



60 years
new

REFLECTING ON THE PAST, SAVORING THE FUTURE



Retail is ever-evolving. Over the last several decades, we have seen many retail venues change with the times. We have seen the advent of the catalog and ecommerce platforms, big box stores and pop-ups, incorporation of a multitude of food and beverage options and we have seen arcades come back, bigger than ever. One thing remains, experience is a key driver of consumer spending.

PREIT (NYSE:PEI) is a publicly traded real estate investment trust that owns and manages quality properties in compelling markets. PREIT's robust portfolio of carefully curated retail and lifestyle offerings mixed with destination dining and entertainment experiences are located primarily in the eastern US with concentrations in the Mid-Atlantic's top MSAs. Since 2012, the Company has driven a transformation guided by an emphasis on portfolio quality and balance sheet strength driven by disciplined capital expenditures. Additional information is available at preit.com or on Twitter or LinkedIn.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

(in thousands, except per share amounts)

Year ended December 31,	2019	2018	2017
Total revenue	\$ 336,792	\$ 362,400	\$ 367,490
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)
Net loss attributable to common shareholders	\$ (38,247)	\$ (137,704)	\$ (57,901)
Net loss per share — basic and diluted	\$ (0.52)	\$ (1.98)	\$ (0.84)
Funds from operations*	\$ 104,621	\$ 111,496	\$ 123,120
Investment in real estate, at cost	\$ 3,210,926	\$ 3,184,594	\$ 3,299,702
Total assets	\$ 2,351,267	\$ 2,405,114	\$ 2,588,771
Distributions paid per common share	\$ 0.84	\$ 0.84	\$ 0.84
Number of common shares and OP Units outstanding	79,573	78,767	78,256
Total market capitalization	\$ 2,893,082	\$ 2,874,955	\$ 3,212,328

*Reconciliation to GAAP can be found on page 58.

DEAR FELLOW SHAREHOLDERS

This year PREIT turns 60. Given our extensive history, it is a good time to stop and reflect on all of the changes that have occurred in the retail industry both recently and over an extended period of time. We have seen businesses born online with only a few employees open stores and become powerful forces within the retail world, we have seen grocery stores open new formats and begin delivering to our homes, we have seen the emergence of high-quality quick service restaurants. We have seen malls transform from community hubs anchored by service-laden department stores to fashion centers and now back to where they started — as the center of their communities where our consumers can shop, dine, have fun, work and, soon... live.

2019 was a monumental year in which our portfolio was transformed following many years of pruning and anchor repurposings. We opened marquee projects, **Fashion District** — As we enter our first full year of operation, we are pleased to have cemented the tenant mix of the future, introducing experiential retailers — AMC, City Winery, Wonderspaces and Round 1, Co-working options — RECPHilly and Industrious, as well as popular apparel brands with mass appeal including — Sephora, Kate Spade, Nike, Holister, American Eagle, H&M and many more. We expect to capitalize on the momentum created thus far and solidify The District as Philadelphia's go-to destination for style, dining, entertainment, and arts & culture.

...as well as **Woodland Mall** — we opened the highly anticipated expansion wing in October 2019. We have generated strong double-digit traffic growth since the expansion wing opened and comp sales have soared over 10%. New stores reflect a unique hybrid of national and local tenants, many of which are the brand's exclusive location in the market such as Von Maur, Urban Outfitters, The Cheesecake Factory, Tricho Salon, and Black Rock Bar & Grill. In 2020, we welcome Sephora, White House | Black Market and more.



We also topped off several years of anchor repurposing and tenant mix differentiation. At the same time, the retail world was in major transition. We have replaced 13 department stores in 3 years in an active core portfolio of 18 properties, defining the Company as the most successful landlord in navigating recent retail disruption. In these 13 stores, PREIT welcomes over 30 new tenants spanning a variety of consumer categories: off-price, sports & leisure, fitness, arts & crafts, dining & entertainment, home décor as well as traditional department stores. 2020 brings about the opening of DICK's Sporting Goods at Valley Mall and Burlington at Dartmouth Mall, rounding out the program.

As we continued to diversify our tenant base, we ended the year with 47% of our non-anchor space committed to uses that are not historical mall uses — of this space, 60% encompasses dining and entertainment, 29% is occupied by off-price merchants and 11% houses health and wellness tenants. This signifies the changing dynamics of the mall business and how we have mitigated risk from continued retail uncertainty.

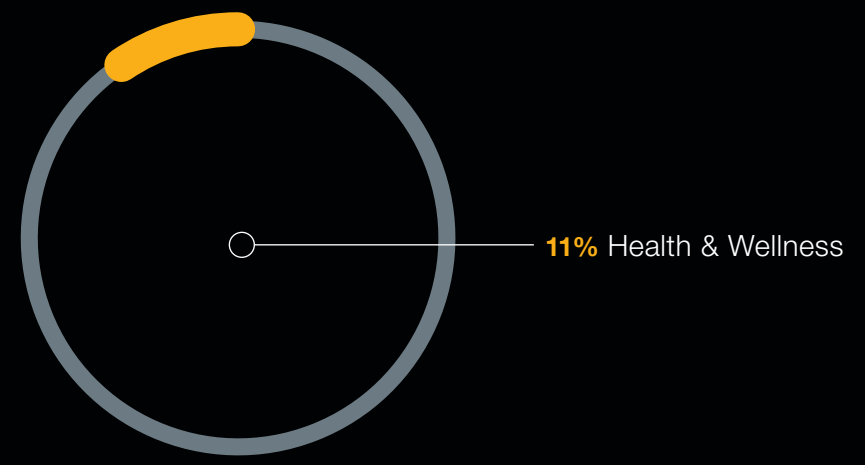
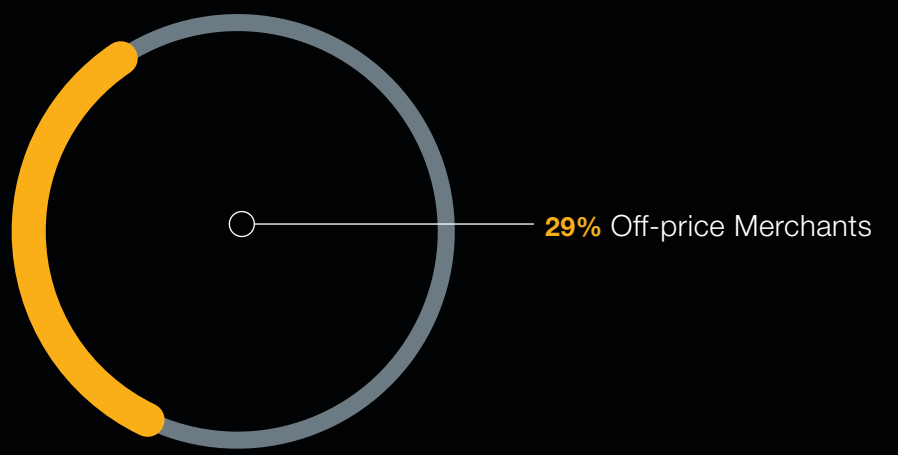
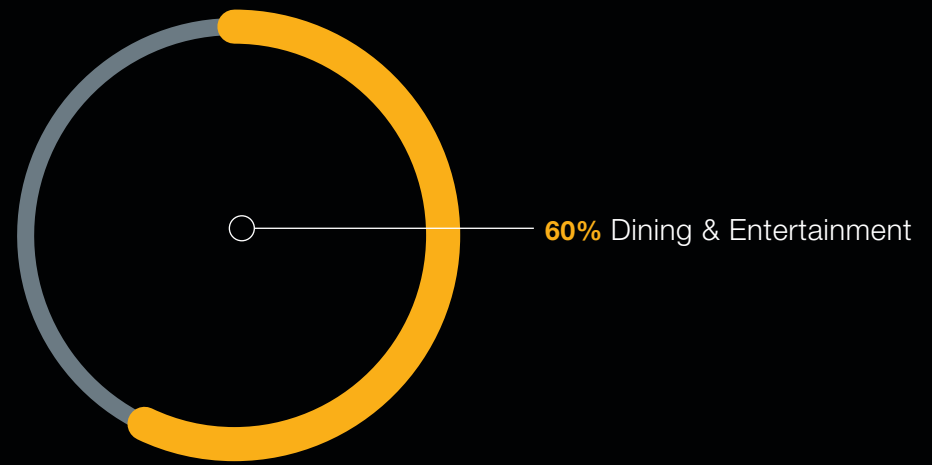
With over 9000 store closings in the country during 2019, there is no doubt it was an unusual time. Retail bankruptcies filled the airwaves and dealt a blow to many landlords. We mobilized quickly and are underway with re-leasing stores closed as a result of bankruptcy. We have executed or are at lease to replace 93% of the space. Approximately half of the backfills are temporary, allowing us to capture upside as the environment improves. Executing on re-leasing this space will pave the way for the earnings growth underwritten as part of our redevelopment.

Taking a quick look in the rearview mirror, we are pleased to say we generally saw the tectonic shift coming. That is why we moved down the path to improve the portfolio in the manner we did, divesting non-core assets which included 18 low-quality mall assets. These assets sit today with anchor and inline vacancies that will take years and extensive capital to repair, if plausible, and we are confident this was the right path to take and we executed at the right time. We generated \$890 million in asset sales through the program which we used to reduce debt and fund our redevelopment program.

Even after selling those assets, we recognized there were still challenges, including the anchor environment. We moved swiftly to redefine our anchor profile — having taken back 7 stores proactively. We filled these boxes with tenants that have great credit and, as such, better secure our



47% OF NON-ANCHOR SPACE COMMITTED TO UNIQUE USES



underlying earnings stream – TJX, DICK’s Sporting Goods, Burlington, Dave & Buster’s, Five Below to name a few.

Moving into 2020, we announced the entry into agreements for transactions confirming that we are on our way to shoring up our balance sheet. This effort, once completed, includes land for multifamily and hotel densification, operating outparcels and a creative and a solidly-priced sale/leaseback of five mid-tier properties. These capital raising transactions demonstrate our ability to efficiently access internally generated capital.

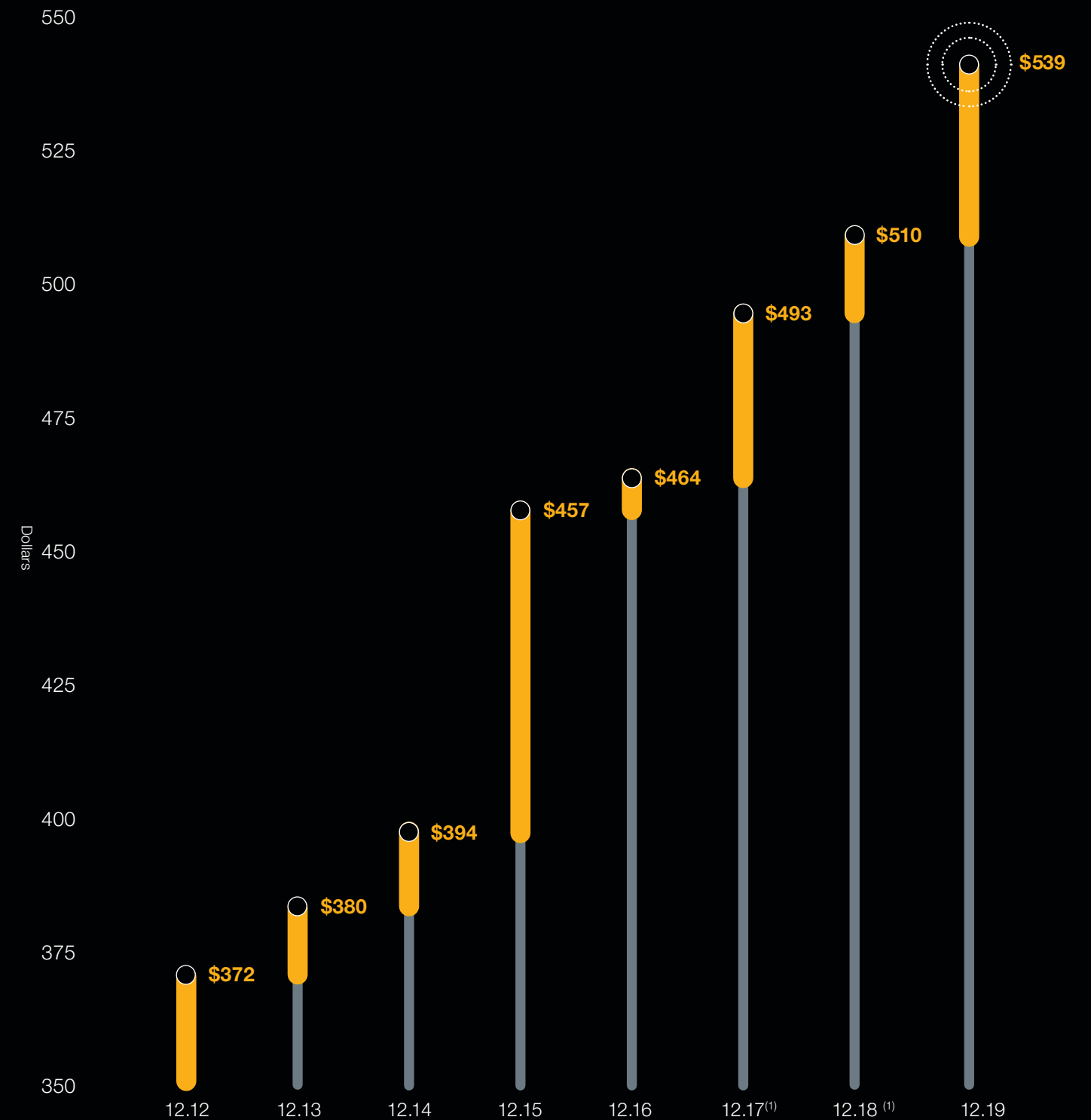
We are excited to execute on our vision to be an innovator at the forefront of shaping consumer experiences through the built environment. With concentrations in Philadelphia and Washington DC markets, our properties are located in densely-populated, high barrier-to-entry markets afforded with great opportunity to deliver a unique mix of retail, dining, living, working, staying, playing and engaging with the community, befitting the modern consumer lifestyle. We look forward to executing on our densification plan that will further transform our assets.

PREIT is a powerful company with sales approaching \$550 per square foot and a strong portfolio of mass appeal, economically accessible retail and entertainment properties with admirable underlying demographics in high barrier-to-entry markets. The profile of our portfolio is strengthened by having completed our anchor replacement program with measurably more secure underlying cash flows from better credit tenants. As we move into the next era of retailing, this groundwork, amplified with 7,000 multifamily units across our platform, results in vibrant mixed-use communities and enhanced asset values.

We thank all of our stakeholders – PREIT associates, tenants, shareholders and our Trustees – for their support and partnership along this journey.

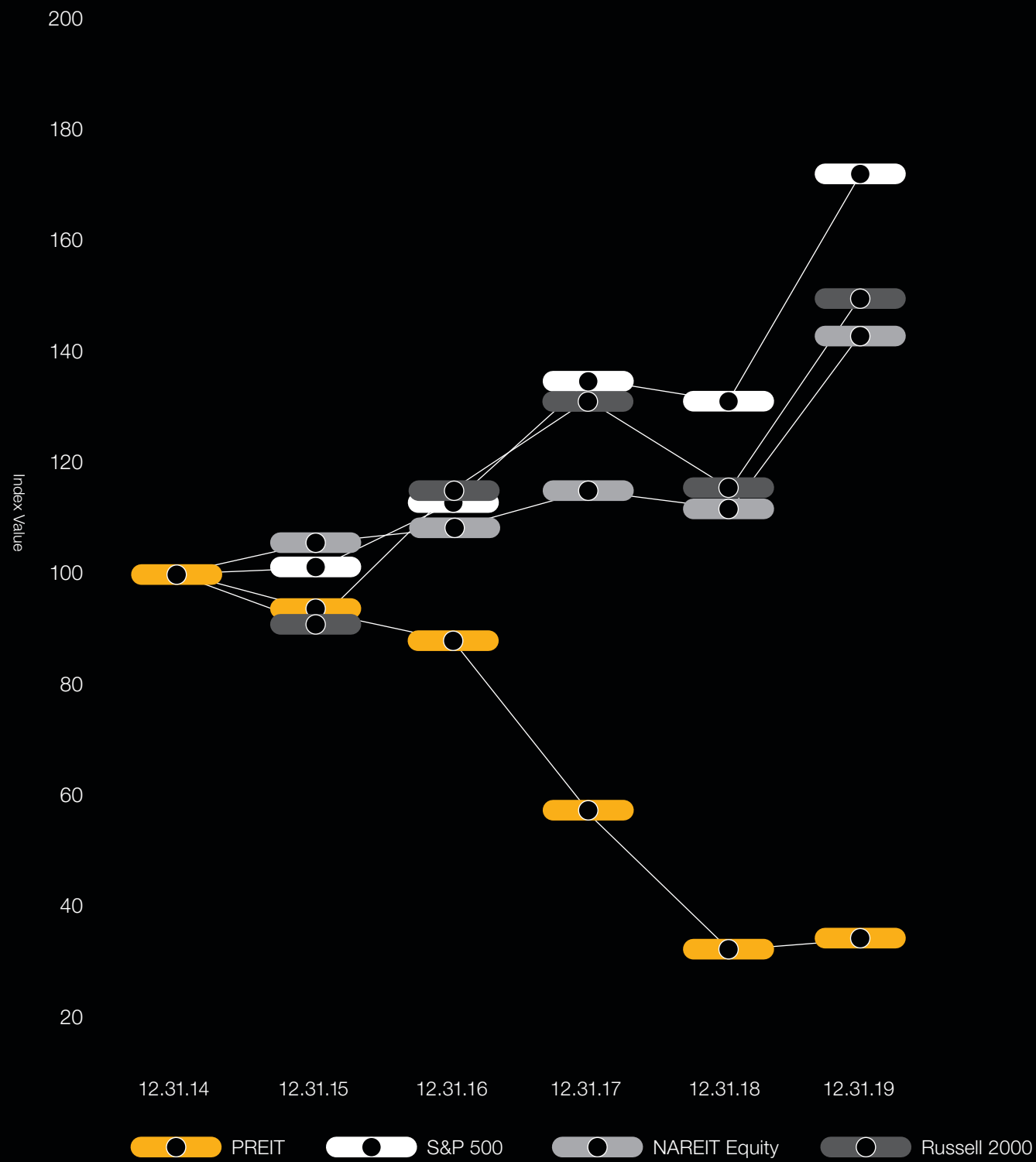
Joseph F. Coradino
Chairman & CEO
April 1, 2020

