

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Form 10-Q

November 02, 2011

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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 September 30, 2011

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)

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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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 October 31, 2011: 55,668,837

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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.

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(in thousands of dollars, except share and per share amounts)	September 30, 2011	December 31, 2010
ASSETS:		
INVESTMENTS IN REAL ESTATE, at cost:		
Operating properties	\$ 3,430,318	\$ 3,448,900
Construction in progress	112,180	121,547
Land held for development	15,292	17,021
Total investments in real estate	3,557,790	3,587,468
Accumulated depreciation	(812,663)	(729,086)
Net investments in real estate	2,745,127	2,858,382
INVESTMENTS IN PARTNERSHIPS, at equity:	16,475	30,959
OTHER ASSETS:		
Cash and cash equivalents	30,347	42,327
Tenant and other receivables (net of allowance for doubtful accounts of \$19,027 and \$22,083 at September 30, 2011 and December 31, 2010, respectively)	34,800	40,732
Intangible assets (net of accumulated amortization of \$50,349 and \$52,904 at September 30, 2011 and December 31, 2010, respectively)	11,197	15,787
Deferred costs and other assets	97,064	91,930
Total assets	\$ 2,935,010	\$ 3,080,117
LIABILITIES:		
Mortgage loans payable (including debt premium of \$701 and \$1,569 at September 30, 2011 and December 31, 2010, respectively)	\$ 1,745,429	\$ 1,744,248
Exchangeable notes (net of debt discount of \$1,349 and \$2,809 at September 30, 2011 and December 31, 2010, respectively)	135,551	134,091
2010 Term Loan	240,000	347,200
Revolving Facility	55,000	
Tenants' deposits and deferred rent	18,161	16,583
Distributions in excess of partnership investments	63,556	44,614
Fair value of derivative instruments	24,521	27,233
Accrued expenses and other liabilities	61,621	61,618
Total liabilities	2,343,839	2,375,587
COMMITMENTS AND CONTINGENCIES (Note 6)		
EQUITY:		
Shares of beneficial interest, \$1.00 par value per share; 100,000,000 shares authorized; issued and outstanding 55,668,837 shares at September 30, 2011 and 55,436,003 shares at December 31, 2010	55,669	55,436
Capital contributed in excess of par	1,045,091	1,040,023
Accumulated other comprehensive loss	(37,701)	(39,993)
Distributions in excess of net income	(515,831)	(401,193)
Total equity PREIT	547,228	654,273
Noncontrolling interest	43,943	50,257

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Total equity	591,171	704,530
Total liabilities and equity	\$ 2,935,010	\$ 3,080,117

See accompanying notes to the unaudited consolidated financial statements.

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

(in thousands of dollars)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
REVENUE:				
Real estate revenue:				
Base rent	\$ 71,797	\$ 71,842	\$ 214,489	\$ 214,696
Expense reimbursements	33,597	33,571	98,714	99,980
Percentage rent	805	767	2,501	2,292
Lease termination revenue	143	370	862	2,551
Other real estate revenue	3,420	3,301	10,150	9,762
Total real estate revenue	109,762	109,851	326,716	329,281
Interest and other income	3,981	2,804	5,708	4,130
Total revenue	113,743	112,655	332,424	333,411
EXPENSES:				
Operating expenses:				
CAM and real estate taxes	(35,448)	(35,683)	(108,012)	(107,183)
Utilities	(6,987)	(7,587)	(18,896)	(20,053)
Other operating expenses	(5,363)	(6,926)	(17,450)	(19,063)
Total operating expenses	(47,798)	(50,196)	(144,358)	(146,299)
Depreciation and amortization	(34,681)	(41,673)	(105,806)	(122,677)
Other expenses:				
General and administrative expenses	(8,495)	(8,958)	(28,511)	(28,261)
Impairment of assets	(52,110)		(52,335)	
Project costs and other expenses	(161)	(558)	(433)	(1,012)
Total other expenses	(60,766)	(9,516)	(81,279)	(29,273)
Interest expense, net	(31,846)	(36,384)	(100,400)	(108,588)
Total expenses	(175,091)	(137,769)	(431,843)	(406,837)
Loss before equity in income of partnerships gains on sales of real estate and discontinued operations	(61,348)	(25,114)	(99,419)	(73,426)
Equity in income of partnerships	1,924	1,855	4,614	6,894
Gains on sales of real estate			1,450	
Loss from continuing operations	(59,424)	(23,259)	(93,355)	(66,532)
Discontinued operations:				
Operating results from discontinued operations		436		1,557
Gain on sale of discontinued operations		19,151		19,151
Net income from discontinued operations		19,587		20,708
Net loss	(59,424)	(3,672)	(93,355)	(45,824)
Less: net loss attributed to noncontrolling interest	2,386	87	3,751	1,928

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Net loss attributable to PREIT	\$ (57,038)	\$ (3,585)	\$ (89,604)	\$ (43,896)
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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)

\$(000,000) \$(000,000) \$(000,000) \$(000,000)