-K filed on October 14, 1997, is incorporated herein by reference.
- 10.59 Registration Rights Agreement, dated as of April 28, 2003, between PREIT and Pan American Associates, filed as Exhibit 10.8 to PREIT's Current Report on Form 8-K filed on May 13, 2003, is incorporated herein by reference.
- 10.60 Registration Rights Agreement, dated as of April 28, 2003, among PREIT, The Albert H. Marta Revocable Inter Vivos Trust, Marta Holdings I, L.P. and Ivyridge Investment Corp, filed as Exhibit 10.9 to PREIT's Current Report on Form 8-K filed on May 13, 2003, is incorporated herein by reference.
- 10.61 Real Estate Management and Leasing Agreement made as of August 1, 1996 between The Rubin Organization, Inc. and Bellevue Associates, filed as Exhibit 10.102 to PREIT's Annual Report on Form 10-K filed on March 16, 2005, is incorporated by reference.
- 10.62 Amendment of Real Estate Management And Leasing Agreement dated as of January 1, 2005 between PREIT-RUBIN, Inc., successor-in-interest to The Rubin Organization, and Bellevue Associates, filed as Exhibit 10.103 to PREIT's Annual Report on Form 10-K filed on March 16, 2005, is incorporated herein by reference.
- 10.63 Amended and Restated Office Lease between Bellevue Associates and PREIT effective as of July 12, 1999, as amended by the First Amendment to Office Lease effective as of June 18, 2002, as further amended by the Second Amendment to Office Lease effective as of June 1, 2004, filed as Exhibit 10.10 to PREIT's Quarterly Report on Form 10-Q filed on August 10, 2009, is incorporated herein by reference.
- 10.64 Fourth Amendment to Office Lease between Bellevue Associates and PREIT signed on April 26, 2012, filed as Exhibit 10.56 to PREIT's Annual Report on Form 10-K, filed on March 1, 2013, is incorporated herein by reference.
- 10.65 Tax Protection Agreement, dated March 31, 2015, between PREIT Associates, L.P., PR Springfield Town Center LLC, Franconia Two, L.P., and Vornado Realty L.P. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Pennsylvania Real Estate Investment Trust on April 1, 2015).
- 21* Direct and Indirect Subsidiaries of the Registrant.
- 23.1* Consent of KPMG LLP (Independent Registered Public Accounting Firm).

- 24* Power of Attorney (included on signature page to this Form 10-K).
- 31.1* Certification pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101* Pursuant to Rule 405 of Regulation S-T, the following financial information from PREIT's Annual Report on Form 10-K for the period ended December 31, 2015 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets as of December 31, 2015 and 2014; (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014, and 2013; (iv) Consolidated Statements of Equity for the years ended December 31, 2015, 2014 and 2013; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; and (vi) Notes to Consolidated Financial Statements.

+ Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this form.

(*) Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Date: February 26, 2016

By: /s/ Joseph F. Coradino
Joseph F. Coradino
Chief Executive Officer

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert F. McCadden and Joseph F. Coradino, or either of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and either of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, or either of them or any substitute therefore, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Capacity	Date
/s/ Ronald Rubin Ronald Rubin	Executive Chairman and Trustee	February 26, 2016
/s/ Joseph F. Coradino Joseph F. Coradino	Chief Executive Officer (principal executive officer) and Trustee	February 26, 2016
/s/ Robert F. McCadden Robert F. McCadden	Executive Vice President and Chief Financial Officer (principal financial officer)	February 26, 2016
/s/ Jonathen Bell Jonathen Bell	Senior Vice President—Chief Accounting Officer (principal accounting officer)	February 26, 2016
/s/ M. Walter D'Alessio M. Walter D'Alessio	Trustee	February 26, 2016
/s/ Michael J. DeMarco Michael J. De Marco	Trustee	February 26, 2016
/s/ Rosemarie Greco Rosemarie Greco	Trustee	February 26, 2016
/s/ Leonard I. Korman Leonard I. Korman	Trustee	February 26, 2016
/s/ Mark E. Pasquerilla Mark E. Pasquerilla	Trustee	February 26, 2016
/s/ Charles P. Pizzi Charles P. Pizzi	Trustee	February 26, 2016
/s/ John J. Roberts John J. Roberts	Trustee	February 26, 2016