SALES PER SQUARE FOOT GROWTH



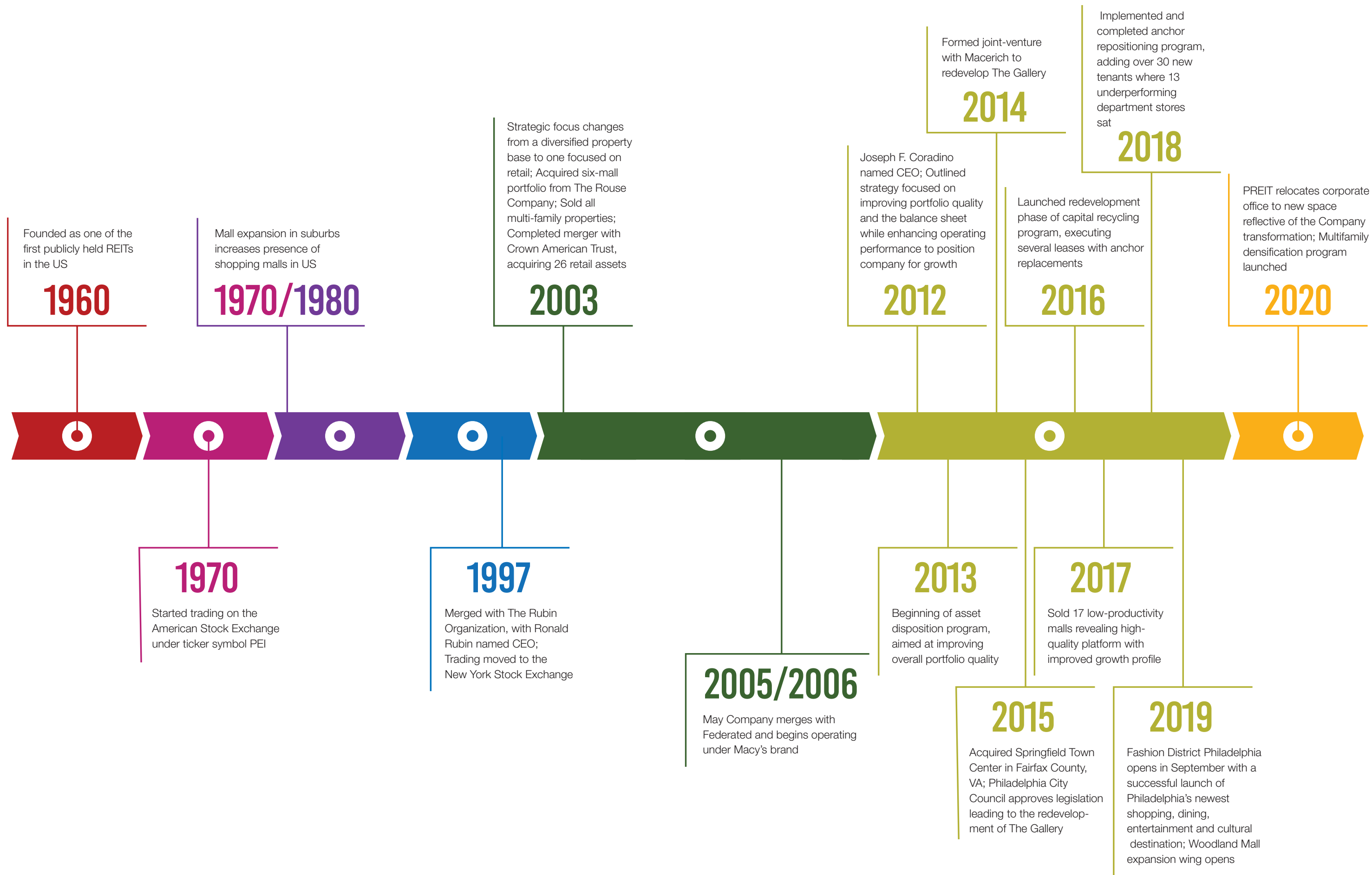
⁽¹⁾ Represents 2019 core malls only

TOTAL SHAREHOLDER RETURN PERFORMANCE



The five-year performance graph above compares our cumulative total shareholder return with the S&P 500 Index, the NAREIT Equity Index and the Russell 2000 Index. Equity real estate investment trusts are defined as those which derive more than 75% of their income from equity investments in real estate assets. The graph assumes that the value of the investment in each of the four was \$100 on the last trading day of 2014 and that all dividends were reinvested.





ENCLOSED MALLS AS OF DECEMBER 31, 2019



CAPITAL CITY MALL
 Camphill, PA
 Ownership Interest 100%
 Acquired 2003
 Square Feet 617,000



CHERRY HILL MALL
 Cherry Hill, NJ
 Ownership Interest 100%
 Acquired 2003
 Square Feet 1,300,000



CUMBERLAND MALL
 Vineland, NJ
 Ownership Interest 100%
 Acquired 2005
 Square Feet 951,000



DARTMOUTH MALL
 Dartmouth, MA
 Ownership Interest 100%
 Acquired 1997
 Square Feet 673,000



EXTON SQUARE
 Exton, PA
 Ownership Interest 100%
 Acquired 2003
 Square Feet 991,000



FRANCIS SCOTT KEY MALL
 Frederick, MD
 Ownership Interest 100%
 Acquired 2003
 Square Feet 754,000



FASHION DISTRICT
 Philadelphia, PA
 Ownership Interest 50%
 Acquired 2003
 Square Feet 838,000



JACKSONVILLE MALL
 Jacksonville, NC
 Ownership Interest 100%
 Acquired 2003
 Square Feet 495,000



LEHIGH VALLEY MALL
 Whitehall, PA
 Ownership Interest 50%
 Acquired 1973
 Square Feet 1,160,000



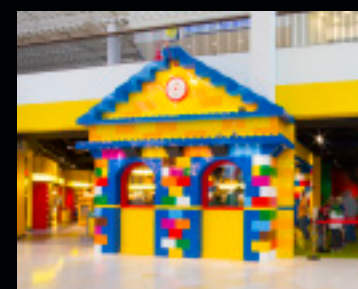
MAGNOLIA MALL
 Florence, SC
 Ownership Interest 100%
 Acquired 1997
 Square Feet 602,000



MOORESTOWN MALL
 Moorestown, NJ
 Ownership Interest 100%
 Acquired 2003
 Square Feet 932,000



PATRICK HENRY MALL
 Newport News, VA
 Ownership Interest 100%
 Acquired 2003
 Square Feet 718,000



PLYMOUTH MEETING
 Plymouth Meeting, PA
 Ownership Interest 100%
 Acquired 2003
 Square Feet 728,000



THE MALL AT PRINCE GEORGES
 Hyattsville, MD
 Ownership Interest 100%
 Acquired 1998
 Square Feet 926,000



SPRINGFIELD MALL
 Springfield, PA
 Ownership Interest 50%
 Acquired 2005
 Square Feet 611,000



SPRINGFIELD TOWN CENTER
 Springfield, VA
 Ownership Interest 100%
 Acquired 2015
 Square Feet 1,374,000



VALLEY MALL
 Hagerstown, MD
 Ownership Interest 100%
 Acquired 2003
 Square Feet 798,000



VALLEY VIEW MALL
 La Crosse, WI
 Ownership Interest 100%
 Acquired 2003
 Square Feet 579,000



VIEWMONT MALL
 Scranton, PA
 Ownership Interest 100%
 Acquired 2003
 Square Feet 689,000



WILLOW GROVE PARK
 Willow Grove, PA
 Ownership Interest 100%
 Acquired 2000/2003
 Square Feet 1,035,000



WOODLAND MALL
 Grand Rapids, MI
 Ownership Interest 100%
 Acquired 2005
 Square Feet 976,000

OTHER RETAIL PROPERTIES AS OF DECEMBER 31, 2019

GLOUCESTER PREMIUM OUTLETS
 Gloucester Township, NJ
 Ownership Interest 25%
 Acquired 2015
 Square Feet 368,000

RED ROSE COMMONS
 Lancaster, PA
 Ownership Interest 50%
 Acquired 1998
 Square Feet 463,000

METROPLEX SHOPPING CENTER
 Plymouth Meeting, PA
 Ownership Interest 50%
 Acquired 1997
 Square Feet 778,000

THE COURT AT OXFORD VALLEY
 Langhorne, PA
 Ownership Interest 50%
 Acquired 1997
 Square Feet 705,000



MALLS 17,768,000
OTHER RETAIL PROPERTIES 2,314,000
TOTAL GLA 20,082,000

Total square feet represents entire property. PREIT-owned square footage may be less.



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SELECTED FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share amounts)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Operating results⁽¹⁾					
Total revenue	\$ 336,792	\$ 362,400	\$ 367,490	\$ 399,946	\$ 425,411
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)	\$ (12,713)	\$ (129,567)
Net loss attributable to PREIT common shareholders	\$ (38,247)	\$ (137,704)	\$ (57,901)	\$ (25,511)	\$ (131,129)
Net loss per share – basic and diluted	\$ (0.52)	\$ (1.98)	\$ (0.84)	\$ (0.37)	\$ (1.91)
Cash flow data⁽¹⁾					
Cash provided by operating activities	\$ 111,392	\$ 140,516	\$ 142,091	\$ 154,931	\$ 141,108
Cash used in investing activities	\$ (131,350)	\$ (47,219)	\$ (105,418)	\$ (4,878)	\$ (382,291)
Cash (used in) provided by financing activities	\$ 7,141	\$ (94,805)	\$ (32,585)	\$ (162,632)	\$ 225,860
Cash distributions					
Cash distributions per share – common shares	\$ 0.84	\$ 0.84	\$ 0.84	\$ 0.84	\$ 0.84
Cash distributions per share – Series A Preferred Shares	\$ —	\$ —	\$ 1.7016	\$ 2.0625	\$ 2.0625
Cash distributions per share – Series B Preferred Shares	\$ 1.8436	\$ 1.8438	\$ 1.8438	\$ 1.8438	\$ 1.8438
Cash distributions per share – Series C Preferred Shares	\$ 1.8000	\$ 1.80	\$ 1.5900	\$ —	\$ —
Cash distributions per share – Series D Preferred Shares	\$ 1.7188	\$ 1.719	\$ 0.4488	\$ —	\$ —
Funds From Operations⁽¹⁾⁽²⁾					
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)	\$ (12,713)	\$ (129,567)
Dividends on preferred shares	(27,375)	(27,375)	(27,845)	(15,848)	(15,848)
Loss on redemption of preferred shares	—	—	(4,103)	—	—
Gain on sale of real estate by equity method investee	—	(2,772)	(6,539)	—	—
Gains on sales of interests in real estate, net	(2,756)	(1,525)	361	(23,022)	(12,362)
Impairment of real estate assets	1,456	129,365	55,793	62,603	140,318
Depreciation and amortization of real estate assets:					
Consolidated partnerships	136,422	131,694	127,327	125,192	141,142
Unconsolidated partnerships	9,874	8,612	10,974	10,214	12,563
Funds From Operations	\$104,621	\$111,496	\$123,120	\$146,426	\$136,246
Weighted average number of shares outstanding	75,221	69,749	69,364	69,086	68,740
Weighted average effect of full conversion OP Units	3,221	8,273	8,297	8,324	6,830
Effect of common share equivalents	453	203	93	191	485
Total weighted average shares outstanding including OP Units	78,895	78,225	77,754	77,601	76,055
Funds from operations per diluted share and OP Unit	\$ 1.33	\$ 1.43	\$ 1.58	\$ 1.89	\$ 1.79

(in thousands)

	As of December 31,				
	2019	2018	2017	2016	2015
Balance sheet items					
Investments in real estate, at cost	\$ 3,210,926	\$ 3,184,594	\$ 3,299,702	\$ 3,300,014	\$ 3,367,889
Total assets	\$2,351,267	\$2,405,114	\$2,588,771	\$2,616,832	\$2,800,392
Long term debt excluding unamortized debt costs					
Consolidated properties:					
Mortgage loans payable	\$ 901,565	\$ 1,050,970	\$ 1,059,439	\$ 1,227,385	\$ 1,325,495
Revolving facilities	\$ 255,000	\$ 65,000	\$ 53,000	\$ 147,000	\$ 65,000
Term loans	\$ 550,000	\$ 550,000	\$ 550,000	\$ 400,000	\$ 400,000
Company's share of partnerships:					
Mortgage loans payable	\$ 228,143	\$ 232,355	\$ 235,672	\$ 201,509	\$ 202,074

⁽¹⁾ Certain prior period amounts for net income (loss) attributable to PREIT common shareholders, basic and diluted earnings per share, noncontrolling interest, total equity — PREIT and cash flow amounts were adjusted to reflect immaterial financial statement error corrections and new accounting rules as discussed in Note 1 to our consolidated financial statements.

⁽²⁾ 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 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. For additional information about FFO, please refer to page 60.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	December 31, 2019	December 31, 2018
Assets:		
Investments in real estate, at cost:		
Operating properties	\$ 3,099,034	\$ 3,063,531
Construction in progress	106,011	115,182
Land held for development	5,881	5,881
Total investments in real estate	3,210,926	3,184,594
Accumulated depreciation	(1,202,722)	(1,118,582)
Net investments in real estate	2,008,204	2,066,012
Investments in Partnerships, at equity:	159,993	131,124
Other Assets:		
Cash and cash equivalents	12,211	18,084
Tenant and other receivables (net of allowance for doubtful accounts of \$2,845 and \$6,597 at December 31, 2019 and 2018, respectively)	41,261	38,914
Intangible assets (net of accumulated amortization of \$18,248 and \$15,543 at December 31, 2019 and 2018, respectively)	13,404	17,868
Deferred costs and other assets, net	103,688	110,805
Assets held for sale	12,506	22,307
Total assets	\$ 2,351,267	\$ 2,405,114
Liabilities:		
Mortgage loans payable, net	\$ 899,753	\$ 1,047,906
Term Loans, net	548,025	547,289
Revolving Facilities	255,000	65,000
Tenants' deposits and deferred rent	13,006	15,400
Distributions in excess of partnership investments	87,916	92,057
Fair value of derivative instruments	13,126	3,010
Accrued expenses and other liabilities	107,016	87,901
Total liabilities	1,923,842	1,858,563
Commitments and Contingencies (Note 11)		
Equity:		
Series B Preferred Shares, \$.01 par value per share; 25,000 shares authorized; 3,450 shares issued and outstanding at December 31, 2019 and 2018; liquidation preference of \$86,250	35	35
Series C Preferred Shares, \$.01 par value per share; 25,000 shares authorized; 6,900 shares issued and outstanding at December 31, 2019 and 2018; liquidation preference of \$172,500	69	69
Series D Preferred Shares, \$.01 par value per share; 25,000 shares authorized; 5,000 shares issued and outstanding at December 31, 2019 and 2018; liquidation preference of \$125,000	50	50
Shares of beneficial interest, \$1.00 par value per share; 200,000 shares authorized; 77,550 shares issued and outstanding at December 31, 2019 and 70,495 shares issued and outstanding at December 31, 2018	77,550	70,495
Capital contributed in excess of par	1,766,883	1,671,042
Accumulated other comprehensive (loss)/income	(12,556)	5,408
Distributions in excess of net income	(1,408,352)	(1,306,318)
Total equity – Pennsylvania Real Estate Investment Trust	423,679	440,781
Noncontrolling interest	3,746	105,770
Total equity	427,425	546,551
Total liabilities and equity	\$ 2,351,267	\$ 2,405,114

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars)	For The Year Ended December 31,		
	2019	2018	2017
Revenue:			
Real estate revenue:			
Lease revenue	\$ 302,311	\$ 324,829	\$ 325,010
Expense reimbursements	19,979	21,322	22,468
Other real estate revenue	12,668	12,078	14,046
Total real estate revenue	334,958	358,229	361,524
Other income	1,834	4,171	5,966
Total revenue	336,792	362,400	367,490
Expenses:			
Operating expenses:			
Property operating expenses:			
CAM and real estate taxes	(113,260)	(113,235)	(111,275)
Utilities	(14,733)	(15,990)	(16,151)
Other property operating expenses	(8,565)	(12,007)	(12,879)
Total property operating expenses	(136,558)	(141,232)	(140,305)
Depreciation and amortization	(137,784)	(133,116)	(128,822)
General and administrative expenses	(46,010)	(38,342)	(36,736)
Provision for employee separation expenses	(3,689)	(1,139)	(1,299)
Insurance recoveries, net	4,362	689	—
Project costs and other expenses	(284)	(693)	(768)
Total operating expenses	(319,963)	(313,833)	(307,930)
Interest expense, net	(63,987)	(61,355)	(58,430)
Gain on debt extinguishment, net	24,859	—	—
Impairment of assets	(1,455)	(137,487)	(55,793)
Impairment of development land parcel	(3,562)	—	—
Total expenses	(364,108)	(512,675)	(422,153)
Loss before equity in income of partnerships, gain on sales of real estate by equity method investee, gain on sales of real estate, net, gain on sales of interest in non operating real estate, and adjustment to gain on sales of interests in non operating real estate	(27,316)	(150,275)	(54,663)
Equity in income of partnerships	8,289	11,375	14,367
Gain on sales of real estate by equity method investee	553	2,772	6,567
Gain (loss) on sales of real estate, net	2,744	1,722	(27)
Gain on sales of interests in non operating real estate	2,718	8,126	1,270
Adjustment to gain on sales of interests in non operating real estate	12	(223)	(362)
Net loss	(13,000)	(126,503)	(32,848)
Less: net loss attributed to noncontrolling interest	2,128	16,174	6,895
Net loss attributable to PREIT	(10,872)	(110,329)	(25,953)
Less: preferred share dividends	(27,375)	(27,375)	(27,845)
Less: loss on redemption on preferred shares	—	—	(4,103)
Net loss attributable to PREIT common shareholders	\$ (38,247)	\$ (137,704)	\$ (57,901)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED) EARNINGS PER SHARE

(in thousands of dollars, except per share amounts)	For The Year Ended December 31,		
	2019	2018	2017
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)
Noncontrolling interest	2,128	16,174	6,895
Preferred share dividends	(27,375)	(27,375)	(27,845)
Loss on redemption of preferred shares	—	—	(4,103)
Dividends on unvested restricted shares	(883)	(542)	(372)
Net loss used to calculate earnings per share – basic and diluted	\$ (39,130)	\$ (138,246)	\$ (58,273)
Basic and diluted loss per share	\$ (0.52)	\$ (1.98)	\$ (0.84)
(in thousands of shares)			
Weighted average shares outstanding – basic	75,221	69,749	69,364
Effect of dilutive common share equivalents ⁽¹⁾	—	—	—
Weighted average shares outstanding – diluted	75,221	69,749	69,364

⁽¹⁾ For the years ended December 31, 2019, 2018 and 2017, there were net losses allocable to common shareholders, so the effect of common share equivalents of 452, 203 and 93 for the years ended December 31, 2019, 2018 and 2017, respectively, is excluded from the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of dollars)	For The Year Ended December 31,		
	2019	2018	2017
Comprehensive loss:			
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)
Unrealized (loss) gain on derivatives	(18,937)	(2,755)	5,415
Amortization of losses on settled swaps, net of gains	85	721	859
Total comprehensive loss	(31,852)	(128,537)	(26,574)
Less: Comprehensive loss attributable to noncontrolling interest	3,016	16,390	6,225
Comprehensive loss attributable to PREIT	\$ (28,836)	\$ (112,147)	\$ (20,349)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(in thousands of dollars, except per share amounts)	PREIT Shareholders									
	Total Equity	Preferred Shares \$.01 par				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	Series B	Series C	Series D					
Balance January 1, 2017	\$ 702,406	\$ 46	\$ 35	\$ —	\$ —	\$ 69,553	\$ 1,481,787	\$ 1,622	\$(993,359)	\$ 142,722
Net loss	(32,848)	—	—	—	—	—	—	—	(25,953)	(6,895)
Other comprehensive income	6,274	—	—	—	—	—	—	5,604	—	670
Preferred shares issued in Series C and D preferred share offerings, net	286,848	—	—	69	50	—	286,729	—	—	—
Preferred shares redeemed	(115,000)	(46)	—	—	—	—	(110,851)	—	(4,103)	—
Amortization of deferred compensation	5,709	—	—	—	—	—	5,709	—	—	—
Shares issued upon redemption of Operating Partnership Units	—	—	—	—	—	39	375	—	—	(414)
Shares issued under employee compensation plan, net of shares retired	608	—	—	—	—	391	217	—	—	—
Dividends paid to Series A preferred shareholders (\$1.7016 per share)	(7,827)	—	—	—	—	—	—	—	(7,827)	—
Dividends paid to Series B preferred shareholders (\$1.8438 per share)	(6,361)	—	—	—	—	—	—	—	(6,361)	—
Dividends paid to Series C preferred shareholders (\$1.5900 per share)	(10,971)	—	—	—	—	—	—	—	(10,971)	—
Dividends paid to Series D preferred shareholders (\$0.4488 per share)	(2,244)	—	—	—	—	—	—	—	(2,244)	—
Dividends paid to common shareholders (\$0.84 per share)	(58,651)	—	—	—	—	—	—	—	(58,651)	—
Noncontrolling interests: Distributions paid to Operating Partnership unit holders (\$0.84 per unit)	(6,970)	—	—	—	—	—	—	—	—	(6,970)
Other contributions from noncontrolling interest, net	18	—	—	—	—	—	—	—	—	18
December 31, 2017	760,991	—	35	69	50	69,983	1,663,966	7,226	(1,109,469)	129,131
Net loss	(126,503)	—	—	—	—	—	—	—	(110,329)	(16,174)
Other comprehensive income	(2,034)	—	—	—	—	—	—	(1,818)	—	(216)
Shares issued under employee compensation plan, net of shares retired	663	—	—	—	—	512	151	—	—	—
Amortization of deferred compensation	6,925	—	—	—	—	—	6,925	—	—	—
Dividends paid to Series B preferred shareholders (\$1.8438 per share)	(6,361)	—	—	—	—	—	—	—	(6,361)	—
Dividends paid to Series C preferred shareholders (\$1.80 per share)	(12,420)	—	—	—	—	—	—	—	(12,420)	—

