

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Form 10-Q

April 29, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 10-Q

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

For the quarterly period ended March 31, 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

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

(Exact name of Registrant as specified in its charter)

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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	

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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"/>	(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 22, 2016: 69,470,731



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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)	March 31, 2016 (unaudited)	December 31, 2015
<b>ASSETS:</b>		
<b>INVESTMENTS IN REAL ESTATE, at cost:</b>		
Operating properties	\$3,305,542	\$3,297,520
Construction in progress	66,497	64,019
Land held for development	5,906	6,350
Total investments in real estate	3,377,945	3,367,889
Accumulated depreciation	(1,046,632 )	(1,015,647 )
Net investments in real estate	2,331,313	2,352,242
<b>INVESTMENTS IN PARTNERSHIPS, at equity:</b>		
	157,995	161,029
<b>OTHER ASSETS:</b>		
Cash and cash equivalents	30,453	22,855
Tenant and other receivables (net of allowance for doubtful accounts of \$7,216 and \$6,417 at March 31, 2016 and December 31, 2015, respectively)	32,562	40,324
Intangible assets (net of accumulated amortization of \$13,972 and \$13,441 at March 31, 2016 and December 31, 2015, respectively)	21,717	22,248
Deferred costs and other assets, net	89,974	75,450
Assets held for sale	23,371	126,244
Total assets	\$2,687,385	\$2,800,392
<b>LIABILITIES:</b>		
Mortgage loans payable	\$1,247,173	\$1,321,331
Term Loans	398,160	398,040
Revolving Facility	115,000	65,000
Tenants' deposits and deferred rent	17,741	14,631
Distributions in excess of partnership investments	64,712	65,547
Fair value of derivative liabilities	7,248	2,756
Liabilities related to assets held for sale	—	69,918
Accrued expenses and other liabilities	76,679	78,539
Total liabilities	1,926,713	2,015,762
<b>COMMITMENTS AND CONTINGENCIES (Note 6):</b>		
<b>EQUITY:</b>		
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 March 31, 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 March 31, 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 69,459 shares at March 31, 2016 and 69,197 shares at December 31, 2015	69,459	69,197
Capital contributed in excess of par	1,475,992	1,476,397
Accumulated other comprehensive loss	(9,052 )	(4,193 )
Distributions in excess of net income	(929,046 )	(912,221 )
Total equity—Pennsylvania Real Estate Investment Trust	607,434	629,261
Noncontrolling interest	153,238	155,369

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Total equity	760,672	784,630
Total liabilities and equity	\$2,687,385	\$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 March 31,	
(in thousands of dollars)	2016	2015
REVENUE:		
Real estate revenue:		
Base rent	\$66,993	\$64,273
Expense reimbursements	31,134	31,510
Percentage rent	451	524
Lease termination revenue	235	441
Other real estate revenue	2,643	2,035
Total real estate revenue	101,456	98,783
Other income	516	1,274
Total revenue	101,972	100,057
EXPENSES:		
Operating expenses:		
Property operating expenses:		
CAM and real estate taxes	(34,189 )	(33,807 )
Utilities	(4,326 )	(5,149 )
Other property operating expenses	(4,596 )	(4,196 )
Total property operating expenses	(43,111 )	(43,152 )
Depreciation and amortization	(33,735 )	(33,189 )
General and administrative expenses	(8,586 )	(8,943 )
Provision for employee separation expenses	(535 )	—
Acquisition costs and other expenses	(51 )	(4,451 )
Total operating expenses	(86,018 )	(89,735 )
Interest expense, net	(19,346 )	(20,145 )
Impairment of assets	(606 )	(6,240 )
Total expenses	(105,970 )	(116,120 )
Loss before equity in income of partnerships, gains on sales of interests in non operating real estate and gains on sales of real estate	(3,998 )	(16,063 )
Equity in income of partnerships	3,883	2,083
Gains on sales of interests in non operating real estate	9	43
Gain on sale of interests in real estate	2,035	—
Net income (loss)	1,929	(13,937 )
Less: net (income) loss attributable to noncontrolling interest	(208 )	429
Net income (loss) attributable to PREIT	1,721	(13,508 )
Less: preferred share dividends	(3,962 )	(3,962 )
Net loss attributable to PREIT common shareholders	\$(2,241 )	\$(17,470)

See accompanying notes to the unaudited consolidated financial statements.

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

(in thousands of dollars, except per share amounts)	Three Months Ended March 31,	
	2016	2015
Net income (loss)	\$1,929	\$(13,937)
Noncontrolling interest	(208 )	429
Dividends on preferred shares	(3,962 )	(3,962 )
Dividends on unvested restricted shares	(84 )	(86 )
Net loss used to calculate loss per share—basic and diluted	\$(2,325)	\$(17,556)
Basic and diluted loss per share:	\$(0.03 )	\$(0.26 )
(in thousands of shares)		
Weighted average shares outstanding—basic	68,973	68,566
Effect of common share equivalents <sup>(1)</sup>	—	—
Weighted average shares outstanding—diluted	68,973	68,566

The Company had net losses used to calculate earnings per share for all periods presented. Therefore, the effects of <sup>(1)</sup> common share equivalents of 298 and 432 for the three months ended March 31, 2016 and 2015, respectively, are excluded from the calculation of diluted loss per share for these periods because they would be antidilutive.

See accompanying notes to the unaudited consolidated financial statements.



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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

	Three Months Ended March 31,	
(in thousands of dollars)	2016	2015
Comprehensive loss:		
Net income (loss)	\$1,929	\$(13,937)
Unrealized loss on derivatives	(5,572 )	(2,011 )
Amortization of losses on settled swaps, net of gains	126	772
Total comprehensive loss	(3,517 )	(15,176 )
Less: comprehensive loss attributable to noncontrolling interest	379	466
Comprehensive loss attributable to PREIT	\$(3,138)	\$(14,710)

See accompanying notes to the unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended

March 31, 2016

(Unaudited)

(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					
Balance December 31, 2015	\$784,630	\$46	\$35	\$69,197	\$1,476,397	\$ (4,193 )	\$ (912,221 )	\$155,369
Net income	1,929	—	—	—	—	—	1,721	208
Other comprehensive loss	(5,446 )	—	—	—	—	(4,859 )	—	(587 )
Shares issued under employee compensation plans, net of shares retired	(1,716 )	—	—	262	(1,978 )	—	—	—
Amortization of deferred compensation	1,573	—	—	—	1,573	—	—	—
Distributions paid to common shareholders (\$0.21 per share)	(14,584 )	—	—	—	—	—	(14,584 )	—
Distributions paid to Series A preferred shareholders (\$0.5156 per share)	(2,372 )	—	—	—	—	—	(2,372 )	—
Distributions paid to Series B preferred shareholders (\$0.4609 per share)	(1,590 )	—	—	—	—	—	—	—