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;
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
- (2) 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.
- (3)

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 F-3 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. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 26, 2016

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Report of Independent Registered Public Accounting Firm

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.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 26, 2016

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
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:		
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
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

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Total equity	784,630	844,737
Total liabilities and equity	\$2,806,516	\$2,539,703

See accompanying notes to consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
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.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
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

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.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
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 on 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.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended

December 31, 2015, 2014 and 2013

(in thousands of dollars, except per share amounts)	Total Equity	PREIT Shareholders		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
		Series A Preferred Shares, \$0.01 par	Series B Preferred Shares, \$0.01 par					
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 issues 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:	(1,626)	—	—	—	—	—	—	(1,626)

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Distributions paid to Operating Partnership unit holders (\$0.74 per unit)									
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:	(1,703)	—	—	—	—	—	—	(1,703)	

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Distributions paid to Operating Partnership unit holders (\$0.80 per unit)											
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:	(5,703)	—	—	—	—	—	—	—	(5,703)

Distributions paid to Operating Partnership unit holders (\$0.84 per unit) 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.
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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
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
	(5,776) (4,632) (2,417

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Value of shares issued under equity incentive plans, net of shares retired

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.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
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 intercompany accounts and transactions have been eliminated in consolidation.

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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

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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.

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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

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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.

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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	\$6,322	\$(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.

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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:

(in thousands of dollars)	As of December 31, 2015	As of December 31, 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)	Value of In-Place Lease Intangibles	Above/(Below) Market Leases, net
For the Year Ending December 31,		
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	As of December 31, 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.

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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.

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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”)

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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.

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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

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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:

	For the year ended December 31, 2013
(in thousands of dollars)	
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

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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%.

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Dispositions

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

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate	Sale Price (in millions of dollars)	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, Pennsylvania	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, Pennsylvania and Nittany Mall State College, Pennsylvania	Two malls (single combined transaction)	North Hanover Mall 11.0% Nittany Mall 16.2%	32.3	(0.1)
2013 Activity:					
January	Phillipsburg Mall, Phillipsburg, New Jersey	Mall ⁽³⁾	9.8	% 11.5	—
	Paxton Towne Centre, Harrisburg, Pennsylvania	Power center ⁽⁴⁾⁽⁵⁾	6.9	% 76.8	32.7
February	Orlando Fashion Square, Orlando, Florida	Mall ⁽⁶⁾	9.8	% 35.0	0.7
September	Commons at Magnolia, Florence, South Carolina	Strip center ⁽⁷⁾	8.9	% 12.3	4.3
	Christiana Center, Newark, Delaware	Power center ⁽⁴⁾⁽⁷⁾⁽⁸⁾	6.5	% 75.0	40.8
November	Chambersburg Mall, Chambersburg, Pennsylvania	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

Excess investment represents the unamortized difference between our investment and our share of the equity in the ⁽¹⁾ 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:

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(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

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 mortgage 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 years 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

Mortgage Loan Activity—Unconsolidated Properties

The following table presents the mortgage loans secured by the unconsolidated properties 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.

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 million 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.

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

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.”

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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 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.”

2014 Term Loans

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

(1) a 5 Year Term Loan Agreement (the “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, the Borrower entered into an amendment to each of the 2014 Term Loans under which PREIT is 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.

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 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.

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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%
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.

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

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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)	Principal Amortization	Balloon Payments	Total
For the Year Ending December 31,			
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:

(in millions of dollars)	2015		2014	
	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.

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.

(5) 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.

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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

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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)	Fair Value at December 31, 2015 ⁽¹⁾	Fair Value at December 31, 2014 ⁽¹⁾	Interest Rate	Maturity Date
Notional Value				
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)

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

	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.