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(in thousands of dollars, except per share amounts)	PREIT Shareholders									
	Total Equity	Preferred Shares \$.01 par				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	Series B	Series C	Series D					
Dividends paid to Series D preferred shareholders (\$1.719 per share)	(8,594)	—	—	—	—	—	—	—	—	(8,594)
Dividends paid to common shareholders (\$0.84 per share)	(59,145)	—	—	—	—	—	—	—	—	(59,145)
Noncontrolling interests: Distributions paid to Operating Partnership unit holders (\$0.84 per unit)	(6,949)	—	—	—	—	—	—	—	—	(6,949)
Other distributions to noncontrolling interest, net	(22)	—	—	—	—	—	—	—	—	(22)
December 31, 2018	546,551	—	35	69	50	70,495	1,671,042	5,408	(1,306,318)	105,770
Net loss	(13,000)	—	—	—	—	—	—	—	—	(10,872)
Other comprehensive income	(18,852)	—	—	—	—	—	—	(17,964)	—	(888)
Shares issued under redemption of Operating Partnership units	—	—	—	—	—	6,250	89,736	—	—	(95,986)
Shares issued under employee compensation plan, net of shares retired	698	—	—	—	—	805	(107)	—	—	—
Amortization of deferred compensation	6,212	—	—	—	—	—	6,212	—	—	—
Dividends paid to Series B preferred shareholders (\$1.8436 per share)	(6,364)	—	—	—	—	—	—	—	—	(6,364)
Dividends paid to Series C preferred shareholders (\$1.80 per share)	(12,419)	—	—	—	—	—	—	—	—	(12,419)
Dividends paid to Series D preferred shareholders (\$1.719 per share)	(8,592)	—	—	—	—	—	—	—	—	(8,592)
Dividends paid to common shareholders (\$0.84 per share)	(63,787)	—	—	—	—	—	—	—	—	(63,787)
Noncontrolling interests: Distributions paid to Operating Partnership unit holders (\$0.84 per unit)	(3,004)	—	—	—	—	—	—	—	—	(3,004)
Other distributions to noncontrolling interest, net	(18)	—	—	—	—	—	—	—	—	(18)
December 31, 2019	\$427,425	\$ —	\$35	\$69	\$50	\$77,550	\$1,766,883	\$(12,556)	\$(1,408,352)	\$3,746

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	126,583	121,644	119,441
Amortization	16,180	14,554	12,057
Straight-line rent adjustments	(5,166)	(1,989)	(2,686)
Provision for doubtful accounts	—	2,461	1,763
Non-cash lease termination revenue	—	(4,200)	—
Amortization of deferred compensation	6,212	6,925	5,709
Gain on debt extinguishment, net	(24,859)	—	—
Insurance recoveries in excess of property loss	(3,861)	(689)	—
Gain on sale of interests in real estate and non-operating real estate, net	(5,474)	(9,625)	(881)
Equity in income of partnerships	(8,289)	(11,375)	(14,367)
Gain on sale of real estate by equity method investee	(553)	(2,772)	(6,567)
Cash distributions from partnerships	22,570	9,421	16,849
Amortization of historic tax credits	—	(829)	(1,768)
Impairment of assets	1,455	129,365	55,793
Impairment of development land parcel	3,562	—	—
Impairment of mortgage loan receivable	—	8,122	—
Change in assets and liabilities:			
Net change in other assets	(4,191)	(5,998)	(5,652)
Net change in other liabilities	223	6,352	(4,752)
Net cash provided by operating activities	111,392	134,864	142,091
Cash flows from investing activities:			
Investments in consolidated real estate acquisitions	—	(17,611)	—
Cash proceeds from sales of real estate	50,407	13,730	77,778
Cash proceeds from sale of mortgage	8,000	—	—
Net proceeds from insurance claims related to damage to real estate assets	6,977	700	—
Cash distributions from partnerships of proceeds from real estate sold	879	19,727	30,265
Investments in partnerships	(72,939)	(58,112)	(73,434)
Investments in real estate improvements	(34,260)	(35,170)	(51,949)
Additions to construction in progress	(113,791)	(75,649)	(116,550)
Capitalized leasing costs	(568)	(12,022)	(6,066)
Distribution of financing proceeds from equity method investee	25,000	123,000	35,221
Additions to leasehold improvements and corporate fixed assets	(1,055)	(160)	(683)
Net cash used in investing activities	(131,350)	(41,567)	(105,418)
Cash flows from financing activities:			
Net proceeds from issuance of preferred shares	—	—	286,847
Redemption of Series A Preferred Shares	—	—	(115,000)
Borrowings under revolving facilities	190,000	12,000	56,000
Repayments of mortgage loans and finance lease liabilities	(71,387)	—	(150,000)
Proceeds from mortgage loans	—	10,185	—
Principal installments on mortgage loans	(17,911)	(18,655)	(17,945)
Payment of deferred financing costs	(95)	(5,529)	(71)
Value of shares of beneficial interest issued	1,256	1,410	2,085
Dividends paid to common shareholders	(63,787)	(59,145)	(58,651)
Dividends paid to preferred shareholders	(27,375)	(27,375)	(27,403)
Distributions paid to Operating Partnership unit holders and noncontrolling interest	(3,004)	(6,949)	(6,970)
Value of shares retired under equity incentive plans, net of shares issued	(556)	(747)	(1,477)
Net cash provided by (used in) financing activities	7,141	(94,805)	(32,585)
Net change in cash, cash equivalents, and restricted cash	(12,817)	(1,508)	4,088
Cash, cash equivalents, and restricted cash, beginning of period	32,445	33,953	29,865
Cash, cash equivalents, and restricted cash, end of period	\$ 19,628	\$ 32,445	\$ 33,953

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2019, 2018 and 2017

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, 2019, our portfolio consists of a total of 26 properties operating in nine states, including 21 shopping malls, four other retail properties and one development property. The property in our portfolio that is classified as under development does not currently have any activity occurring.

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, 2019, held a 97.5% 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, 2019, the total amount that would have been distributed would have been \$10.8 million, which is calculated using our December 31, 2019 closing share price on the New York Stock Exchange of \$5.33 multiplied by the number of outstanding OP Units held by limited partners, which was 2,022,635 as of December 31, 2019.

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 inter-company accounts and transactions have been eliminated in consolidation.

The operating partnership meets the criteria as a variable interest entity. The Company's significant asset is its investment in the Operating Partnership, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the

Company's debt is also an obligation of the Operating Partnership.

GOING CONCERN CONSIDERATIONS Under the accounting guidance related to the presentation of financial statements, when preparing financial statements for each annual and interim reporting period, management has the responsibility to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. As a result of the considerations articulated below, we believe there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

In applying the accounting guidance, management considered our current financial condition and liquidity sources, including current funds available, forecasted future cash flows and our conditional and unconditional obligations due over the next twelve months. Management specifically considered the following: i) our senior unsecured facility, which includes a revolving facility maturing in 2022 with a balance of \$255.0 million as of December 31, 2019 and term loans maturing in 2021 with a balance of \$550.0 million as of December 31, 2019; ii) our mortgage loans with varying maturities through 2025 with a principal balance of \$901.6 million as of December 31, 2019; iii) the financial covenant compliance requirements of our credit agreements; and (iv) recurring costs of operating our business.

The Company anticipates not meeting certain financial covenants applicable under the credit agreements during 2020. The Company plans to continue to work with the lender group to obtain temporary debt covenant relief through September 2020 and then pursue a longer term financing solution prior to the expiration of the initial modification. In addition, the Company plans to execute the sale-leaseback of certain properties, sell certain real estate assets and control certain operational costs. Due to the inherent risks, unknown results and significant uncertainties associated with each of these matters and the direct correlation between these matters and our ability to satisfy our financial obligations that may arise over the applicable twelve month period, we are unable to conclude that it is probable that we will be able to meet our obligations arising within twelve months of the date of issuance of these financial statements under the parameters set forth in this accounting guidance.

As a result, management evaluated whether this was mitigated by our approved plans and expectations for the applicable period under the second step of this accounting standard.

Our ability to satisfy obligations under our senior unsecured credit facility and mortgage loans, maintain compliance with our debt covenants and fund recurring costs of operations depends primarily on management's ability to obtain relief from the lender group in regards to debt covenants, execute the sale-leaseback of certain properties, complete the sale of certain real estate assets which will provide cash from those sales, and continue to control operational costs. While controlling operational costs are within management's control to some extent, executing the sale-leaseback transactions, selling real estate assets, and obtaining relief from the lender group through modified debt covenant requirements involve performance by third parties and therefore cannot be considered probable of occurring.

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, 2019, 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 a property owned by one of our unconsolidated partnerships through a tenancy in common arrangement. For this property, such legal title is held by us and another entity, and each has an undivided interest in title to the property. With respect to this property, under the applicable agreement between us and the other entity with an ownership interest, we and such other entity 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 entity owning an interest in the property. Hence, we account for this property 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.

STATEMENTS OF CASH FLOWS We consider all highly liquid short-term investments with a maturity of three months or less at purchase or acquisition to be cash equivalents. At December 31, 2019 and 2018, cash and cash equivalents and restricted cash totaled \$19.6 million and \$32.4 million, respectively, and included tenant security deposits of \$1.8 million and \$2.3 million, respectively. Cash paid for interest was \$59.4 million, \$58.4 million and \$55.4 million for the years ended December 31, 2019, 2018 and 2017, respectively, net of amounts capitalized of \$7.7 million, \$6.4 million and \$7.6 million, respectively.

The following table provides a summary of cash, cash equivalents, and restricted cash reported within the statement of cash flows as of December 31, 2019, 2018 and 2017.

(in thousands of dollars)	December 31,		
	2019	2018	2017
Cash and cash equivalents	\$12,211	\$18,084	\$15,348
Restricted cash included in other assets	7,417	14,361	18,605
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$19,628</u>	<u>\$32,445</u>	<u>\$33,953</u>

Our restricted cash consists of cash held in escrow by banks for real estate taxes and other purposes.

SIGNIFICANT NON-CASH TRANSACTIONS In the third quarter of 2019, we conveyed Wyoming Valley Mall to the lender of the mortgage loan secured by the property. The loan had a balance of approximately \$72.8 million as of the conveyance on September 26, 2019. The conveyance was a non-cash transaction with the exception of \$7.5 million of cash and escrow balances which were transferred to the lender.

During the second quarter of 2018, we received the building and improvements formerly occupied by one of our tenants as part of the consideration for the termination of that tenant’s lease. We recorded non-cash lease termination income of \$4.2 million in connection with this transaction, which we determined was the fair value of the building and improvements.

Paydowns of the 2014 5-Year Term Loan and the 2015 5-Year Term Loan of \$150.0 million each were made in the year ended December 31, 2018, which were directly paid from the 2018 Term Loan Facility borrowing and are considered to be non-cash transactions.

During 2017, a \$150.0 million paydown of the 2013 Revolving Facility was made, which was directly paid from an additional borrowing from our 2014 7-Year Term Loan, and is considered to be a non-cash transaction.

In our statement of cash flows, we report cash flows on our revolving facilities on a net basis. Aggregate borrowings on our revolving facilities were \$229.0 million, \$65.0 million and \$309.0 million, and aggregate repayments were \$39.0 million, \$53.0 million and \$403.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Accrued construction costs decreased by \$8.5 million in the year ended December 31, 2019, increased by \$15.7 million in the year ended December 31, 2018 and decreased by \$8.3 million in the year ended December 31, 2017, 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 and fair value.

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, 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”).

On January 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers. ASC 606 provides a single comprehensive model to use in accounting for revenue arising from contracts with customers, and gains and losses arising from transfers of non-financial assets including sales of property and equipment, real estate, and intangible assets. The majority of our revenues are derived from leases and are not subject to ASC 606; rather, they were governed by ASC 840 through December 31, 2018 and are subject to ASC 842 effective January 1, 2019. See Lease accounting related under New Accounting Developments for our adoption impact

from ASC 842 on January 1, 2019.

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 \$1.6 million, \$2.0 million, and \$2.7 million in the years ended December 31, 2019, 2018 and 2017, respectively. The straight-line rent receivable balances included in tenant and other receivables on the accompanying consolidated balance sheet as of December 31, 2019 and 2018 were \$30.4 million and \$27.2 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. Effective January 1, 2019, we recognize fixed CAM revenue prospectively on a straight-line basis. Prior to that, during the year, our income increased or decreased based on actual expense levels and changes in other factors that influenced the reimbursement amounts, such as occupancy levels. As of December 31, 2018, our tenant accounts receivable included accrued income of \$1.9 million because actual reimbursable expense amounts eligible to be billed to tenants under applicable contracts exceeded amounts actually billed. Prior to the adoption of ASC 842, we recorded reimbursement revenue from tenants whose leases include fixed CAM provisions in accordance with the contractual terms of the respective leases.

Certain lease agreements contain co-tenancy 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 the 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. Co-tenancy clauses do not generally have any retroactive effect when they are triggered. The effect of co-tenancy clauses is applied on a prospective basis to recognize the new rent that is in effect.

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 the tenant has vacated the space. 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.

Revenue from the reimbursement of marketing expenses is generated through tenant leases that require tenants to reimburse a defined amount of

property marketing expenses. Our contractual performance obligations are fulfilled as marketing expenditures are made. Tenant payments are received monthly as required by the respective lease terms. We defer income recognition if the reimbursements exceed the aggregate marketing expenditures made through that date. Deferred marketing reimbursement revenue is recorded in tenants’ deposits and deferred rent on the consolidated balance sheet, and was \$0.2 million and \$0.2 million as of December 31, 2019 and 2018, respectively. The marketing reimbursements are recognized as revenue at the time that the marketing expenditures occur. Marketing revenue, included in other real estate revenues in the consolidated statements of operations, was \$4.1 million, \$3.9 million, and \$4.4 million and for the years ended December 31, 2019, 2018 and 2017, respectively.

Property management revenue from management and development activities is generated through contracts with third party owners of real estate properties or with certain of our joint ventures, and is recorded in other income in the consolidated statement of operations. In the case of management fees, our performance obligations are fulfilled over time as the management services are performed and the associated revenues are recognized on a monthly basis when the customer is billed. In the case of development fees, our performance obligations are fulfilled over time as we perform certain stipulated development activities as set forth in the respective development agreements and the associated revenues are recognized on a monthly basis when the customer is billed. Property management fee revenue was \$0.5 million, \$0.7 million, and \$0.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. Development fee revenue was \$0.7 million, \$0.8 million, and \$0.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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 2018 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 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, net of 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.

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.

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.

We recognize gains from sales of real estate properties and interests in partnerships when an enforceable contract is in place, control of the asset transfers to a buyer and it is probable that we will collect the consideration due in exchange for transferring the asset.

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 any 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, 2019 and 2018 each included \$5.2 million (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. Approximately \$1.5 million of this goodwill balance is allocated to three equity method investees with negative investment balances.

Changes in the carrying amount of goodwill for the three years ended December 31, 2019 were as follows:

(in thousands of dollars)	Basis	Accumulated Amortization	Total
Balance, January 1, 2017	\$ 6,322	\$ (1,073)	\$ 5,249
Goodwill divested	—	—	—
Balance, December 31, 2017	6,322	(1,073)	5,249
Goodwill divested	—	—	—
December 31, 2018	6,322	(1,073)	5,249
Goodwill divested	—	—	—
December 31, 2019	\$ 6,322	\$ (1,073)	\$ 5,249

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 leases, (ii) above- and below-market value of in-place leases and (iii) customer relationship value, including operating covenants.

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.

We allocate purchase price to customer relationship intangibles based on management’s assessment of the fair value of such relationships.

The following table presents our intangible assets and liabilities, net of accumulated amortization, as of December 31, 2019 and 2018:

(in thousands of dollars)	As of December 31,	
	2019	2018
Intangible Assets:		
Value of lease intangibles, net	\$ 8,155	\$ 12,594
Above-market lease intangibles, net	—	25
Subtotal	8,155	12,619
Goodwill, net	5,249	5,249
Total intangible assets	\$13,404	\$17,868
Intangible Liabilities		
Below-market lease intangibles, net	\$ 215	\$ 403
Above-market ground lease	—	5,484
Total intangible liabilities	\$ 215	\$ 5,887

Intangible liabilities are included in “Accrued expenses and other liabilities” in the consolidated balance sheets. Amortization of lease intangibles was \$3.3 million, \$2.4 million, and \$2.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Net amortization of above-market and below-market lease intangibles increased revenue by \$0.1 million, \$0.2 million and \$0.1 million for the years ended December 31, 2019, 2018 and 2017, respectively. Amortization of above-market ground lease intangibles increased expenses by \$0.1 million for each of the years ended December 31, 2018 and 2017, 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 Lease Intangibles	Customer Relationship Value	Below Market Leases, net
For the Year Ending December 31,			
2020	\$ 1,518	\$ 77	\$ (67)
2021	1,429	—	(42)
2022	1,299	—	(10)
2023	1,296	—	(10)
2024	1,251	—	(10)
2025 and thereafter	1,285	—	(76)
Total	\$ 8,078	\$77	\$(215)

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 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. If we determine that a property no longer meets the held-for-sale criteria, we reclassify the property’s assets and liabilities to their original locations on the consolidated balance sheet and record depreciation and amortization expense for the period that the property was in held-for-sale status.

In June 2018, we determined that the land parcel in Gainesville, Florida met the criteria to classify it as held for sale. This determination was made because the property was under contract, and we believed that we will likely complete a sale of the property within one year. We completed the sale of the land parcel in multiple transactions in 2019. Additionally, in December 2018, we determined that the land parcel in New Garden Township, Pennsylvania met the criteria to classify it as held for sale. This determination was made because we were in advanced negotiations with a buyer and believed that the sale would likely be complete within one year. In April 2019, we completed the sale of the New Garden Township land parcel.

As of December 31, 2019, we determined that 13 land parcels and out-parcels met the criteria to be classified as held for sale. The determination was made because we entered into agreements to sell multiple outparcels to a buyer and two separate land parcels in separate transactions. We also believe that we would likely complete the sale transactions within one year. The outparcels were part of an agreement executed in November 2019 with one buyer to sell 14 outparcels across five properties, of which three were sold as of December 31, 2019. In January 2020, an additional outparcel under this arrangement was sold.

We also have two separate agreements to sell land parcels at Woodland Mall and Moorestown Mall.

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 also capitalize interest on equity method investments while the investee is engaged in activities necessary to commence its planned principal activities.

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 project costs and other expenses. When it

is probable that the property will not be acquired, capitalized pre-acquisition costs are charged to expense.

For leases under which we are a lessor, certain internal leasing and legal costs such as salaries, commissions and benefits related to time spent by leasing and legal department personnel involved in originating leases with third-party tenants were previously capitalized under ASC 840. However, they are now being recorded as period costs in accordance with ASC 842. We will continue to amortize previously capitalized initial direct costs over the remaining terms of the associated leases.

