

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Form 10-Q

July 28, 2016

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

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2016

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 | 23-6216339 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 200 South Broad Street | 19102 |
| Philadelphia, PA | |
| (Address of principal executive offices) | (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 checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

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 July 25, 2016: 69,515,348

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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.

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Item 1. FINANCIAL STATEMENTS

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

| (in thousands, except per share amounts) | June 30, 2016 (unaudited) | December 31, 2015 |
|--|---------------------------------|----------------------|
| ASSETS: | | |
| INVESTMENTS IN REAL ESTATE, at cost: | | |
| Operating properties | \$3,259,774 | \$3,297,520 |
| Construction in progress | 85,877 | 64,019 |
| Land held for development | 5,904 | 6,350 |
| Total investments in real estate | 3,351,555 | 3,367,889 |
| Accumulated depreciation | (1,057,857) | (1,015,647) |
| Net investments in real estate | 2,293,698 | 2,352,242 |
| INVESTMENTS IN PARTNERSHIPS, at equity: | 161,450 | 161,029 |
| OTHER ASSETS: | | |
| Cash and cash equivalents | 16,841 | 22,855 |
| Tenant and other receivables (net of allowance for doubtful accounts of \$7,239 and \$6,417 at June 30, 2016 and December 31, 2015, respectively) | 30,591 | 40,324 |
| Intangible assets (net of accumulated amortization of \$9,872 and \$13,441 at June 30, 2016 and December 31, 2015, respectively) | 21,075 | 22,248 |
| Deferred costs and other assets, net | 84,276 | 75,450 |
| Assets held for sale | 23,451 | 126,244 |
| Total assets | \$2,631,382 | \$2,800,392 |
| LIABILITIES: | | |
| Mortgage loans payable | \$1,231,709 | \$1,321,331 |
| Term Loans | 396,688 | 398,040 |
| Revolving Facility | 85,000 | 65,000 |
| Tenants' deposits and deferred rent | 17,476 | 14,631 |
| Distributions in excess of partnership investments | 63,188 | 65,547 |
| Fair value of derivative liabilities | 10,254 | 2,756 |
| Liabilities related to assets held for sale | 492 | 69,918 |
| Accrued expenses and other liabilities | 78,342 | 78,539 |
| Total liabilities | 1,883,149 | 2,015,762 |
| COMMITMENTS AND CONTINGENCIES (Note 6): | | |
| EQUITY: | | |
| Series A Preferred Shares, \$.01 par value per share; 25,000 preferred shares authorized; 4,600 shares of Series A Preferred Shares issued and outstanding at each of June 30, 2016 and December 31, 2015; liquidation preference of \$115,000 | 46 | 46 |
| Series B Preferred Shares, \$.01 par value per share; 25,000 preferred shares authorized; 3,450 shares of Series B Preferred Shares issued and outstanding at each of June 30, 2016 and December 31, 2015; liquidation preference of \$86,250 | 35 | 35 |
| Shares of beneficial interest, \$1.00 par value per share; 200,000 shares authorized; issued and outstanding 69,474 shares at June 30, 2016 and 69,197 shares at December 31, 2015 | 69,474 | 69,197 |
| Capital contributed in excess of par | 1,477,808 | 1,476,397 |
| Accumulated other comprehensive loss | (11,629) | (4,193) |
| Distributions in excess of net income | (939,407) | (912,221) |
| Total equity—Pennsylvania Real Estate Investment Trust | 596,327 | 629,261 |
| Noncontrolling interest | 151,906 | 155,369 |

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| | | |
|------------------------------|-------------|-------------|
| Total equity | 748,233 | 784,630 |
| Total liabilities and equity | \$2,631,382 | \$2,800,392 |

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------|-----------------------------------|----------|------------------------------|-----------|
| (in thousands of dollars) | 2016 | 2015 | 2016 | 2015 |
| REVENUE: | | | | |
| Real estate revenue: | | | | |
| Base rent | \$61,243 | \$67,417 | \$128,236 | \$131,691 |
| Expense reimbursements | 28,870 | 30,541 | 60,004 | 62,050 |
| Percentage rent | 385 | 322 | 836 | 846 |
| Lease termination revenue | 16 | 25 | 251 | |