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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

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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:

(in thousands of dollars, except per share data)	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		Weighted Average Remaining Life (Years)
	Number of Shares	Weighted Average Exercise Price (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	
\$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.

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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

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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.

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.

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)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
For the Year Ended December 31, 2015					
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)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
For the Year Ended December 31, 2014					
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)
	(0.18)	(0.40)	(0.07)	0.21	(0.44)

Basic and diluted (loss) earnings per
share

- (1) Fourth Quarter revenue includes a significant portion of annual percentage rent as most percentage rent minimum sales levels are met in the fourth quarter.
Includes impairment losses of \$6.2 million (1st Quarter 2015), \$28.7 million (2nd Quarter 2015), \$51.4 million
- (2) (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).

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SCHEDULE III
PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
INVESTMENTS IN REAL ESTATE
As of December 31, 2015

(in thousands of dollars)	Initial Cost of Land	Initial Cost of Building & Improvements	Cost of Improvements Net of Retirements and Impairment Charges	Balance of Land and Held for Development	Balance of Building & Improvements and Construction in Progress	Accumulated Depreciation Balance	Current Encumbrance	Date of Acquisition/Construction	Life of Depreciation
Operating Properties:									
Beaver Valley Mall	\$10,822	\$42,877	\$21,752	\$10,550	\$64,901	\$33,555	\$—	2002	30
Capital City Mall	11,642	65,575	31,069	11,642	96,644	37,284	62,165	2003	40
Cherry Hill Mall	29,938	185,611	257,178	48,608	424,119	185,049	292,786	2003	40
Crossroads Mall	5,054	22,496	21,899	5,627	43,822	16,811	—	2003	40
Cumberland Mall	8,711	43,889	18,492	9,842	61,250	19,560	47,905	2005	40
Dartmouth Mall	7,015	28,328	32,479	7,004	60,818	33,870	63,736	1998	40
Exton Square Mall	21,460	121,326	18,940	25,209	136,517	44,755	—	2003	40
Francis Scott Key Mall	9,786	47,526	33,037	9,639	80,710	31,647	68,469	2003	40
Jacksonville Mall	9,974	47,802	26,691	9,974	74,493	29,963	—	2003	40
Logan Valley Mall	13,267	68,449	22,656	13,267	91,105	34,303	—	2003	40
Magnolia Mall	9,279	44,165	36,655	15,204	74,895	39,537	—	1998	40
Monroe Marketplace	2,430	—	265	2,430	265	86	—	2006	10
Moorestown Mall	11,368	62,995	70,189	11,368	133,184	44,234	—	2003	40
Patrick Henry Mall	16,075	86,643	43,134	16,397	129,455	58,362	95,579	2003	40
Pitney Road Plaza	905	—	(905)	—	—	—	—	2006	40
Plymouth Meeting Mall	29,265	58,388	90,343	29,947	148,049	61,885	—	2003	40
The Mall at Prince Georges	13,065	57,686	33,199	13,066	90,884	48,364	150,000	1998	40