The following table summarizes our capitalized salaries, commissions and benefits, real estate taxes and interest for the years ended December 31, 2019, 2018 and 2017:

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Development/Redevelopment:			
Salaries and benefits	\$ 1,332	\$ 1,380	\$ 1,296
Real estate taxes	\$ 1,057	\$ 1,198	\$ 1,035
Interest	\$ 7,725	\$ 6,395	\$ 7,620
Leasing:			
Salaries, commissions and benefits	\$ 568	\$ 7,022	\$ 6,066

RECEIVABLES We review 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 billed and unbilled revenues, including straight-line rent receivable, historical collection issues, customer creditworthiness and current economic and industry trends. 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. If deemed uncollectible, we record an offset for credit losses directly to lease revenue.

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.

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, 2019, 2018 and 2017, as no excise tax was due in those years.

The per share distributions paid to common shareholders had the following components for the years ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31,		
	2019	2018	2017
Ordinary income	\$ —	\$ 0.25	\$ —
Non-dividend distribution	0.84	0.59	0.84
Per-share distributions	\$ 0.84	\$ 0.84	\$ 0.84

The per share distributions paid to Series A, Series B, Series C and Series D preferred shareholders had the following components for the years ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31,		
	2019	2018	2017
Series A Preferred Share Dividends ⁽¹⁾			
Ordinary income			\$ —
Non-dividend distributions			1.70
			\$ 1.70
Series B Preferred Share Dividends			
Ordinary income	\$ —	\$ 1.84	\$ —
Non-dividend distributions	1.84	—	1.84
	\$ —	\$ 1.84	\$ 1.84
Series C Preferred Share Dividends			
Ordinary income	\$ —	\$ 1.80	\$ —
Non-dividend distributions	1.80	—	1.59
	\$ —	\$ 1.80	\$ 1.59
Series D Preferred Share Dividends			
Ordinary income	\$ —	\$ 1.72	\$ —
Non-dividend distributions	1.72	—	0.45
	\$ —	\$ 1.72	\$ 0.45

⁽¹⁾ The Series A Preferred Shares were redeemed in 2017.

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 federal or state income tax provision or benefit in the year ended December 31, 2019, but had a nominal provision in the year ended December 31, 2018

and a nominal benefit in the year ended December 31, 2017. We had net deferred tax assets of \$14.3 million and \$16.7 million for the years ended December 31, 2019 and 2018, 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, because we have determined that it is more likely than not that these assets will not be realized based on recent earnings history for our taxable REIT subsidiaries. The deferred tax assets were remeasured for the year ended December 31, 2017 to account for the tax provisions in H.R. 1 (the Tax Cuts and Jobs Act), which was signed into law on December 22, 2017.

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 2018 Revolving Facility (and in prior years, 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.

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, 2019, 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 LEASE ACCOUNTING RELATED Effective January 1, 2019, we adopted Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842) (“ASC 842”) and related guidance using the optional transition method and elected to apply the provisions of the standard as of the adoption date rather than the earliest date presented. Prior period amounts were not restated. We implemented the standard using the following practical expedients:

- We have elected the package of practical expedients that allows us to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases.
- For leases under which we are the lessor, we also have elected to not separate non-lease components such as common area maintenance (“CAM”) and real estate reimbursements from the associated lease component (minimum rent). Instead, we account for the lease and non-lease components as a single component because such non-lease components would otherwise be accounted for under the new revenue guidance (ASC 606) and both (1) the timing and pattern of transfer are the same for the non-lease components and associated lease component, and (2) the lease component, if accounted for separately, would be classified as an operating lease. Utility reimbursements are presented separately and not in the single component as the pattern of transfer is not aligned with the use of the property and therefore the criteria for use of the practical expedient are not met.

The adoption of this standard had the following effects on our financial statements as of December 31, 2019 and for the year ended December 31, 2019:

As of January 1, 2019, for leases under which the Company is a lessee, we recorded a right-of-use (“ROU”) asset of \$24.6 million and corresponding lease liability for all leases previously accounted for as operating leases under ASC 840. The Company also derecognized an unfavorable ground lease liability of \$5.5 million and reduced the corresponding ROU asset by the same amount. As of December 31, 2019, the ROU asset was

\$24.1 million and is included in deferred costs and other assets, net and the lease liability was \$30.3 million and is included in accrued expenses and other liabilities in the accompanying consolidated balance sheet.

Effective January 1, 2019, we changed our fixed CAM revenue recognition to be recognized prospectively on a straight-line basis. In the year ended December 31, 2019, \$2.7 million, of such revenues were recognized and are included within lease revenue in the accompanying consolidated statements of operations; previously, such amounts were recognized as billed in accordance with the terms of the respective leases.

We review the collectability of both billed and unbilled lease revenues each reporting period, taking into consideration the tenant's payment history, credit profile and other factors, including its operating performance. For any tenant receivable balances deemed to be uncollectible, under ASC 842 we record an offset for credit losses directly to Lease revenue in the consolidated statement of operations. Previously, under ASC 840, uncollectible tenants' receivables were reported in Other property operating expenses in the consolidated statement of operations. We recorded offsets for credit losses of \$2.8 million for the year ended December 31, 2019.

For leases under which the Company is a lessor, certain internal leasing and legal costs that were previously capitalized under ASC 840 are now recorded as period costs under ASC 842. For the year ended December 31, 2018, we capitalized \$5.2 million of internal leasing and legal salaries and benefits, respectively. No such costs were capitalized for the year ended December 31, 2019. We will continue to amortize previously capitalized initial direct costs over the remaining terms of the associated leases.

OTHER ACCOUNTING In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 is intended to reduce diversity in the practice of how certain transactions are classified in the statement of cash flows, including classification guidance for distributions received from equity method investments. We adopted this new standard effective January 1, 2018 using the retrospective transition method. The statement of cash flows for the year ended December 31, 2017 has been restated to reflect the adoption of ASU 2016-15. Upon adoption, we changed the prior period presentation of the statement of cash flows for the year ended December 31, 2017 for \$5.7 million of cash distributions from partnerships that was previously presented within net cash used in investing activities to now be reflected within net cash provided by operating activities for the year ended December 31, 2017 using the nature of the distribution approach.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230), which provides guidance on the presentation of restricted cash or restricted cash equivalents within the statement of cash flows. Accordingly, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted this standard effective January 1, 2018. The adoption of ASU No. 2016-18 changed our presentation of the statement of cash flows to provide additional details regarding changes in restricted cash and we utilized a retrospective transition method for each period presented within financial statements. In applying the retrospective transition method, net cash used in investing activities for the year ended December 31, 2017 increased by \$1.5 million and net cash provided by investing activities for the year ended December 31, 2017 increased by \$0.5 million, as the change in escrow accounts is now included directly in net change in cash, cash equivalents and

restricted cash. See note 1 for details regarding cash and restricted cash as presented within the consolidated statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The update adds further guidance that assists preparers in evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. We expect that future property acquisitions will generally qualify as asset acquisitions under the standard, which requires the capitalization of acquisition costs to the underlying assets. We adopted this new guidance effective January 1, 2017. This new guidance did not have a significant impact on our financial statements.

In October 2018, the FASB issued ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) as a Benchmark Interest Rate for Hedge Accounting. This ASU adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate hedging strategies for both risk management and hedge accounting purposes. Because we adopted ASU 2017-12, this guidance became effective January 1, 2019. This new guidance did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in ASC 350, Intangibles—Goodwill and Other. As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In January 2018, we elected to early adopt ASU 2017-04 effective January 1, 2018. This new guidance did not have any impact on our consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income- Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance. ASU 2017-05 focuses on recognizing gains and losses from the transfer of nonfinancial assets with noncustomers. It provides guidance as to the definition of an "in substance nonfinancial asset," and provides guidance for sales of real estate, including partial sales. We adopted this new guidance effective January 1, 2018. This new guidance did not have a significant impact on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12). The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. We early adopted ASU 2017-12 on January 1, 2018. ASU 2017-12 requires a modified retrospective transition method in which we will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. The adoption of this standard did not have a material impact on our consolidated financial statements.

In October 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion

of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) as a Benchmark Interest Rate for Hedge Accounting. This ASU adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate hedging strategies for both risk management and hedge accounting purposes. Because we adopted ASU 2017-12, this guidance became effective January 1, 2019. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses, and subsequently issued amendments to the initial and transitional guidance within ASU 2018-19, ASU 2019-04 and ASU 2019-05 between November 2018 and May 2019. ASU 2016-13 introduced new guidance for an approach based on expected losses to estimate credit losses on certain types of financial instruments, and will affect our accounting for trade receivables and notes receivable. We adopted this new standard on January 1, 2020. Our receivables primarily relate to leases under ASC 842, which are not within the scope of ASU 2016-13. The adoption of this new standard is not expected to have a material impact on our consolidated financial statements.

IMMATERIAL ERROR CORRECTION The Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income for the year ended December 31, 2017 includes the impact of correcting the reporting of net loss (income) attributable to noncontrolling interest and common shareholders. Specifically, the correction adjusts for a computational error by reducing net income (and comprehensive income) or by increasing the net loss (and comprehensive loss) attributable to noncontrolling interest by \$3.4 million for the year ended December 31, 2017. The 2018 and 2017 quarterly results were also adjusted by increasing the net loss (and comprehensive loss) attributable to noncontrolling interest in the amount of \$0.7 million for each of the three months ended March 31, 2018 and 2017; \$0.7 million and \$0.8 million for the three months ended June 30, 2018 and 2017, respectively; \$0.8 million for the three months ended September 30, 2017; and \$1.2 million for the three months ended December 31, 2017. The adjustments also increased the amount of net income (and comprehensive income) or decreased the amount of net loss (and comprehensive loss) attributable to PREIT and PREIT common shareholders by the corresponding amounts. The adjustments also increased the amount of basic and diluted earnings per share or decreased the amount of basic and diluted loss per share by \$0.05 for the year ended December 31, 2017. The 2018 and 2017 quarterly results were also adjusted by increasing the amount of basic and diluted earnings per share or decreased the amount of basic and diluted loss per share by \$0.01 for each of the three months ended March 31, 2018 and 2017; June 30, 2018 and 2017; and September 30, 2017; and, by \$0.02 for the three months ended December 31, 2017.

The Consolidated Statement of Equity for the years ended December 31, 2018 and 2017 included the cumulative impact of \$9.3 million and \$7.8 million, respectively, which corrected the reporting of noncontrolling interest by decreasing noncontrolling interest and increasing Total Equity - Pennsylvania Real Investment Trust by the corresponding amount.

These corrections had no impact on the previously reported amounts of net income (loss), total equity, and consolidated cash flows from operating, investing or financing activities.

We evaluated these corrections and determined, based on quantitative

and qualitative factors, that the changes were not material to the consolidated financial statements taken as a whole for any previously filed consolidated financial statements.

2. Real Estate Activities

Investments in real estate as of December 31, 2019 and 2018 were comprised of the following:

(in thousands of dollars)	December 31,	
	2019	2018
Buildings, improvements and construction in progress	\$ 2,753,039	\$ 2,719,400
Land, including land held for development	457,887	465,194
Total investments in real estate	3,210,926	3,184,594
Accumulated depreciation	(1,202,722)	(1,118,582)
Net investments in real estate	\$2,008,204	\$2,066,012

IMPAIRMENT OF ASSETS During the years ended December 31, 2019, 2018, and 2017, we recorded asset impairment losses of \$5.0 million, \$137.5 million, and \$55.8 million, respectively. Such impairment losses are recorded in "Impairment of assets" for the years ended 2019, 2018 and 2017. 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,		
	2019	2018	2017
Gainesville land	\$ 1,464	\$ 2,089	\$ 1,275
Woodland Mall	2,098	—	—
Exton Square Mall	—	73,218	—
Wyoming Valley Mall	—	32,177	—
Valley View Mall	1,408	14,294	15,521
Wiregrass Mall	—	—	—
mortgage loan receivable	—	8,122	—
New Garden Township land	—	7,567	—
Logan Valley Mall	—	—	38,720
Sunrise Plaza land	—	—	226
Other	47	20	51
Total Impairment of Assets	\$5,017	\$137,487	\$55,793

MULTIPLE OUTPARCELS AND LAND PARCELS In November 2019, we entered into an agreement to sell 14 tenant occupied parcels across five properties — Magnolia Mall, Capital City Mall, Woodland Mall, Jacksonville Mall and Valley Mall — for total consideration of \$29.9 million. As of December 31, 2019, we completed the dispositions on three outparcels at Capital City Mall and Magnolia Mall for total consideration of \$5.2 million. In connection with these sales, we recorded a gain of \$2.7 million. Of the remaining outparcels, impairment of assets was recorded for one at Woodland Mall, located in Grand Rapids, Michigan, for \$1.5 million. In January 2020, the sale of the outparcel at Woodland Mall was complete.

We also entered into two agreements in December 2019 to sell two land parcels at Moorestown Mall, located in Moorestown, New Jersey, and Woodland Mall in 2020. An impairment of \$0.6 million was recorded in 2019 for the land value of the parcel at Woodland Mall.

GAINESVILLE DEVELOPMENT LAND PARCEL We had an undeveloped land parcel in Gainesville, Florida. In 2018 and 2017, we recorded losses on impairment of assets on the land parcel located in Gainesville, Florida of \$2.1 million and \$1.3 million, respectively, in connection with negotiations with a potential buyer. In connection with these negotiations, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, were less than the carrying value of the property, and recorded losses on impairment of assets. In March 2019, we entered into an agreement of sale with a buyer to sell the undeveloped land parcel in Gainesville, Florida for total consideration of \$15.0 million and the sale transaction was split into four parcels. The first parcel was sold in March 2019 for \$5.0 million. In connection with this transaction, we recorded losses on impairment of assets of \$1.5 million in the first quarter of 2019. Subsequently, we closed on the sale of two parcels in November 2019 and the final parcel closed in December 2019 for aggregate consideration for the three parcels of \$10.0 million. The net gain from the sale of this undeveloped land parcel was less than \$0.1 million.

EXTON SQUARE MALL In connection with the preparation of our annual financial statements for the year ended December 31, 2018, we recorded a loss on impairment of assets on Exton Square Mall in Exton, Pennsylvania of \$73.2 million. In conjunction with the preparation of our annual business plan, we anticipated decreases in occupancy and net operating income at this property as a result, which led us to conduct an analysis of possible impairment at this property. Based upon our estimates, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, were less than the carrying value of the property, and recorded a loss on impairment of assets. Our fair value analysis was based on discounted estimated future cash flows for the mall parcel, using a discount rate of 10.5% and a terminal capitalization rate of 10.0% for the mall parcel, and a direct capitalization rate of 5.5% for a parcel adjacent to the mall. The discount and capitalization rates were determined using management's assessment of property operating performance and general market conditions and were classified in Level 3 of the fair value hierarchy.

WYOMING VALLEY MALL In connection with the preparation of our financial statements as of and for the quarter ended June 30, 2018, we recorded a loss on impairment of assets on Wyoming Valley Mall in Wilkes-Barre, Pennsylvania of \$32.2 million as we determined that the pending closure of two anchor stores at the property (as further discussed in Note 4) was a triggering event, leading us to conduct an analysis of possible impairment at this property. Based upon our estimates, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, were less than the carrying value of the property, and recorded a loss on impairment of assets. Our fair value analysis was based on discounted estimated future cash flows at the property, using a discount rate of 10.5% and a terminal capitalization rate of 9.0%, which was determined using management's assessment of property operating performance and general market conditions and were classified in Level 3 of the fair value hierarchy.

VALLEY VIEW MALL In connection with the preparation of our annual financial statements for the year ended December 31, 2019, we recorded a loss on impairment of assets on Valley View Mall in La Crosse, Wisconsin of \$1.4 million. We noted a triggering event as a result of our determination to decrease the holding period of the property to one year. This led to us conduct an analysis of possible impairment at the property. Our fair value analysis was based on a direct capitalization rate of 13.2% for Valley View Mall, which was determined using management's assessment of property operating performance and general market conditions. The capitalization rate was determined using management's assessment of property operating performance and general market conditions and were classified in

Level 3 of the fair value hierarchy.

In connection with the preparation of our annual financial statements for the year ended December 31, 2018, we recorded a loss on impairment of assets on Valley View Mall in La Crosse, Wisconsin of \$14.3 million. In the fourth quarter of 2018, Sears ceased operations at this mall. In conjunction with the preparation of our annual business plan, we anticipated decreases in occupancy and net operating income at this property resulting from lower co-tenancy rents from other tenants in 2019 and beyond, which led us to conduct an analysis of possible impairment at this property. Based upon our estimates, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, based on a probability-weighted assessment were less than the carrying value of the property, and recorded a loss on impairment of assets. Our fair value analysis was based on a direct capitalization rate of 12.0% on stabilized NOI of the property. The capitalization rate was determined using management's assessment of property operating performance and general market conditions and were classified in Level 3 of the fair value hierarchy.

We previously recorded a loss on impairment of assets on Valley View Mall in La Crosse, Wisconsin of \$15.5 million in 2017 in connection with our decision to market the property for sale. In connection with this decision, we determined that the holding period of the property was less than previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible impairment at this property. Based upon our estimates, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, were less than the carrying value of the property, and recorded a loss on impairment of assets. Our fair value analysis was based on an estimated capitalization rate of approximately 12.0% for Valley View Mall, which was determined using management's assessment of property operating performance and general market conditions.

WIREGRASS MORTGAGE LOAN RECEIVABLE In connection with the sale of three malls in 2016, we received a \$17.0 million mortgage note secured by Wiregrass Commons Mall in Dothan, Alabama. The note has a fixed interest rate of 6.0% and we recorded \$0.2 million, \$1.0 million, and \$1.0 million of interest income in the years ended December 31, 2019, 2018 and 2017, respectively. During 2018, the original buyer sold Wiregrass Commons Mall to an unrelated party and the mortgage note was assumed by this new buyer as part of that sale transaction. In the fourth quarter of 2018, we reclassified the mortgage note receivable from held-to-maturity to held-for-sale. In connection with this reclassification, we recorded an impairment loss of \$8.1 million to reduce the \$16.1 million carrying value of the mortgage note receivable to its estimated fair value of \$8.0 million based on negotiations with a buyer. This mortgage note receivable was sold in February 2019 for \$8.0 million.

NEW GARDEN TOWNSHIP DEVELOPMENT LAND PARCEL In 2018, we recorded a loss on impairment of assets on a land parcel located in New Garden Township, Pennsylvania of \$7.6 million in connection with negotiations with a potential buyer of the property. In connection with these negotiations, we determined that the estimated proceeds from the sale of the property would be less than the carrying value of the property, and recorded a loss on impairment of assets. As of December 31, 2018, this land parcel was classified as held-for-sale in our consolidated balance sheet.

LOGAN VALLEY MALL In 2017, we recorded an aggregate loss on impairment of assets on Logan Valley Mall in Altoona, Pennsylvania of \$38.7 million in connection with negotiations with the buyer of the property. In connection with these negotiations, we determined that the holding period of the property was less than previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible

impairment at this property. Based upon the negotiations, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, were less than the carrying value of the property, and recorded a loss on impairment of assets. We sold Logan Valley Mall in August 2017.

SUNRISE PLAZA LAND In 2017, we recorded a loss on impairment of assets on a land parcel located at Sunrise Plaza in Forked River, New Jersey of \$0.2 million in connection with negotiations with the buyer of the property. In connection with these negotiations, we determined that the holding period of the property was less than previously estimated, which we concluded was a triggering event, leading us to conduct an analysis of possible impairment at this property. Based upon the negotiations, we determined that the estimated undiscounted cash flows, net of capital expenditures for the property, were less than the carrying value of the property, and recorded a loss on impairment of assets.

DISPOSITIONS The table below presents our dispositions in 2017. There were no dispositions of our mall properties in 2019 and 2018. Proceeds from property sales were used for general corporate purposes, repayment of mortgage loans that secured the properties (if applicable) and repayment of then-outstanding amounts on our Credit Agreements (see note 4), unless otherwise noted.

