

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Form 10-Q

April 29, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended March 31, 2010**

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 Number: 1-6300**

**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

(Exact name of Registrant as specified in its charter)

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**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**23-6216339**  
(I.R.S. Employer  
Identification No.)

**200 South Broad Street**

**Philadelphia, PA**  
(Address of principal executive offices)

**19102**  
(Zip Code)

**Registrant's telephone number, including area code (215) 875-0700**

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 for such shorter period that the registrant was 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 (232.405 of this chapter) 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 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares of beneficial interest, \$1.00 par value per share, outstanding at April 26, 2010: 44,954,941

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**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

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Except as the context otherwise requires, references in this Quarterly Report on Form 10-Q 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. References in this Quarterly Report on Form 10-Q to PREIT Associates or the Operating Partnership refer to PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to PRI refer to PREIT-RUBIN, Inc.

**Table of Contents****PENNSYLVANIA REAL ESTATE INVESTMENT TRUST****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

<b>(in thousands of dollars, except share and per share amounts)</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS:</b>		
<b>INVESTMENTS IN REAL ESTATE, at cost:</b>		
Operating properties	\$ 3,499,783	\$ 3,459,745
Construction in progress	178,150	215,231
Land held for development	9,337	9,337
Total investments in real estate	3,687,270	3,684,313
Accumulated depreciation	(656,871)	(623,309)
Net investments in real estate	3,030,399	3,061,004
INVESTMENTS IN PARTNERSHIPS, at equity	33,631	32,694
<b>OTHER ASSETS:</b>		
Cash and cash equivalents	34,206	74,243
Tenant and other receivables (net of allowance for doubtful accounts of \$20,701 and \$19,981 at March 31, 2010 and December 31, 2009, respectively)	44,134	55,303
Intangible assets (net of accumulated amortization of \$205,925 and \$198,984 at March 31, 2010 and December 31, 2009, respectively)	32,037	38,978
Deferred costs and other assets	98,583	84,358
Total assets	\$ 3,272,990	\$ 3,346,580
<b>LIABILITIES:</b>		
Mortgage notes payable (including debt premium of \$2,457 and \$2,744 at March 31, 2010 and December 31, 2009, respectively)	\$ 1,804,358	\$ 1,777,121
Exchangeable notes (net of debt discount of \$4,209 and \$4,664 at March 31, 2010 and December 31, 2009, respectively)	132,691	132,236
Revolving Facility	70,000	486,000
Term loans	520,000	170,000
Tenants' deposits and deferred rent	15,562	13,170
Distributions in excess of partnership investments	48,698	48,771
Accrued construction expenses	3,822	11,778
Fair value of derivative instruments	18,047	14,610
Accrued expenses and other liabilities	52,604	58,090
Total liabilities	2,665,782	2,711,776
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>EQUITY:</b>		
Shares of beneficial interest, \$1.00 par value per share; 100,000,000 shares authorized; issued and outstanding 44,954,028 shares at March 31, 2010 and 44,615,647 shares at December 31, 2009.	44,954	44,616
Capital contributed in excess of par	882,392	881,735
Accumulated other comprehensive loss	(32,892)	(30,016)
Distributions in excess of net income	(341,974)	(317,682)
Total equity PREIT	552,480	578,653

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Noncontrolling interest	54,728	56,151
Total equity	607,208	634,804
Total liabilities and equity	\$ 3,272,990	\$ 3,346,580

See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents****PENNSYLVANIA REAL ESTATE INVESTMENT TRUST****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

<b>(in thousands of dollars)</b>	<b>Three months ended</b>	
	<b>2010</b>	<b>March 31, 2009</b>
<b>REVENUE:</b>		
Base rent	\$ 74,455	\$ 72,017
Expense reimbursements	34,812	34,175
Percentage rent	884	834
Lease termination revenue	1,808	398
Other real estate revenue	2,965	3,252
Interest and other income	728	702
<b>Total revenue</b>	<b>115,652</b>	<b>111,378</b>
<b>EXPENSES:</b>		
Operating expenses:		
CAM and real estate taxes	(37,303)	(34,616)
Utilities	(6,302)	(5,884)
Other operating expenses	(5,822)	(5,767)
<b>Total operating expenses</b>	<b>(49,427)</b>	<b>(46,267)</b>
Depreciation and amortization	(42,007)	(39,002)
Other expenses:		
General and administrative expenses	(9,687)	(9,354)
Abandoned project costs, income taxes and other expenses	(293)	(318)
<b>Total other expenses</b>	<b>(9,980)</b>	<b>(9,672)</b>
Interest expense, net	(34,831)	(32,509)
Gain on extinguishment of debt		1,272
<b>Total expenses</b>	<b>(136,245)</b>	<b>(126,178)</b>
Loss before equity in income of partnerships and discontinued operations	(20,593)	(14,800)
Equity in income of partnerships	2,089	2,517
<b>Loss from continuing operations</b>	<b>(18,504)</b>	<b>(12,283)</b>
Income from discontinued operations		760
<b>Net loss</b>	<b>(18,504)</b>	<b>(11,523)</b>
Less: net loss attributed to noncontrolling interest	878	541
<b>Net loss attributable to PREIT</b>	<b>\$ (17,626)</b>	<b>\$ (10,982)</b>

See accompanying notes to the unaudited consolidated financial statements.

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**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (continued)**

**Earnings Per Share**

**(Unaudited)**

(in thousands of dollars, except per share amounts)	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Loss from continuing operations	\$ (18,504)	\$ (12,283)
Noncontrolling interest in continuing operations	878	510
Dividends from unvested restricted shares	(98)	(95)
Loss from continuing operations used to calculate earnings per share - basic and diluted	\$ (17,724)	\$ (11,868)
Income from discontinued operations		760
Noncontrolling interest in discontinued operations		31
Income from discontinued operations used to calculate earnings per share - basic and diluted	\$	\$ 791
Basic (loss) income per share		
Loss from continuing operations	\$ (0.41)	\$ (0.30)
Income from discontinued operations		0.02
	\$ (0.41)	\$ (0.28)
Diluted (loss) income per share		
Loss from continuing operations	\$ (0.41)	\$ (0.30)
Income from discontinued operations		0.02
	\$ (0.41)	\$ (0.28)
(in thousands of shares)		
Weighted average shares outstanding basic	43,672	39,004
Effect of common share equivalents <sup>(1)</sup>		
Weighted average shares outstanding diluted	43,672	39,004

<sup>(1)</sup> For the three months ended March 31, 2010 and March 31, 2009, respectively, the Company had net losses from continuing operations. Therefore, the effect of common share equivalents of 111 and zero for the three months ended March 31, 2010 and March 31, 2009, respectively, is excluded from the calculation of diluted loss per share for these periods because it would be antidilutive.

See accompanying notes to the unaudited consolidated financial statements.





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## PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED STATEMENTS OF EQUITY

## AND COMPREHENSIVE INCOME

Three months ended

March 31, 2010

(Unaudited)

(in thousands of dollars, except per share amounts)	PREIT Shareholders						
	Total Equity	Comprehensive Income (Loss)	Shares of Beneficial Interest \$1.00 Par	Capital Contributed in Excess of Par	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Income	Non-controlling Interest
Balance January 1, 2010	\$ 634,804	\$	\$ 44,616	\$ 881,735	\$ (30,016)	\$ (317,682)	\$ 56,151
Comprehensive income (loss):							
Net loss	(18,504)	(18,504)				(17,626)	(878)
Unrealized loss on derivatives	(3,354)	(3,354)			(3,184)		(170)
Other comprehensive income	324	324			308		