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Springfield Town Center	119,912	353,551	1,521	119,912	355,072	8,545	—	2015	40
Sunrise Plaza land	1,739	—	690	837	1,592	—	—	2005	N/A
Swedes Square land	189	—	30	219	—	—	—	2004	N/A
Valley Mall	13,187	60,658	28,641	13,187	89,299	34,843	79,268	2003	40
Valley View Mall	9,880	46,817	22,312	9,936	69,073	22,841	29,678	2003	40
Viewmont Mall	12,505	61,519	27,919	12,606	89,337	32,920	48,000	2003	40
Voorhees Town Center ⁽¹⁾	—	—	4,491	401	4,090	141	—	2003	20
Washington Crown Center	5,460	27,136	19,463	5,282	46,777	18,550	—	2003	40
Willow Grove Park	26,748	131,189	80,762	36,188	202,511	80,708	169,499	2003	40
Woodland Mall	35,540	124,504	33,757	17,577	176,224	57,033	141,185	2005	40
Wyoming Valley Mall Development Properties:	14,153	73,035	25,681	13,302	99,567	40,801	77,225	2003	40
White Clay Point land	31,000	11,803	(8,017)	31,612	3,174	—	—	2005	N/A
Springhills land Investment	21,555	9,827	(12,153)	19,070	159	—	—	2006	N/A
In Real Estate Assets Held For Sale:	\$501,924	\$1,883,795	\$982,170	\$519,903	\$2,847,986	\$1,015,647	\$1,325,495		
Gadsden Mall	\$8,842	\$42,681	\$(29,480)	\$1,544	\$20,499	\$7,652	\$—	2005	N/A
Lycoming Mall	10,274	43,440	(13,364)	3,468	36,882	15,781	33,035	2003	N/A
New River Valley Mall	4,751	22,808	5,505	727	32,337	23,254	28,050	2003	N/A
Palmer Park Mall ⁽²⁾	3,747	18,805	2,153	3,371	21,334	6,829	—	2003	N/A
Wiregrass Commons Mall	5,103	28,758	6,099	5,592	34,368	10,338	—	2003	N/A
Chestnut Street Retail	1,036	5,152	—	1,036	5,152	515	—	2014	N/A
Walnut Street Retail	3,483	10,556	3,785	3,483	14,341	1,057	—	2014	N/A
Total Assets Held for Sale	\$37,236	\$172,200	\$(25,302)	\$19,221	\$164,913	\$65,426	\$61,085		

⁽¹⁾Office building located at Voorhees Town Center

⁽²⁾Palmer Park Mall was sold in February 2016.

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The aggregate cost basis and depreciated basis for federal income tax purposes of our investment in real estate was \$3,662.8 million and \$2,660.7 million, respectively, at December 31, 2015 and \$3,340.2 million and \$2,362.2 million, respectively, at December 31, 2014. The changes in total real estate and accumulated depreciation for the years ended December 31, 2015, 2014 and 2013 are as follows:

(in thousands of dollars)	For the Year Ended December 31,		
	2015	2014	2013
Total Real Estate Assets:			
Balance, beginning of year	\$3,285,404	\$3,527,868	\$3,477,540
Improvements and development	69,486	103,946	79,345
Acquisitions	476,516	20,227	59,078
Impairment of assets	(195,111)	(33,536)	(37,708)
Dispositions	(71,172)	(331,480)	(45,047)
Write-off of fully depreciated assets	(13,100)	(1,621)	(5,340)
Reclassification to held for sale	(184,134)	—	—
Balance, end of year	\$3,367,889	\$3,285,404	\$3,527,868
Balance, end of year – held for sale	\$184,134	\$—	\$159,387
(in thousands of dollars)			
Accumulated Depreciation:			
Balance, beginning of year	\$1,061,051	\$1,012,746	\$907,928
Depreciation expense	131,102	133,699	132,114
Impairment of assets	(60,461)	(13,841)	(7,742)
Dispositions	(37,519)	(69,933)	(14,214)
Write-off of fully depreciated assets	(13,100)	(1,620)	(5,340)
Reclassification to held for sale	(65,426)	—	—
Balance, end of year	\$1,015,647	\$1,061,051	\$1,012,746
Balance, end of year – held for sale	\$65,426	\$—	\$50,457

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Exhibit Index

Exhibit Number	Description
10.29	Letter Agreement, dated as of May 8, 2013, by and between PREIT Services, LLC and Mario C. Ventresca, Jr.
21	Direct and Indirect Subsidiaries of the Registrant.
23.1	Consent of KPMG LLP (Independent Registered Public Accounting Firm).
24	Power of Attorney (included on signature page to this Form 10-K).
31.1	Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2015 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets as of December 31, 2015 and 2014; (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013; (iv) Consolidated Statements of Equity for the years ended December 31, 2015, 2014 and 2013; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; and (vi) Notes to Consolidated Financial Statements.