Sale Date	Property and Location	Description of Real Estate Sold	Capitalization Rate	Sale Price	Gain/(Loss)
				(in millions of dollars)	
2017 Activity:					
January	Beaver Valley Mall, Monaca, Pennsylvania	Mall	15.6%	\$ 24.2	\$ —
	Crossroads Mall, Beckley, West Virginia	Mall	15.5%	24.8	—
August	Logan Valley Mall, Altoona, Pennsylvania	Mall	16.5%	33.2	—

DISPOSITIONS – OTHER ACTIVITY In 2020, we entered into an agreement of sale for the sale and leaseback of five properties for an estimated total consideration of \$153.6 million. Additionally, we entered into agreements of sale for land parcels for anticipated multifamily development for an estimated total consideration of \$125.3 million. These agreements are subject to certain conditions and final closing of these sales transactions cannot be assured.

In 2019, we entered into an agreement of sale with a buyer to sell an undeveloped land parcel located in Gainesville, Florida for total consideration of \$15.0 million and the sale transaction was split into four parcels. The first parcel was sold in March 2019 for \$5.0 million. As a result of executing the agreement of sale, we recorded losses on impairment of assets of \$1.5 million in the first quarter of 2019. Subsequently, we closed on two parcels in November 2019 and the final parcel closed in December 2019 for an aggregate consideration of \$10.0 million.

In 2019, we sold an undeveloped land parcel located in New Garden Township, Pennsylvania, for total consideration of \$11.0 million, consisting of \$8.25 million in cash and \$2.75 million of preferred stock. We ascribed no value for accounting purposes to the preferred shares as they are not tradeable, cannot be transferred or sold and have no redemption feature. Up to \$1.25 million of the cash consideration received is subject to claw-back if the buyer does not receive entitlements for a stipulated number of housing units, which has been recorded as a liability in our consolidated balance sheet. In connection with this sale, we recorded a gain of \$0.2 million.

ACQUISITIONS In 2018, we purchased certain real estate and related improvements at Moorestown Mall and Valley Mall for a total of \$17.6 million.

In 2017, we purchased vacant anchor stores from Macy's located at Moorestown Mall, Valley View Mall and Valley Mall for an aggregate of \$13.9 million. We executed a lease with a replacement tenant for the Valley View Mall location and this tenant opened in September 2017 and subsequently closed in the third quarter of 2018. We also have replacement tenants for the Moorestown Mall and Valley Mall former anchors and currently have redevelopment activities at these locations.

In connection with the March 2015 acquisition of Springfield Town Center, the previous owner of the property was potentially entitled to receive consideration (the "Earnout") under the terms of the Contribution Agreement which was to be calculated as of March 31, 2018. The estimated value of the Earnout was zero and no amounts were paid out at or after March 31, 2018.

In 2019, we sold an outparcel adjacent to Exton Square Mall where a Whole Foods store is located for total consideration of \$22.1 million. In connection with this sale, we recorded a gain of \$1.3 million.

In 2019, we sold an outparcel located at Valley View Mall in La Crosse, Wisconsin for total consideration of \$1.4 million. In connection with this sale, we recorded a gain of \$1.2 million.

In 2019, we conveyed Wyoming Valley Mall to the lender of the mortgage loan secured by the property. The loan had a balance of approximately \$72.8 million as of the conveyance on September 26, 2019. As a result of the transfer, having previously recognized an asset impairment loss of approximately \$32.2 million on the value of the property, we wrote off the remaining carrying value of the property of \$43.2 million and recorded a net gain on extinguishment of debt of \$29.6 million in 2019.

In 2018, we sold a parcel located adjacent to Exton Square Mall in Exton, Pennsylvania for \$10.3 million. We recorded a gain of \$8.1 million on this sale in the fourth quarter of 2018.

In 2018, we sold an outparcel on which two operating restaurants are located at Valley Mall in Hagerstown, Maryland. for \$2.4 million. We recorded a gain of \$1.0 million on this sale in the fourth quarter of 2018.

In 2018, we sold an outparcel on which an operating restaurant is located at Magnolia Mall in Florence, South Carolina for \$ 1.7 million. We recorded a gain of \$0.7 million on this sale in the second quarter of 2018.

In 2017, we sold three non operating parcels located at Beaver Valley Mall, Exton Square Mall and Valley Mall for an aggregate of \$6.4 million and recorded aggregate gains of \$1.3 million on these parcels.

DEVELOPMENT ACTIVITIES As of December 31, 2019 and 2018, 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, 2019 and 2018:

(in thousands of dollars)	December 31,	
	2019	2018
Construction in progress	\$ 106,011	\$ 115,182
Land held for development	5,881	5,881
Deferred costs and other assets	7,274	6,487
Total capitalized construction and development activities	\$ 119,166	\$127,550

3. Investments in Partnerships

The following table presents summarized financial information of our equity investments in unconsolidated partnerships as of December 31, 2019 and 2018:

(in thousands of dollars)	December 31,	
	2019	2018
ASSETS:		
Investments in real estate, at cost:		
Operating properties	\$ 883,530	\$ 575,149
Construction in progress	251,029	420,771
Total investments in real estate	1,134,559	995,920
Accumulated depreciation	(229,877)	(212,574)
Net investments in real estate	904,682	783,346
Cash and cash equivalents	34,766	20,446
Deferred costs and other assets, net	43,476	30,549
Total assets	\$982,924	\$834,341

LIABILITIES AND PARTNERS' INVESTMENT:

Mortgage loans payable, net	\$ 499,057	\$ 507,090
FDP Term Loan, net	299,091	247,901
Other liabilities	79,166	34,463
Total liabilities	\$877,314	\$789,454
Net investment	\$ 105,610	\$ 44,887
Partners' share	50,997	21,583
PREIT's share	54,613	23,304
Excess investment ⁽¹⁾	17,464	15,763
Net investments and advances	\$ 72,007	\$ 39,067
Investment in partnerships, at equity	\$ 159,993	\$131,124
Distributions in excess of partnership investments	(87,916)	(92,057)
Net investments and advances	\$ 72,077	\$ 39,067

⁽¹⁾ Excess investment represents the unamortized difference between our investment and our share of the equity in the underlying net investment in the unconsolidated partnerships. The excess investment is amortized over the life of the properties, and the amortization is included in "Equity in income of partnerships."

We present distributions from our equity investments using the nature of the distributions approach in the accompanying consolidated statement of cash flows.

The following table summarizes our share of equity in income of partnerships for the years ended December 31, 2019, 2018 and 2017:

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Real estate revenue	\$99,580	\$ 98,781	\$115,118
Expenses:			
Property operating and other expenses	(34,955)	(30,839)	(33,273)
Interest expense	(23,272)	(23,373)	(25,251)
Depreciation and amortization	(21,942)	(19,393)	(24,872)
Total expenses	(80,169)	(73,605)	(83,396)
Net income	19,411	25,176	31,722
Less: Partners' share	(10,768)	(13,719)	(17,607)
PREIT's share	8,643	11,457	14,115
Amortization of excess investment	(354)	(82)	252
Equity in income of partnerships	\$ 8,289	\$11,375	\$14,367

DISPOSITIONS In March 2019, a partnership in which we hold a 25% interest sold an undeveloped land parcel adjacent to Gloucester Premium Outlets for \$3.8 million. The partnership recorded a gain on sale of \$2.3 million, of which our share was \$0.6 million, which is recorded in gain on sale of real estate by equity method investee in the accompanying consolidated statement of operations.

In February 2018, a partnership in which we hold a 50% ownership share sold its office condominium interest in 907 Market Street in Philadelphia, Pennsylvania for \$41.8 million. The partnership recorded a gain on sale of \$5.5 million, of which our share was \$2.8 million, which is recorded in gain on sale of real estate by equity method investee in the accompanying consolidated statement of operations. The partnership distributed to us proceeds of \$19.7 million in connection with this transaction.

In September 2017, a partnership in which we hold a 50% ownership share sold its condominium interest in 801 Market Street in Philadelphia, Pennsylvania for \$61.5 million. The partnership recorded a gain on sale of \$13.1 million, of which our share was \$6.5 million. The partnership distributed to us proceeds of \$30.3 million in connection with this transaction in September 2017, which is recorded in gain on sale of real estate by equity method investee in the accompanying consolidated statement of operations.

TERM LOAN In January 2018, our Fashion District Philadelphia redevelopment project joint venture entity entered into a \$250.0 million term loan (the "FDP Term Loan"). We and our partner in the project, The Macerich Company ("Macerich"), each own a 50% partnership interest in Fashion District Philadelphia. The FDP Term Loan matures in January 2023, and bears interest at a variable rate of LIBOR plus 2.00%. PREIT and Macerich secured the FDP Term Loan by pledging their respective equity interests in the entities that own Fashion District Philadelphia. The entire \$250.0 million available under the FDP Term Loan was drawn during the first quarter of 2018, and we received an aggregate \$123.0 million as a distribution

of our share of the draws in 2018. In July 2019, the FDP Term Loan was modified to increase the total potential borrowings from \$250.0 million to \$350.0 million. A total of \$51.0 million was drawn during the third quarter of 2019 and we received aggregate distributions of \$25.0 million as our share of the draws.

MORTGAGE LOANS 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 2027. 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 4.06% to 5.56% and had a weighted average interest rate of 4.55% at December 31, 2019. The balances of the variable interest rate mortgage loans have interest rates that range from 3.19% to 4.60% and had a weighted average interest rate of 3.37% at December 31, 2019. The weighted average interest rate of all unconsolidated mortgage loans was 4.43% at December 31, 2019. The liability under each mortgage loan is limited to the unconsolidated 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:

(in thousands of dollars) For the Year Ending December 31,	Company's Proportionate Share			Property Total
	Principal Amortization	Balloon Payments	Total	
2020	\$ 4,378	\$ —	\$ 4,386	\$ 8,801
2021	4,049	41,170	45,219	91,945
2022	3,738	21,500	25,238	93,476
2023	3,620	33,502	37,122	74,245
2024	2,886	—	2,886	5,772
2025 and thereafter	7,213	106,087	113,300	226,601
Total principal payments	\$25,884	\$ 202,259	\$ 228,143	500,839
Less: Unamortized debt issuance costs				1,782
Carrying value of mortgage notes payable				\$499,057

The following table presents the mortgage loans secured by the unconsolidated properties entered into since January 1, 2017:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2018 Activity:				
February	Pavilion at Market East ⁽¹⁾	\$ 8.3	LIBOR plus 2.85%	February 2021
March	Gloucester Premium Outlets ⁽²⁾	\$ 86.0	LIBOR plus 1.50%	March 2022
2017 Activity:				
October	Lehigh Valley Mall ⁽³⁾⁽⁴⁾	\$ 200.0	Fixed 4.06%	November 2027

⁽¹⁾ We own a 40% partnership interest in Pavilion at Market East and our share of this mortgage loan is \$3.1 million.

⁽²⁾ We own a 25% partnership interest in Gloucester Premium Outlets and our share of this mortgage loan is \$21.5 million.

⁽³⁾ The proceeds were used to repay the existing \$124.6 million mortgage loan plus accrued interest. We own a 50% partnership interest in Lehigh Valley Mall and our share of this mortgage loan is \$96.4 million.

⁽⁴⁾ We received \$35.3 million of proceeds as a distribution in connection with the financing. In connection with this new mortgage loan financing, the unconsolidated entity recorded \$3.1 million of prepayment penalty and accelerated the amortization of \$0.1 million of unamortized financing costs in the fourth quarter of 2017.

SIGNIFICANT UNCONSOLIDATED SUBSIDIARY We have a 50% ownership interest in each of Lehigh Valley Associates L.P. (“LVA”) and Fashion District Philadelphia (“FDP”). The financial information of LVA and FDP are included in the amounts above. Summarized balance sheet information as of December 31, 2019, 2018 and 2017, and summarized statement of operations information for the years ended December 31, 2019, 2018 and 2017 for these entities, which are accounted for using the equity method, are as follows:

LVA:

(in thousands of dollars)	As of or for the years ended December 31,		
	2019	2018	2017
Total assets	\$ 62,504	\$ 52,255	\$ 43,850
Mortgage payable	191,998	196,328	199,451
Revenue	32,906	35,662	34,945
Property operating expenses	8,448	9,014	9,038
Interest expense	8,055	8,222	10,907
Net income	13,162	15,605	11,389
PREIT’s share of equity in income of partnership	6,581	7,803	5,695

FDP:

(in thousands of dollars)	As of or for the years ended December 31,		
	2019	2018	2017
Total assets	\$641,377	\$497,419	\$428,827
FDP Term Loan, net	299,091	250,000	—
Revenue	8,028	4,053	18,708
Property operating expenses	6,995	3,630	6,909
Interest expense	178	126	126
Net income	(7,352)	(4,990)	2,436
PREIT’s share of equity in income of partnership	(3,676)	(2,495)	1,218

4. Financing Activity

CREDIT AGREEMENTS We have entered into two credit agreements (collectively, as amended, the “Credit Agreements”): (1) the 2018 Credit Agreement, which, as described in more detail below, includes (a) the 2018 Revolving Facility, and (b) the 2018 Term Loan Facility, and (2) the 2014 7-Year Term Loan. The 2018 Term Loan Facility and the 2014 7-Year Term Loan are collectively referred to as the “Term Loans.”

As of December 31, 2019, we had borrowed \$550.0 million under the Term Loans and \$255.0 million under the 2018 Revolving Facility. The carrying value of the Term Loans on our consolidated balance sheet as of December 31, 2019 is net of \$2.0 million of unamortized debt issuance costs. The net operating income (“NOI”) from our 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 us as of December 31, 2019 was \$30.1 million.

Interest expense and the deferred financing fee amortization related to the Credit Agreements for the years ended December 31, 2019, 2018 and 2017 were as follows:

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Revolving Facilities:			
Interest expense	\$ 7,526	\$ 1,807	\$ 2,463
Deferred financing amortization	1,097	1,052	796
Term Loans:			
Interest expense	20,922	17,585	14,935
Deferred financing amortization	760	763	759
Accelerated financing fee	—	363	—

CREDIT AGREEMENTS On May 24, 2018, we entered into an Amended and Restated Credit Agreement (the “2018 Credit Agreement”) with Wells Fargo Bank, National Association, U.S. Bank National Association, Citizens Bank, N.A., and the other financial institutions signatory thereto, for an aggregate \$700.0 million senior unsecured facility consisting of (i) a \$400 million senior unsecured revolving credit facility (the “2018 Revolving Facility”), which replaced our previously existing \$400 million revolving credit agreement (the “2013 Revolving Facility”), and (ii) a \$300 million term loan facility (the “2018 Term Loan Facility”), which was used to pay off a previously existing \$150 million five year term loan (the “2014 5-Year Term Loan”) and a second \$150 million five year term loan (the “2015 5-Year Term Loan”). The maturity date of the 2018 Revolving Facility is May 23, 2022, subject to two six-month extensions at our election, and the maturity date of the 2018 Term Loan Facility is May 23, 2023. In connection with this activity, we recorded accelerated amortization of financing costs of \$0.4 million.

As of December 31, 2019, \$250.0 million was outstanding under the 2014 7-Year Term Loan, which matures on December 29, 2021.

On June 5, 2018, we entered into the Fifth Amendment (the “Amendment”) to the 2014 7-Year Term Loan. The Amendment was entered into to make certain provisions of the 2014 7-Year Term Loan consistent with the 2018 Credit Agreement. Among other things, the Amendment (i) adds and updates certain definitions and provisions, including tax-related provisions, relating to foreign lenders under the 2014 7-Year Term Loan, (ii) updates the definition of “Existing Credit Agreement” to refer to the 2018 Credit Agreement, which updates the cross defaults between the 2014 7-Year Term Loan and the 2018 Credit Agreement (replacing such cross defaults to the agreements the 2018 Credit Agreement replaced), (iii) adds and amends provisions consistent with those provided in the 2018 Credit Agreement for determining an alternative rate of interest to LIBOR, when and if required, and (iv) adjusts or eliminates some of the covenants applicable to the Borrower, as defined therein. The Amendment does not extend the maturity date of the 2014 7-Year Term Loan or change the amounts that can be borrowed thereunder.

IDENTICAL COVENANTS AND COMMON PROVISIONS CONTAINED IN THE CREDIT AGREEMENTS Each of the Credit Agreements 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.

Amounts borrowed under the Credit Agreements bear interest at the rate specified below per annum, depending on our leverage, in excess of LIBOR, unless and until we receive an investment grade credit rating and

provides notice to the Administrative Agent (the “Rating Date”), after which alternative rates would apply, as described below. 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. Capitalized terms used and not otherwise defined in this Annual Report on Form 10-K have the meanings ascribed to such terms in the applicable credit agreement document. The 2018 Revolving Facility is subject to a facility fee, which is currently 0.30%, depending upon leverage, and is recorded as interest expense in the consolidated statements of operations. In the event we seek and obtain an investment grade credit rating, alternative facility fees would apply.

Level	Ratio of Total Liabilities to Gross Asset Value	Applicable Margin			
		Revolving Loans that are LIBOR Loans	Revolving Loans that are Base Rate Loans	Term Loans that are LIBOR Loans	Term Loans that are Base Rate Loans
1	Less than 0.450 to 1.00	1.20%	0.20%	1.35%	0.35%
2	Equal to or greater than 0.450 to 1.00 but less than 0.500 to 1.00	1.25%	0.25%	1.45%	0.45%
3	Equal to or greater than 0.500 to 1.00 but less than 0.550 to 1.00	1.30%	0.30%	1.60%	0.60%
4	Equal to or greater than 0.550 to 1.00 ⁽¹⁾	1.55%	0.55%	1.90%	0.90%

⁽¹⁾ The rates in effect under the Credit Agreements were based upon the Level 4 Ratio of Total Liabilities to Gross Asset Value as of December 31, 2019.

We may prepay the amounts due under the Credit Agreements at any time without premium or penalty, subject to reimbursement obligations for the lenders’ breakage costs for LIBOR borrowings.

The Credit Agreements contain certain affirmative and negative covenants, including, without limitation, requirements that PREIT maintain, on a consolidated basis: (1) Minimum Tangible Net Worth of \$1,463.2 million, plus 75% of the Net Proceeds of all Equity Issuances effected at any time after March 31, 2018; (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 (a) 11.0% through and including June 30, 2020, (b) 11.25% any time after June 30, 2020 through and including June 30, 2021, and (c) 11.50% anytime thereafter; (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; and (7) 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 (FFO) and (ii) 110% of REIT taxable income for a fiscal year. The covenants and restrictions in the Credit Agreements 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 transactions with affiliates. The Credit Agreements are subject to customary events of default and are cross-defaulted with one another.

As of December 31, 2019, we were in compliance with all such financial covenants. We anticipate not meeting certain financial covenants applicable under the credit agreements during 2020. See Going Concern Considerations section in Note 1.

CONSOLIDATED MORTGAGE LOANS Our consolidated mortgage loans, which are secured by 10 of our consolidated properties, are due in installments over various terms extending to the year 2025. Seven 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 4.08% at December 31, 2019. Three of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 3.94% at December 31, 2019.

The weighted average interest rate of all consolidated mortgage loans was 4.04% at December 31, 2019. 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 consolidated mortgage loans of our consolidated properties as of December 31, 2019:

(in thousands of dollars) For the Year Ending December 31,	Principal Amortization	Balloon Payments	Total
2020	\$ 16,266	\$ 27,161	\$ 43,427
2021	17,862	188,785	206,647
2022	13,463	355,988	369,451
2023	6,584	53,299	59,883
2024	6,405	—	6,405
2025 and thereafter	4,406	211,346	215,752
Total principal payments	\$64,986	\$836,579	\$ 901,565
Less: Unamortized debt issuance costs			1,812
Carrying value of mortgage notes payable			\$ 899,753

The estimated fair values of our consolidated mortgage loans based on year-end interest rates and market conditions at December 31, 2019 and 2018 are as follows:

(in millions of dollars)	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Consolidated mortgage loans ⁽¹⁾	\$899.8	\$873.9	\$1,047.9	\$1,002.3

⁽¹⁾ The carrying value of consolidated mortgage loans has been reduced by unamortized debt issuance costs of \$1.8 million and \$3.1 million as of December 31, 2019 and 2018, respectively.

The consolidated mortgage loans contain various customary default provisions. As of December 31, 2019, we were not in default on any of the consolidated mortgage loans.

MORTGAGE LOAN ACTIVITY The following table presents the mortgage loans we have entered into or extended since January 1, 2018 relating to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2018 Activity:				
January	Francis Scott Key ⁽¹⁾	\$ 68.5	LIBOR plus 2.60%	January 2022
February	Viewmont Mall ⁽²⁾	\$ 10.2	LIBOR plus 2.35%	March 2021

⁽¹⁾ The \$68.5 million mortgage loan's maturity date was extended to January 2022, and has a one-year extension option that would further extend the maturity date to January 2023.

⁽²⁾ In 2018, the mortgage was increased by \$10.2 million to \$67.2 million.

OTHER MORTGAGE LOAN ACTIVITY In March 2019, we defeased a \$58.5 million mortgage loan including accrued interest, secured by Capital City Mall in Camp Hill, Pennsylvania using funds from our 2018 Revolving Facility and the balance from available working capital. We recorded a loss on debt extinguishment of \$4.8 million in March 2019 in connection with this defeasance.

As discussed in Note 2, in September 2019, we conveyed Wyoming Valley Mall to the lender of the mortgage loan secured by the property. The loan had a balance of approximately \$72.8 million as of the conveyance on September 26, 2019. In connection with the conveyance, \$7.5 million of cash and escrow balances were transferred to the lender and we recorded a net gain on extinguishment of debt of \$29.6 million.

In April 2019, we received a notice from the servicer of the Cumberland Mall mortgage of a cash sweep event due to the failure of an anchor tenant to renew for a full term. We satisfied this requirement in August 2019.

We have a \$27.4 million mortgage, secured by Valley View Mall in La Crosse, Wisconsin, which matures in July 2020. Subsequent to December 31, 2019, we have commenced disposition discussions with the lender regarding the property.

5. Equity Offerings

PREFERRED SHARE OFFERINGS In January 2017, we issued 6,900,000 7.20% Series C Cumulative Redeemable Perpetual Preferred Shares (the "Series C Preferred Shares") in a public offering at \$25.00 per share. We received net proceeds from the offering of approximately \$166.3 million after deducting payment of the underwriting discount of \$5.4 million (\$0.7875 per Series C Preferred Share) and offering expenses of \$0.8 million. We used a portion of the net proceeds from this offering to repay all \$117.0 million of then-outstanding borrowings under the 2013 Revolving Facility.

In September and October 2017, we issued an aggregate of 5,000,000 6.875% Series D Cumulative Redeemable Perpetual Preferred Shares (the "Series D Preferred Shares") in a public offering at \$25.00 per share, including 200,000 shares that were issued pursuant to the underwriter's exercise of an over-allotment option. We received aggregate net proceeds from the offering of approximately \$120.5 million after deducting payment of the underwriting discount of \$4.0 million (\$0.7875 per Series D Preferred Share) and offering expenses of \$0.5 million. We used the net proceeds from the offering of our Series D Preferred Shares to redeem all of our then outstanding 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the "Series A Preferred Shares") and for general corporate purposes.

We may not redeem the Series C Preferred Shares and the Series D Preferred Shares before January 27, 2022 and September 15, 2022, 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 C Preferred Shares and Series D Preferred Shares. On and after January 27, 2022 for the Series C Preferred Shares and September 15, 2022 for the Series D Preferred Shares, we may redeem any or all of the Series C Preferred Shares or Series D Preferred Shares 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 C Preferred Shares or Series D 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 C Preferred Shares and Series D Preferred Shares have no stated maturity, are not subject to any sinking fund or mandatory redemption provisions, and will remain outstanding indefinitely unless we redeem or otherwise repurchase them or they are converted.

PREFERRED SHARE REDEMPTION On October 12, 2017 (the "Redemption Date"), we redeemed all 4,600,000 of its Series A Preferred Shares remaining issued and outstanding as of the Redemption Date, for \$115.0 million (the redemption price of \$25.00 per share) plus accrued and unpaid dividends of \$0.7 million (the amount equal to all accrued and unpaid dividends on the Series A Preferred Shares (whether or not declared) from September 15, 2017 up to but excluding the Redemption Date). The Series A Preferred Shares were initially issued in April 2012. As a result of this redemption, the \$4.1 million excess of the redemption price over the carrying amount of the Series A Preferred Shares was deducted from Net income (loss) attributed to PREIT common shareholders in the fourth quarter of 2017.

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 For derivatives that have been designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in "Accumulated other comprehensive income" and subsequently reclassified into "Interest expense, net" in the same periods during which the hedged transaction affects earnings. As of December 31, 2019, all of our outstanding derivatives were designated as cash flow hedges. 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."

During 2020, we estimate that \$2.7 million will be reclassified as an increase to interest expense in connection with derivatives. The recognition of these amounts could be accelerated in the event that we repay amounts outstanding on the debt instruments and do not replace them with new borrowings.

INTEREST RATE SWAPS As of December 31, 2019, we had interest rate swap agreements outstanding with a weighted average base interest rate of 1.86% on a notional amount of \$795.6 million, maturing on various dates through May 2023, and forward starting interest rate swap agree-

ments with a weighted average base interest rate of 2.75% on a notional amount of \$100.0 million, with effective dates in June 2020, and maturity dates in May 2023. 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. The interest rate swap agreements are net settled monthly.

The following table summarizes the terms and estimated fair values of our interest rate swap derivative instruments designated as cash flow hedges of interest rate risk at December 31, 2019 and 2018 based on the year they mature. 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.

Maturity Date	Aggregate Notional Value at December 31, 2019 (in millions of dollars)	Aggregate Fair Value at December 31, 2019 ⁽¹⁾ (in millions of dollars)	Aggregate Fair Value at December 31, 2018 (in millions of dollars)	Weighted Average Interest Rate
Interest Rate Swaps				
2020	\$ 100.0	\$ 0.2	\$ 1.9	1.23%
2021	495.6	(1.4)	8.1	1.66%
2022	—	—	—	—
2023	200.0	(7.3)	(0.4)	2.67%
Forward Starting Swaps				
2023	100.0	(3.4)	(2.6)	2.75%
Total	\$895.6	\$(11.9)	\$ 7.0	1.96%

⁽¹⁾ As of December 31, 2019 and 2018, derivative valuations in their entirety were classified in Level 2 of the fair value hierarchy and we did not have any significant recurring fair value measurements related to derivative instruments using significant unobservable inputs (Level 3).

The tables below present the effect of derivative financial instruments on accumulated other comprehensive income and on our consolidated statements of operations for the years ended December 31, 2019 and 2018:

(in millions of dollars)	Year Ended December 31,					
	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative Instruments			Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income Into Interest Expense		
	2019	2018	2017	2019	2018	2017
Derivatives in Cash Flow Hedging Relationships						
Interest rate products	\$(15.8)	\$(0.4)	\$4.0	\$(3.1)	\$2.4	\$ 2.3
				Year Ended December 31,		
				2019	2018	2017
Total interest expense presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded			\$ (64.0)	\$ (61.4)		\$ (58.4)
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense			\$ (3.1)	\$ 2.4		\$ 2.3

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 to be in default on our derivative obligations. As of December 31, 2019, 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, 2019, the fair value of derivatives in a liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was \$13.1 million. If we had breached any of the default provisions in these agreements as of December 31, 2019, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of \$12.4 million. We had not breached any of these provisions as of December 31, 2019.

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 \$0.9 million, \$0.9 million, and \$0.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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 \$0.2 million, \$0.2 million, and \$0.3 million for the years ended December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017, approximately 44,000, 31,000, and 38,000 shares, respectively, were purchased for total consideration of \$0.2 million, \$0.2 million, and \$0.4 million, respectively. We recorded expense of approximately \$48 thousand, \$43 thousand and \$0.1 million for the years ended December 31, 2019, 2018 and 2017, respectively, related to the share purchase plan.

8. Share Based Compensation

SHARE BASED COMPENSATION PLANS As of December 31, 2019, we make share based compensation awards using our 2018 Equity Incentive Plan, which is a share based compensation plan that was approved by our shareholders in 2018. Previously, we maintained six 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, 2019, 2018 and 2017, we recorded aggregate compensation expense for share based awards of \$7.0 million (including a net reversal of \$1.1 million of amortization relating to employee separation), \$6.9 million (including \$0.1 million of accelerated amortization relating to employee separation), and \$5.7 million (including a net reversal of \$0.2 million of amortization relating 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 the years ended December 31, 2019, 2018 and 2017, we capitalized compensation costs related to share based awards of \$0.2 million, \$0.1 million, and \$0.1 million, respectively.

2018 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 2018 Equity Incentive Plan (pursuant to options, restricted shares, shares issuable pursuant to current or future RSU Programs, or otherwise) was 1,145,956 as of December 31, 2019. The share based awards described in this footnote were made under the 2003 Equity Incentive Plan and the 2018 Equity Incentive Plan.

RESTRICTED SHARES SUBJECT TO TIME BASED VESTING The aggregate fair value of the restricted shares that we granted to our employees and non-employee trustees in 2019, 2018 and 2017 was \$5.6 million, \$5.1 million, and \$4.8 million, respectively, based on the share price on the date of the grant. As of December 31, 2019, there was \$4.3 million of total unrecognized compensation cost related to unvested share based compensation arrangements granted under the 2003 Equity Incentive Plan and the 2018 Equity Incentive Plan. The cost is expected to be recognized over a weighted average period of 0.8 years.

A summary of the status of our unvested restricted shares as of December 31, 2019 and changes during the years ended December 31, 2019, 2018 and 2017 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2017	386,412	\$ 21.88
Shares granted	336,296	14.95
Shares vested	(238,859)	19.56
Shares forfeited	(34,427)	18.00
December 31, 2017	449,422	16.85
Shares granted	461,395	11.02
Shares vested	(260,178)	16.58
Shares forfeited	(29,241)	14.17
December 31, 2018	621,398	13.29
Shares granted	798,370	7.04
Shares vested	(349,533)	13.14
Shares forfeited	(131,971)	8.75
December 31, 2019	938,264	\$ 8.67

RESTRICTED SHARES AWARDED TO EMPLOYEES In 2019, 2018 and 2017, 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 remains 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 683,570, 392,697, and 245,950 restricted shares subject to time based vesting to our employees in 2019, 2018 and 2017, respectively. The weighted average grant date fair values of time based restricted shares was \$7.15 per share in 2019, \$10.99 per share in 2018, and \$16.43 per share in 2017. The aggregate fair value of the restricted shares granted in 2019, 2018, and 2017 were \$4.9 million, \$4.3 million, and \$4.0 million, respectively. Compensation cost relating to time based restricted share awards is recorded ratably over the respective vesting periods. We recorded \$3.7 million (including a net reversal of \$0.2 million of accelerated amortization relating to employee separation), \$4.3 million (including \$0.1 million of accelerated amortization relating to employee separation) and \$3.9 million (including \$0.2 million of accelerated amortization relating to employee separation) of compensation expense related to time based restricted shares for the years ended December 31, 2019, 2018 and 2017, respectively. The total fair value of shares vested during the years ended December 31, 2019, 2018 and 2017 was \$3.8 million, \$2.0 million, and \$3.9 million, respectively.

On February 24, 2020, the Company granted 1,093,292 time-based restricted shares to employees that vest over periods of two to three years in annual installments.

OUTPERFORMANCE UNITS (“OPUS”) AWARDED TO EMPLOYEES

Of the time-based restricted shares granted to employees in 2019 described above, 517,783 have Outperformance Units (“OPUs”) attached to them. The OPUs will entitle the employees to receive additional shares tied to a multiple of the employee’s time-based restricted share award if the Company achieves certain specified operating performance metrics measured over a three-year period. If any shares are issued in respect of the OPUs at the end of the three-year measurement period, 50% will vest immediately, 25% will be subject to an additional one-year vesting requirement, and 25% will be subject to an additional two-year vesting requirement. Dividend equivalents on the common shares will accrue on any awarded OPUs and are credited to “acquire” more OPUs for the account of the employee at the 20-day average closing price per common share ending on the dividend payment date, but will vest only if performance measures are achieved. We recorded \$0.8 million (including a net reversal of \$0.1 million of accelerated amortization relating to employee separation) of compensation expense related to OPUs for the year ended December 31, 2019.

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. The awarded shares vest over a one-year period. These annual awards have been made under the 2003 Equity Incentive Plan and the 2018 Equity Incentive Plan. We granted a total of 114,800, 68,698, and 64,358 restricted shares subject to time based vesting to our non-employee trustees in 2019, 2018, and 2017, respectively. The weighted average grant date fair values of time based restricted shares was \$6.35 per share in 2019, \$11.17 per share in 2018, and \$11.45 per share in 2017. The aggregate fair

value of the restricted shares granted in 2019, 2018 and 2017 were \$0.7 million, \$0.8 million, \$0.7 million, respectively, based on the share price on the date of the grant. Compensation cost relating to time based restricted share awards is recorded ratably over the respective vesting periods. We recorded \$0.7 million, \$0.5 million, and \$0.5 million of compensation expense related to time based vesting of non-employee trustee restricted share awards in 2019, 2018 and 2017, respectively. As of December 31, 2019, there was \$0.3 million of total unrecognized compensation expense related to unvested restricted share grants to non-employee trustees. The total fair value of shares granted to non-employee trustees that vested was \$0.8 million, \$0.6 million, and \$0.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. In 2020, we will record compensation expense of \$0.3 million in connection with the amortization of existing non-employee trustee restricted share awards.

We will record future compensation expense in connection with the vesting of existing time based restricted share awards to employees and non-employee trustees as follows:

(in thousands of dollars) For the Year Ending December 31,	Future Compensation Expense		
	Employees	Non-Employee Trustees	Total
2020	\$ 2,527	\$ 284	\$ 2,811
2021	1,352	—	1,352
2022	150	—	150
2023	—	—	—
Total	\$4,029	\$ 284	\$4,313

RESTRICTED SHARE UNIT PROGRAMS In 2019, 2018, 2017, 2016 and 2015, our Board of Trustees established the 2019-2021 RSU Program, 2018-2020 RSU Program, 2017-2019 RSU Program, 2016-2018 RSU Program, and the 2015-2017 RSU Program, respectively (collectively, 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”). In both 2019 and 2018, only one half of the awarded RSUs were tied to our relative total return to shareholders compared to the Index REITs, with the other half of the RSUs being tied to our absolute level of total return to shareholders. 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 2019, 2018 and 2017 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 2019, 2018 and 2017 by grant date:

(in thousands of dollars, except per share data)	RSUs and assumptions by Grant Date				
	January 29, 2019	January 19, 2018		February 27, 2017	
Grant Date:					
Measurement Basis:	Absolute TSR RSUs	Relative TSR RSUs	Absolute TSR RSUs	Relative TSR RSUs	Relative TSR RSUs
RSUs granted	210,193	210,193	115,614	115,614	140,490
Aggregate fair value of shares granted	\$ 1,550	\$ 1,890	\$ 1,336	\$ 1,779	\$ 1,620
Weighted average fair value per share	\$ 7.38	\$ 8.99	\$ 10.93	\$ 14.56	\$ 11.53
40.3%	40.3%	40.3%	31.6%	31.6%	25.8%
Risk free interest rate	2.58%	2.58%	2.19%	2.19%	1.42%
PREIT Stock Beta compared to Dow Jones US Real Estate Index ⁽¹⁾	N/A	N/A	N/A	N/A	0.706

⁽¹⁾ 2019 and 2018's RSU Award valuations used a matrix approach, where the correlation was calculated between PREIT and each of its peers and each peer against all other peers.

Compensation cost relating to the RSU awards is expensed ratably over the applicable three year vesting period. We recorded \$1.8 million (including a reversal of \$0.8 million of accelerated amortization relating to employee separation), \$2.1 million, and \$1.3 million (including a reversal of \$0.4 million of accelerated amortization relating to employee separation) of compensation expense related to the RSU Programs for the years ended December 31, 2019, 2018 and 2017, respectively. We will record future aggregate compensation expense of \$2.8 million related to the existing awards under the RSU Programs.

For the years ended December 31, 2019, 2018 and 2017, no shares were issued from the 2017-2019, 2016-2018, and 2015-2017 RSU programs because the required criteria were not met.

On February 24, 2020, the Board of Trustees established the 2020-2022 Equity Award program, and the Company granted 709,943 RSUs to employees (the "2020 RSUs"). The 2020 RSUs have a three-year measurement period that ends on December 31, 2022 or a shorter period ending upon the change in control of the Company. The 2020 RSUs represent the right to receive common shares in the future depending on the Company's performance in the achievement of operating performance measures and a modification based on total return to shareholders. The preliminary number of common shares to be issued by the Company with respect to the 2020 RSUs awarded is based on a multiple determined by achievement of certain specified operating performance measures during the applicable Measurement Period. These performance measures, the three-year core mall non-anchor occupancy and the three-year fixed charge coverage ratio, are each weighted 50%. The preliminary number of common shares to be issued by the Company as determined under the operating performance goals will be adjusted, upwards or downwards, depending on the Company's total return to shareholders, as defined, for the applicable Measurement Period relative to the performance of other real estate investment trusts comprising a leading index of retail real estate investment trusts. Unlike the RSUs awarded in 2018 and 2019, the number of shares that may be issued with respect to the 2020 RSUs are not dependent on any absolute level of total return to shareholders.

9. Leases

As discussed in Note 1, we adopted ASC 842, the new lease accounting standard, effective January 1, 2019.

AS LESSEE We have entered into ground leases for portions of the land at Springfield Town Center and Plymouth Meeting Mall. We have also entered into an office lease for our headquarters location, as well as vehicle, solar panel and equipment leases as a lessee. The initial terms of these agreements generally range from three to 40 years, with certain agreements containing extension options for up to an additional 60 years. As of December 31, 2019, we included only those renewal options we were reasonably certain of exercising. Upon lease execution, the Company measures a liability for the present value of future lease payments over the noncancellable period of the lease and any renewal option period we are reasonably certain of exercising. Certain agreements require that we pay a portion of reimbursable expenses such as CAM, utilities, insurance and real estate taxes. These payments are not included in the calculation of the lease liability and are presented as variable lease costs.

We applied judgments related to the determination of the discount rates used to calculate the lease liability upon adoption at January 1, 2019. In order to calculate our incremental borrowing rate under ASC 842, we utilized judgments and estimates regarding our implied credit rating using market data and made other adjustments to determine an appropriate incremental borrowing rate as of January 1, 2019.

The following table presents additional information pertaining to the Company's leases:

(in thousand of dollars)	For the Year Ended December 31, 2019			Total
	Solar Panel Leases	Ground Leases	Office, equipment, and vehicle leases	
Finance lease cost:				
Amortization of right-of-use assets	\$ 750	\$ —	\$ —	\$ 750
Interest on lease liabilities	294	—	—	294
Operating lease costs	—	1,583	1,932	3,515
Variable lease costs	—	165	457	622
Total lease costs	\$1,044	\$1,748	\$2,389	\$5,181

Other information related to leases as of and for the year ended December 31, 2019 is as follows:

(in thousand of dollars)	
Cash paid for the amounts included in the measurement of lease liabilities	
Operating cash flows used for finance leases	\$ 294
Operating cash flows used for operating leases	\$ 2,205
Financing cash flows used for finance leases	\$ 632
Weighted average remaining lease term-finance leases (months)	99
Weighted average remaining lease term-operating leases (months)	306
Weighted average discount rate-finance leases	4.42%
Weighted average discount rate-operating leases	6.42%

Future payments against lease liabilities as of December 31, 2019 are as follows:

(in thousand of dollars)	Finance leases	Operating leases	Total
2020	\$ 925	\$ 2,237	\$ 3,162
2021	925	2,730	3,655
2022	925	2,538	3,463
2023	925	2,485	3,410
2024	925	2,373	3,298
Thereafter	2,999	46,853	49,852
Total undiscounted lease payments	7,624	59,216	66,840
Less imputed interest	(1,242)	(28,965)	(30,207)
Total lease liabilities	\$6,382	\$30,251	\$36,633

Future minimum lease payments under these agreements as of December 31, 2018 were as follows:

(in thousand of dollars)	Finance leases	Operating leases	Total
Year ending December 31,			
2019	\$ 925	\$ 3,264	\$ 4,189
2020	925	2,237	3,162
2021	925	2,730	3,655
2022	925	2,538	3,463
2023	925	2,485	3,410
Thereafter	3,923	49,226	53,149
	\$8,548	\$62,480	\$71,028

AS LESSOR As of December 31, 2019, the fixed contractual lease payments, including minimum rents and fixed CAM amounts, to be received over the next five years pursuant to the terms of noncancellable operating leases with initial terms greater than one year are included in the table below. The amounts presented assume that no leases are renewed and no renewal options are exercised. Additionally, the table does not include variable lease payments that may be received under certain leases for percentage rents or the reimbursement of operating costs, such as common area expenses, utilities, insurance and real estate taxes. These variable lease payments are recognized in the period when the applicable expenditures are incurred or, in the case of percentage rents, when the sales data is made available.

(in thousands of dollars)
For the Year Ending December 31,

2020	\$	205,574
2021		187,241
2022		168,671
2023		149,296
2024		127,355
2025 and thereafter		386,280
		\$1,224,417

10. Related Party Transactions

OFFICE LEASES During 2019, we leased our principal executive offices from Bellevue Associates, an entity that is owned by Ronald Rubin, one of our former trustees, collectively with members of his immediate family and affiliated entities. Total rent expense under this lease was \$1.7 million, \$1.3 million, and \$1.3 million for the years ended December 31, 2019, 2018 and 2017, respectively. This lease terminated in December 2019.

In December 2018, we entered into a lease for new office space at One Commerce Square, which is located at 2005 Market Street, Philadelphia, Pennsylvania, with Brandywine Realty Trust. Our lead independent trustee is also a Trustee of Brandywine Realty Trust. The lease commenced in December 2019 and we moved into our new offices at One Commerce Square in January 2020.

EMPLOYEE HEALTH INSURANCE We purchase healthcare benefits for our employees through Independence Blue Cross (“IBX”). Our lead independent trustee became chairman of the board of directors of IBX during 2018. We paid total insurance healthcare premiums of \$2.5 million to IBX during 2019 and \$2.7 million during 2018.

11. Commitments and Contingencies

CONTRACTUAL OBLIGATIONS As of December 31, 2019, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of \$75.2 million, including \$33.1 million of commitments related to the redevelopment of Fashion District Philadelphia, in the form of tenant allowances and contracts with general service providers and other professional service providers. For the purposes of this disclosure, the contractual obligations and other commitments related to Fashion District Philadelphia are included at 100% of the obligation and not at our 50% ownership share. In addition, our operating partnership, PREIT Associates, has jointly and severally guaranteed the obligations of the joint venture we formed with Macerich to develop Fashion District Philadelphia to commence and complete a comprehensive rede-

velopment of that property costing not less than \$300.0 million within 48 months after commencement of construction, which was March 14, 2016. As of December 31, 2019, we expect to meet this obligation.

EMPLOYMENT AGREEMENTS One officer of the Company currently has employment agreements with terms that renew automatically each year for additional one-year terms. This employment agreement provided for aggregate base compensation for the year ended December 31, 2019 of \$0.9 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.

A former officer, the Executive Vice President and Chief Financial Officer, executed a Separation of Employment Agreement (the “Separation Agreement”) with the Company on December 23, 2019. Consistent with the officer’s amended and restated employment agreement dated as of December 30, 2008 (together with the May 6, 2009 Amendment thereto) as modified in certain respects by the Separation Agreement, the officer has been paid amounts that were fully earned but not yet paid on or before the last day of full-time employment, in addition to a payment equal to two times the current base salary and a payment equal to two times the average bonus amount in the last three calendar years. The officer may continue to participate in the Company’s benefit plans for eighteen months. The officer will also be paid the supplemental retirement plan account balance, as required by the terms of the employment agreements and the nonqualified supplemental executive retirement agreement.

In March 2020, the Company entered into an employment agreement with Mario C. Ventresca, Jr., its Executive Vice President and Chief Financial Officer.

PROVISION FOR EMPLOYEE SEPARATION EXPENSE We recorded \$3.7 million, \$1.1 million and \$1.3 million of employee separation expense during the years ended December 31, 2019, 2018 and 2017, respectively, in connection with the termination of certain employees. As of December 31, 2019, \$3.5 million of these amounts was accrued and unpaid.

PROPERTY DAMAGE FROM NATURAL DISASTER During September 2018, Jacksonville Mall in Jacksonville, North Carolina incurred property damage and an interruption of business operations as a result of Hurricane Florence. The property was closed for business during and immediately after the natural disaster, however, significant remediation efforts were quickly undertaken and the mall was reopened shortly thereafter.

During the year ended December 31, 2019, we recorded net recoveries of \$4.4 million. These net recoveries primarily relate to remediation expenses and business interruption claims. \$0.5 million of the recoveries received relate to business interruption.

During the year ended December 31, 2018, we recorded net recoveries, of approximately \$0.7 million. This amount consisted of combined estimated property impairment and remediation losses of \$2.3 million, offset by a corresponding insurance claim recovery of \$3.0 million.

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.

TAX PROTECTION AGREEMENTS There were no tax protection agreements in effect as of December 31, 2019.

12. Historic Tax Credits

In the second quarter of 2012, we closed a transaction with a Counterparty (the “Counterparty”) related to the historic rehabilitation of an office building located at 801 Market Street in Philadelphia, Pennsylvania (the “Project”). In December 2018, the historic tax credit arrangement ended when the

Counterparty exercised its put option and the Project paid a total of \$1.0 million, comprised of \$0.9 million in exchange for the Counterparty’s ownership interest and an additional \$0.1 million in accrued priority returns for 2018.

The tax credits received by the Counterparty were subject to five year credit recapture periods that ended in 2018. Our obligation to the Counterparty with respect to the tax credits was ratably relieved annually each year. In each of the third quarters of 2018 and 2017, we recognized \$1.0 million and \$1.9 million, respectively, as “Other income” in the consolidated statements of operations.

We also recorded \$0.2 million of priority returns earned by the Counterparty during each of the third quarters of 2018 and 2017, respectively.

In aggregate, we recorded \$0.8 million and \$1.8 million in net income to “Other income” in the consolidated statements of operations in connection with the Project during the years ended December 31, 2018 and 2017, respectively.

13. Summary of Quarterly Results (Unaudited)

The following presents a summary of the unaudited quarterly financial information for the years ended December 31, 2019 and 2018:

(in thousands of dollars, except per share amounts)

For the Year Ended December 31, 2019	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
Total revenue	\$ 85,305	\$ 81,392	\$ 81,374	\$ 88,721	\$ 336,792
Net income (loss) ⁽²⁾⁽³⁾	(16,223)	(6,080)	24,716	(15,413)	(13,000)
Net income (loss) attributable to PREIT ⁽²⁾⁽³⁾⁽⁴⁾	(14,535)	(5,751)	24,262	(14,848)	(10,872)
Basic and diluted earnings (loss) per share ⁽⁴⁾	(0.30)	(0.17)	0.22	(0.29)	(0.52)

(in thousands of dollars, except per share amounts)

For the Year Ended December 31, 2018	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter ⁽¹⁾	Total
Total revenue	\$ 86,282	\$ 91,973	\$ 88,103	\$ 96,042	\$ 362,400
Net loss ⁽²⁾⁽³⁾	(3,712)	(32,321)	(1,636)	(88,834)	(126,503)
Net loss attributable to PREIT ⁽²⁾⁽³⁾⁽⁴⁾	(2,601)	(28,201)	(745)	(78,782)	(110,329)
Basic and diluted loss per share ⁽⁴⁾	(0.14)	(0.50)	(0.11)	(1.23)	(1.98)

⁽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.

⁽²⁾ Includes impairment losses of \$1.5 million (1st Quarter 2019), \$3.5 million (4th Quarter 2019), \$34.2 million (2nd Quarter 2018), and \$103.2 million (4th Quarter 2018).

⁽³⁾ Includes gain on sales of real estate by equity method investee of \$0.6 million (1st Quarter 2019) and \$2.8 million (1st Quarter 2018), gain on sales of real estate \$1.5 million (2nd Quarter 2019), \$1.2 million (3rd Quarter 2019), \$0.1 million (4th Quarter 2019), \$0.7 million (2nd Quarter 2018) and \$0.8 million (4th Quarter 2018) and gain on sales of interests in non operating real estate of \$2.7 million (4th Quarter 2019) and \$8.1 million (4th Quarter 2018).

⁽⁴⁾ Certain prior period amounts for net income (loss) attributable to PREIT common shareholders, basic and diluted earnings per share, noncontrolling interest, total equity - PREIT and cash flow amounts were adjusted to reflect immaterial financial statement error corrections and new accounting rules as discussed in Note 1 to our consolidated financial statements.

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;
- (2) 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
- (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 consolidated financial statements.

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, 2019, 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 49 in this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees Pennsylvania Real Estate Investment Trust:

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS We have audited the accompanying consolidated balance sheets of Pennsylvania Real Estate Investment Trust and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 13, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

GOING CONCERN The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, in the event the Company does not meet certain covenants applicable under its credit agreements during 2020 the Company's liquidity would not be sufficient to meet its obligations within one year of the date of issuance of the financial statements, which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CHANGE IN ACCOUNTING PRINCIPLE As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842, Leases.

BASIS FOR OPINION These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our

audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion. audits provide a reasonable basis for our opinion.

/S/ KPMG LLP

We have served as the Company's auditor since 2002.

Philadelphia, Pennsylvania
March 13, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees Pennsylvania Real Estate Investment Trust:

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING We have audited Pennsylvania Real Estate Investment Trust and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated March 13, 2020 expressed an unqualified opinion on those consolidated financial statements.

BASIS FOR OPINION The Company'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 the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING 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.

/S/ KPMG LLP

Philadelphia, Pennsylvania
March 13, 2020

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

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.

We currently own interests in 26 retail properties, of which 25 are operating properties and one is a development property. The 25 operating properties include 21 shopping malls and four other retail properties, have a total of 20.1 million square feet and are located in nine states. We and partnerships in which we hold an interest own 15.7 million square feet at these properties (excluding space owned by anchors or third parties).

There are 18 operating retail properties in our portfolio that we consolidate for financial reporting purposes. These consolidated properties have a total of 15.2 million square feet, of which we own 12.1 million square feet. The seven operating retail properties that are owned by unconsolidated partnerships with third parties have a total of 4.9 million square feet of which 3.6 million square feet are owned by such partnerships. When we refer to "Same Store" properties, we are referring to properties that have been owned for the full periods presented and exclude properties acquired, disposed of, under redevelopment or designated as a non-core property during the periods presented. Core properties include all operating retail properties except for Exton Square Mall, Valley View Mall and Fashion District Philadelphia. "Core Malls" also excludes these properties as well as power centers and Gloucester Premium Outlets. Wyoming Valley Mall was conveyed to the lender of the mortgage loan secured by that property in September 2019.

We have one property in our portfolio that is classified as under development; however, we do not currently have any activity occurring at this property.

Fashion District Philadelphia opened on September 19, 2019. Fashion District Philadelphia is an aggregation of properties spanning three blocks in downtown Philadelphia that were formerly known as Gallery I, Gallery II and 907 Market Street. Joining Century 21 and Burlington in 2019 were multiple dining and entertainment venues including Market Eats, a multi offering food court, City Winery, AMC Theatres, and Round 1 Bowling & Amusement. In addition, Nike Factory Store, Ulta, and H & M, opened Philadelphia flagship stores at the property. Through December 31, 2019 we had incurred costs of \$175.4 million relating to our share of the development costs of the project.

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.

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 loss decreased by \$113.5 million to a net loss of \$13 million for the year ended December 31, 2019 from a net loss of \$126.5 million for the year ended December 31, 2018. The change in our 2019 results of operations was primarily due to lower impairment losses in 2019, a gain on debt extinguishment in 2019, partially offset by a \$6.7 million decrease in same store lease termination revenue and a \$7.6 million decrease in non same store net operating income due to four anchor store closings during 2018 and 2019 and associated co-tenancy concessions, as well as a decrease in lease revenue at Exton Square Mall due to the sale of an outparcel in 2019.

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, 2019, held a 97.5% controlling interest in the Operating Partnership, and consolidated it for reporting purposes. We hold our investments in seven of the 25 operating retail properties and the one development property in our portfolio through unconsolidated partnerships with third parties in which we own a 25% to 50% interest.

ACQUISITIONS AND DISPOSITIONS See note 2 to our consolidated financial statements for a description of our dispositions and acquisitions in 2019, 2018 and 2017.

CURRENT ECONOMIC CONDITIONS AND OUR NEAR TERM CAPITAL NEEDS Conditions in the economy have caused fluctuations and variations in business and consumer confidence, retail sales, and consumer spending on retail goods. Further, traditional mall tenants, including department store anchors and smaller format retail tenants face significant challenges resulting from changing consumer expectations, the convenience of e-commerce shopping, competition from fast fashion retailers, the expansion of outlet centers, and declining mall traffic, among other factors. In recent years, there has been an increased level of tenant bankruptcies and store closings by tenants who have been significantly impacted by these factors.

The table below sets forth information related to our tenants in bankruptcy for our consolidated and unconsolidated properties (excluding tenants in bankruptcy at sold properties):

Year	Pre-bankruptcy				Units Closed		
	Number of Tenants ⁽¹⁾	Number of locations impacted	GLA ⁽²⁾	PREIT's Share of Annualized Gross Rent ⁽³⁾ (in thousands)	Number of locations closed	GLA ⁽²⁾	PREIT's Share of Annualized Gross Rent ⁽³⁾ (in thousands)
2019							
Consolidated properties	9	71	400,516	\$14,656	63	242,742	\$ 9,480
Unconsolidated properties	8	14	56,030	1,481	8	32,024	915
Total	11	85	456,546	\$16,137	71	274,766	\$10,395
2018							
Consolidated properties	10	43	1,221,433	\$ 7,072	4	265,399	\$ 1,549
Unconsolidated properties	3	5	14,977	402	–	–	–
Total	10	48	1,236,410	\$ 7,474	4	265,399	\$ 1,549

⁽¹⁾ Total represents unique tenants and includes both tenant-owned and landlord-owned stores.

⁽²⁾ Gross Leasable Area ("GLA") in square feet.

⁽³⁾ Includes our share of tenant gross rent from partnership properties based on PREIT's ownership percentage in the respective equity method investments as of December 31, 2019.

ANCHOR REPLACEMENTS In recent years, through property dispositions, proactive store recaptures, lease terminations and other activities, we have made efforts to reduce our risks associated with certain department store concentrations. In December 2016, we acquired the Sears property at Woodland Mall and recaptured the Sears premises at Capital City Mall and Magnolia Mall in 2017. We purchased the Macy's locations at Moorestown Mall, Valley View Mall and Valley Mall locations. We entered into a ground lease for the land associated with the Macy's store located at the Plymouth Meeting Mall in 2017, and executed leases with replacement tenants for that location in 2018.

During 2019, we re-opened or introduced additional tenants to former anchor positions at Woodland Mall in Grand Rapids, Michigan, Valley Mall in Hagerstown, Maryland and Plymouth Meeting Mall, in Plymouth Meeting, Pennsylvania. We opened Von Maur and Urban Outfitters, on a site formerly occupied by Sears at Woodland Mall and in-line lease-up continues. At Valley Mall, we opened Onelife Fitness in February to complete the former Macy's redevelopment and during the year we signed a lease with Dick's Sporting Goods to occupy the former Sears store at the property. Dick's Sporting Goods is expected to open in the first quarter of 2020.

At Plymouth Meeting Mall, we opened Burlington, Dick's Sporting Goods, Edge Fitness and Miller's Ale House in the former Macy's location, and the last tenant, Michael's, opened in the first quarter of 2020. We opened Sierra Trading at Moorestown Mall in Moorestown, New Jersey in 2019 and Michael's opened in the first quarter of 2020.

Construction is underway to open Burlington in place of a former Sears at Dartmouth Mall in Dartmouth, Massachusetts. We are also moving forward with several outparcels at Dartmouth Mall resulting from the Sears recapture and working with large format prospects for space adjacent to Burlington.

We currently have three vacant anchor positions at Valley View Mall in La Crosse, Wisconsin and during 2019 an additional anchor, Sears, closed at Exton Square Mall in Exton, Pennsylvania. In January 2020, the Lord & Taylor store at Moorestown Mall in Moorestown, New Jersey closed and we are working with several retail and entertainment prospects to fill the space. We have been notified by Sears that it plans to close stores at Moorestown Mall in Moorestown, New Jersey and Jacksonville Mall in Jacksonville, North Carolina. Sears continues to be financially obligated pursuant to the leases at these locations.

The table below sets forth information related to our anchor replacement program:

Property	Former Anchors	GLA (in '000's)	Date Closed	Decommission on Date	Replacement Tenant(s)	GLA (in '000's)	Actual/Targeted Occupancy Date
Completed:							
Magnolia Mall	Sears	91	Q1 17	Q2 17	Burlington HomeGoods Five Below	46 22 8	Q3 17 Q2 18 Q2 18
Moorestown Mall	Macy's	200	Q1 17	Q2 17	HomeSense Five Below Sierra Trading Post Michael's	28 9 19 25	Q3 18 Q4 18 Q1 19 Q1 20
Valley Mall	Macy's	120	Q1 16	Q4 17	Tilt Studio One Life Fitness	48 70	Q3 18 Q3 18
	Bon-Ton	123	Q1 18	Q1 18	Belk	123	Q4 18
Willow Grove Park	JC Penney	125	Q3 17	Q1 18	Yard House	8	Q4 19
Woodland Mall	Sears	313	Q2 17	Q2 17	Black Rock Bar & Grille Von Maur Urban Outfitters Small shops	9 87 8 13	Q3 19 Q4 19 Q4 19 Q4 19
Plymouth Meeting Mall	Macy's ⁽¹⁾	215	Q1 17	Q2 17	Burlington Dick's Sporting Goods Miller's Ale House Edge Fitness Michael's	40 58 8 38 26	Q3 19 Q3 19 Q3 19 Q4 19 Q1 20
In Progress:							
Valley mall	Sears	123	Q3 17	Q3 18	Dick's Sporting Goods	59	Q1 20
Willow Grove Park	JC Penney	see above			Studio Movie Grille	49	Q2 20
Dartmouth mall	Sears	108	Q3 19	Q3 19	Burlington	44	Q1 20

¹⁾ Property is subject to a ground lease.

In response to anchor store closings and other trends in the retail space, we have been changing the mix of tenants at our properties. We have been reducing the percentage of traditional mall tenants and increasing the share of space dedicated to dining, entertainment, fast fashion, off price, and large format box tenants. Some of these changes may result in the redevelopment of all or a portion of our properties. See “—Capital Improvements, Redevelopment and Development Projects.”

To fund the capital necessary to replace anchors and to maintain a reasonable level of leverage, we expect to use a variety of means available to us, subject to and in accordance with the terms of our Credit Agreements. These steps might include (i) making additional borrowings under our Credit Agreements (assuming continued compliance with the financial covenants thereunder), (ii) obtaining construction loans on specific projects, (iii) selling properties or interests in properties with values in excess of their mortgage loans (if applicable) and applying the excess proceeds to fund capital expenditures or for debt reduction, (iv) obtaining capital from joint ventures or other partnerships or arrangements involving our contribution of assets with institutional investors, private equity investors or other REITs, or (v) obtaining equity capital, including through the issuance of common or preferred equity securities if market conditions are favorable, or through other actions.

CAPITAL IMPROVEMENTS, REDEVELOPMENT AND DEVELOPMENT PROJECTS 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 \$106.0 million as of December 31, 2019.

As of December 31, 2019, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects at our consolidated and unconsolidated properties of \$75.2 million, including \$33.1 million of commitments related to the redevelopment of Fashion District Philadelphia, in the form of tenant allowances and contracts with general service providers and other professional service providers. We expect to incur approximately \$25.0 million in incremental leasing costs during 2020.

In 2014, we entered into a 50/50 joint venture with The Macerich Company (“Macerich”) to redevelop Fashion District Philadelphia. As we redevelop Fashion District Philadelphia, operating results in the short term,

as measured by sales, occupancy, real estate revenue, property operating expenses, NOI and depreciation, will continue to be affected until the newly constructed space is completed, leased and occupied.

In January 2018, we along with Macerich, our partner in the Fashion District Philadelphia redevelopment project, entered into a \$250.0 million term loan (the “FDP Term Loan”). The initial term of the FDP Term Loan is five years, and bears interest at a variable rate of 2.00% over LIBOR. PREIT and Macerich secured the FDP Term Loan by pledging their respective equity interests of 50% each in the entities that own Fashion District Philadelphia. The entire \$250.0 million available under the FDP Term Loan was drawn during the first quarter of 2018, and we received an aggregate \$123.0 million as a distribution of our share of the draw in 2018. In July 2019, the FDP Term Loan was modified to increase the total maximum potential borrowings from \$250.0 million to \$350.0 million. A total of \$51.0 million was drawn during the third quarter of 2019 and we received aggregate distributions of \$25.0 million as our share of the draws.

We also own one development property, but we do not expect to make any significant investment at this property in the short term.

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 2019, 2018 and 2017, 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.

NEW ACCOUNTING DEVELOPMENTS See note 1 to our consolidated financial statements for descriptions of new accounting developments.

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, (ii) unaccrued contractual commitments related to our capital improvement and development projects at our consolidated and unconsolidated properties, and (iii) specifically with respect to our joint venture formed with Macerich to develop Fashion District Philadelphia, our operating partnership, PREIT Associates, has jointly and severally guaranteed the obligations of the joint venture to complete a comprehensive redevelopment of that property costing not less than \$300.0 million within 48 months after commencement of construction, which was March 14, 2016, and has severally guaranteed its 50% share of the FDP Term Loan (see note 3 to our consolidated financial statements), which currently has \$301.0 million outstanding (our share of which is \$150.5 million). If our Fashion District Philadelphia joint venture were unable to satisfy its obligations under the FDP Term Loan and we were required to satisfy its payment obligations under the guarantee, this could have a material impact on our liquidity and available capital resources. The FDP Term Loan balance will become due in 2023.

Results of Operations

OVERVIEW Net loss for the year ended December 31, 2019 was \$13.0 million, compared to a net loss for the year ended December 31, 2018 of \$126.5 million. The change in our 2019 results of operations was primarily due to impairment losses in 2018 that did not recur in 2019.

Net loss for the year ended December 31, 2018 was \$126.5 million, compared to a net loss for the year ended December 31, 2017 of \$32.8 million. The change in our 2018 results of operations was primarily due to increased impairment losses in 2018 as compared to 2017 and dilution from asset sales.

OCCUPANCY The tables below set forth certain occupancy statistics for our retail properties in total and our Core Malls as of December 31, 2019, 2018 and 2017:

	Occupancy ⁽¹⁾ as of December 31,								
	Consolidated Properties			Unconsolidated Properties			Combined ⁽²⁾		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Retail portfolio weighted average: ⁽³⁾									
Total excluding anchors	92.2%	93.5%	94.1%	89.8%	90.5%	92.2%	91.7%	92.6%	93.3%
Total including anchors	92.8%	94.7%	96.0%	91.7%	92.2%	93.6%	92.6%	92.7%	95.4%
Core Malls weighted average: ⁽⁴⁾									
Total excluding anchors	93.7%	94.3%	94.7%	86.2%	88.4%	90.2%	92.9%	93.6%	94.2%
Total including anchors	96.1%	96.5%	96.7%	90.6%	92.0%	93.3%	95.5%	96.0%	96.3%

⁽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.

⁽³⁾ Retail portfolio includes all retail properties excluding Fashion District Philadelphia because that property was under redevelopment until it opened in September 2019 and has not yet stabilized.

⁽⁴⁾ Core Malls excludes Fashion District Philadelphia, Exton Square Mall, Valley View Mall, Wyoming Valley Mall, power centers and Gloucester Premium Outlets.

From 2018 to 2019, total occupancy for our retail portfolio, including consolidated and unconsolidated properties (and including all tenants irrespective of the term of their agreement), decreased 10 basis points to 92.6%.

From 2018 to 2019, total occupancy for our Core Malls, including consolidated and unconsolidated properties, decreased 50 basis points to 95.5%.

LEASING ACTIVITY The table below sets forth summary leasing activity information with respect to our properties for the year ended December 31, 2019, including anchor and non-anchor space at consolidated and unconsolidated properties:

	Number	GLA	Term (in years)	Initial Rent psf	Previous Rent psf	Initial Gross Rent Spread ⁽¹⁾	Avg Rent Spread ⁽²⁾	Annualized Tenant Improvements psf ⁽³⁾
Non Anchor						\$	%	%
New Leases								
Under 10,000 sf	109	292,866	6.7	\$ 43.09	—	—	—	\$ 12.79
Over 10,000 sf	6	103,549	10.0	19.49	—	—	—	16.77
Total New Leases	115	396,415	7.6	\$36.92	—	—	—	14.17
Renewal Leases								
Under 10,000 sf	104	235,399	3.4	\$ 61.74	\$61.91	\$ (0.17)	(0.3)%	1.7%
Over 10,000 sf	14	250,555	3.7	15.95	15.22	0.73	4.8 %	5.3%
Total Fixed Rent	118	485,954	3.6	\$38.13	\$37.84	\$ 0.29	0.8 %	2.5%
Percentage in Lieu	73	301,245	2.4	28.12	41.02	(12.90)	(31.5)%	—
Total Renewal Leases⁽⁴⁾	191	787,199	3.1	\$34.30	\$39.05	\$ (4.75)	(12.2)%	—
Total Non Anchor⁽⁵⁾	306	1,183,614	4.6	\$35.18				
Anchor								
New Leases	1	43,840	10.0	\$ 16.50	—	—	—	\$ 12.11
Renewal Leases	8	807,083	3.7	3.78	\$ 4.35	(0.57)	(13.1)%	—
Total	9	850,923	4.0	\$ 4.44				

⁽¹⁾ Initial gross rent renewal spread is computed by comparing the initial rent per square foot in the new lease to the final rent per square foot amount in the expiring lease. For purposes of this computation, the rent amount includes minimum rent, common area maintenance ("CAM") reimbursements, estimated real estate tax reimbursements and marketing charges, but excludes percentage rent. In certain cases, a lower rent amount may be payable for a period of time until specified conditions in the lease are satisfied.

⁽²⁾ Average renewal spread is computed by comparing the average rent per square foot over the new lease term to the final rent per square foot amount in the expiring lease. For purposes of this computation, the rent amount includes minimum rent and fixed CAM reimbursements, but excludes pro rata CAM reimbursements, estimated real estate tax reimbursements, marketing charges and percentage rent.

⁽³⁾ These leasing costs are presented as annualized costs per square foot and are spread uniformly over the initial lease term.

⁽⁴⁾ Includes 3 leases and 64,131 square feet of GLA with respect to tenants whose leases were restructured and extended following a bankruptcy filing. Excluding these leases, the initial gross rent spreads were -8.7% for all non anchor leases.

⁽⁵⁾ Includes 30 leases and 144,384 square feet of GLA with respect to our unconsolidated partnerships. We own a 25% to 50% interest in each of our unconsolidated properties and do not control such properties. Our percentage ownership is not necessarily indicative of the legal and economic implications of our ownership interest. See "—NON-GAAP SUPPLEMENTAL FINANCIAL MEASURES" for further details on our ownership interests in our unconsolidated properties.

See "Item 2. Properties—Retail Lease Expiration Schedule - Anchors" and "Item 2. Properties—Retail Lease Expiration Schedule – Non-Anchors" for information regarding average minimum rent on expiring leases.

The following table sets forth our results of operations for the years ended December 31, 2019, 2018 and 2017:

(in thousands of dollars)	For the Year Ended December 31, 2019	% Change 2018 to 2019	For the Year Ended December 31, 2018	% Change 2017 to 2018	For the Year Ended December 31, 2017
Results of operations:					
Real estate revenue	\$ 334,958	(6)%	\$ 358,229	(1)%	\$ 361,524
Property operating expenses	(136,558)	3 %	(141,232)	1 %	(140,305)
Other income	1,834	(56)%	4,171	(30)%	5,966
Depreciation and amortization	(137,784)	4 %	(133,116)	3 %	(128,822)
General and administrative expenses	(46,010)	20 %	(38,342)	4 %	(36,736)
Provision for employee separation expenses	(3,689)	224 %	(1,139)	(12)%	(1,299)
Insurance recoveries, net	4,362	533 %	689	N/A	—
Project costs and other expenses	(284)	(59)%	(693)	(10)%	(768)
Interest expense, net	(63,987)	4 %	(61,355)	5 %	(58,430)
Gain on debt extinguishment, net	(24,859)	N/A	—	N/A	—
Impairment of assets	(1,455)	(99) %	(137,487)	146 %	(55,793)
Impairment of development land parcel	(3,562)	N/A	—	N/A	—
Equity in income of partnerships	8,289	(27)%	11,375	(21)%	14,367
Gain on sale of real estate by equity method investee	553	(80)%	2,722	(58)%	6,567
Gains (losses) on sales of interests in real estate, net	2,744	59 %	1,722	(6478)%	(27)
Gains on sales of non-operating real estate	2,718	67 %	8,126	540 %	1,270
Adjustment to gain on sales of interests in non operating real estate	12	105 %	(223)	(38)%	(362)
Net loss	\$ (13,000)	(90) %	\$ (126,503)	285 %	\$ (32,848)

The amounts in the preceding table reflect our consolidated properties and our unconsolidated properties. Our unconsolidated properties 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 Effective January 1, 2019, we adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASC 842") and related guidance using the optional transition method and elected to apply the provisions of the standard as of the adoption date rather than the earliest date presented. Prior period amounts were not restated. Since we adopted the practical expedient in ASC 842, which allows us to avoid separating lease (minimum rent) and non-lease rental income (common area maintenance and real estate tax reimbursements), all rental income earned pursuant to tenant leases is reflected as one line, "Lease revenue," in the consolidated statement of operations. Utility reimbursements are presented separately in "Expense reimbursements." We review the collectability of both billed and unbilled lease revenues each reporting period, taking into consideration the tenant's payment history, credit profile and other factors, including its operating performance. For any tenant receivable balances deemed to be uncollectible, under ASC 842 we record an offset for credit losses directly to Lease revenue in the consolidated statement of operations. Previously, under ASC 840, uncollectible tenants' receivables were reported in Other property operating expenses in the consolidated statement of operations.

The following table reports the breakdown of real estate revenues based on the terms of the lease contracts for the years ended December 31, 2019, 2018 and 2017:

(in thousand of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Contractual lease payments:			
Base rent	\$ 218,819	\$ 226,609	\$ 230,898
CAM reimbursement income	43,874	45,106	48,751
Real estate tax income	36,243	40,095	38,235
Percentage rent	4,704	4,291	4,366
Lease termination revenue	1,444	8,729	2,760
	<u>305,084</u>	<u>324,830</u>	<u>325,010</u>
Less: credit losses	(2,773)	—	—
Lease revenue	302,311	324,830	325,010
Expense reimbursements	19,979	21,322	22,468
Other real estate revenue	12,668	12,077	14,046
Total real estate revenue	\$ 334,958	\$ 358,229	\$ 361,524

REAL ESTATE REVENUE Real estate revenue decreased by \$23.3 million, or 6%, in 2019 as compared to 2018, primarily due to:

- a decrease of \$6.7 million in same store lease termination revenue, including \$8.1 million from the termination of leases with three tenants during 2018, partially offset by \$1.2 million received from three tenants during 2019;
- a decrease of \$6.1 million at non-same store properties Valley View Mall and Exton Square Mall due to three anchor store closings during 2018 and 2019 and associated co-tenancy concessions, as well as a decrease in lease revenue at Exton Square Mall due to the sale of an outparcel during the three months ended June 30, 2019;
- a decrease of \$4.5 million at Wyoming Valley Mall, which was conveyed to the lender of the mortgage loan secured by Wyoming Valley Mall on September 26, 2019;
- an increase of \$2.5 million in same store credit losses as a result of the adoption of ASC 842. Under ASC 840, such amounts were included in other property operating expenses and were \$2.1 million during 2018;
- a decrease of \$2.4 million in same store real estate tax reimbursements due to lower occupancy at some properties and rental concessions made to some tenants under which the terms of their leases were modified such that they no longer pay expense reimbursements, partially offset by an increase in real estate tax expense (see “—Property Operating Expenses”);
- a decrease of \$0.7 million in same store tenant utility reimbursements due to a combination of lower tenant usage and lower occupancy at some properties;
- a decrease of \$0.4 million in same store common area expense reimbursements, including an increase of \$2.5 million associated with the straight line recognition of fixed common area expense reimbursements effective January 1, 2019 in accordance with ASC 842. Excluding the impact of the straight line adjustment, same store common area reimbursements decreased by \$2.9 million due to lower occupancy at some properties and rental concessions made to some tenants under which the terms of their leases were modified such that they no longer pay expense reimbursements;
- a decrease of \$0.2 million in same store base rent due to a \$3.3 million decrease related to tenant bankruptcies during 2018 and 2019, partially offset by a \$3.1 million increase from net new store openings over the previous twelve months; and
- a decrease in same store partnership marketing revenue of \$0.2 million; partially offset by
- an increase of \$0.5 million in same store percentage rent, including a \$0.3 million increase from one tenant.

Real estate revenue decreased by \$3.3 million, or 1%, in 2018 as compared to 2017, primarily due to:

- a decrease of \$8.5 million in real estate revenue related to sold properties;
- a decrease of \$2.4 million in same store common area expense reimbursements, due to a decrease in common area expense (see “—Property Operating Expenses”), as well as lower occupancy at some properties and rental concessions made to some tenants under which the terms of their leases were modified such that they no longer pay expense reimbursements;
- a decrease of \$0.9 million in same store partnership marketing revenue;
- a decrease of \$0.6 million in same store utility reimbursements due to a decrease in tenant electric consumption, partially offset by an increase in tenant electric billing rates established by each state’s public utility

commission;

- a decrease of \$0.5 million at Wyoming Valley Mall due to two anchor store closings and associated co-tenancy concessions during 2018; and
- a decrease of \$0.2 million in same store marketing revenue; partially offset by
- an increase of \$6.0 million in same store lease termination revenue, including \$8.6 million from the termination of leases with three tenants during 2018, partially offset by \$2.4 million received from four tenants during 2017;
- an increase of \$2.3 million in same store real estate tax reimbursements, due to an increase in real estate tax expense (see “—Property Operating Expenses”), partially offset by lower occupancy at some properties and rental concessions made to some tenants under which the terms of their leases were modified such that they no longer pay expense reimbursements; and
- an increase of \$1.6 million in same store base rent due to \$3.4 million from net new store openings over the previous twelve months, partially offset by a \$1.0 million decrease related to tenant bankruptcies in 2017 and 2018, as well as a \$0.8 million decrease related to co-tenancy concessions due to anchor closings.

PROPERTY OPERATING EXPENSES Property operating expenses decreased by \$4.7 million, or 3%, in 2019 as compared to 2018, primarily due to:

- a decrease of \$2.1 million in same store credit losses as a result of the adoption of ASC 842. Under ASC 840, such amounts were included in other property operating expenses and were \$2.1 million during 2018;
- a decrease of \$1.7 million at Wyoming Valley Mall, which was conveyed to the lender of the mortgage loan secured by Wyoming Valley Mall on September 26, 2019;
- a decrease of \$1.4 million at non-same store properties Valley View Mall and Exton Square Mall primarily due to a decrease in real estate tax expense due to a lower tax assessment, a decrease in tenant electric expense and a decrease in credit losses as a result of the adoption of ASC 842. Under ASC 840 such amounts were included in other property operating expenses during 2018;
- a decrease of \$0.7 million in same store marketing expense; and
- a decrease of \$0.6 million in same store tenant utility expense due to a combination of lower tenant electric usage and electric rates; partially offset by
- an increase of \$1.3 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 \$0.5 million in same store common area maintenance expense, including increases of \$0.5 million in loss prevention expense and \$0.2 million in insurance expense, partially offset by a \$0.2 million decrease in snow removal expense.

Property operating expenses increased by \$0.9 million, or 1%, in 2018 as compared to 2017, primarily due to:

- an increase of \$6.7 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, as well as a successful real estate tax appeal at one of our properties resulting in lower real estate tax expense during 2017; and
- an increase of \$0.1 million in same store other property operating expenses, including a \$0.9 million increase in bad debt expense due

to increased reserves for bankruptcy and other troubled tenants and a \$0.2 million increase in non-reimbursable maintenance costs, partially offset by a \$1.0 million decrease in personnel costs; partially offset by

- a decrease of \$4.0 million in property operating expenses related to sold properties; and
- a decrease of \$1.8 million in same store common area maintenance expense, including a \$1.7 million decrease in housekeeping, maintenance and loss prevention expense due to negotiated rate reductions with the service providers and a \$1.2 million decrease in personnel costs, partially offset by a \$0.4 million increase in common area electric expense and a \$0.2 million increase in snow removal expense due to extremely cold temperatures during January 2018 and higher snow fall amounts across the Mid-Atlantic states, where many of our properties are located.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses increased by \$7.7 million, or 20%, in 2019 as compared to 2018, primarily due to certain internal leasing and legal costs that were previously capitalized under ASC 840 now being recorded as period costs under ASC 842 and included in general and administrative expenses. In 2018, we capitalized \$5.2 million of internal leasing and legal salaries and benefits. No such costs were capitalized in 2019.

General and administrative expenses increased by \$1.6 million, or 4%, in 2018 as compared to 2017, primarily due to increases in employee salaries, short-term incentive compensation expense and long-term deferred compensation amortization, as well as an increase in professional fee expense.

INSURANCE RECOVERIES, NET During the year ended December 31, 2019, we recorded net recoveries of approximately \$4.4 million. These net recoveries primarily relate to remediation expenses and business interruption claims. \$0.5 million of the recoveries received relate to business interruption.

During the year ended December 31, 2018, we recorded net recoveries of approximately \$0.7 million. This amount consisted of combined estimated property impairment and remediation losses of \$2.3 million, offset by a corresponding insurance claim recovery of \$3.0 million.

During September 2018, Jacksonville Mall in Jacksonville, North Carolina incurred property damage and an interruption of business operations as a result of Hurricane Florence. The property was closed for business during and immediately after the natural disaster, however, significant remediation efforts were quickly undertaken and the mall was reopened shortly thereafter. The net insurance proceeds described above primarily relate to this event.

IMPAIRMENT OF ASSETS During the years ended December 31, 2019, 2018, and 2017, we recorded impairment of assets of \$5.0 million, \$137.5 million, and \$55.8 million, respectively. The assets that incurred impairments and the amount of such impairments are as follows:

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Gainesville land	\$ 1,464	\$ 2,089	\$ 1,275
Woodland Mall	2,098	—	—
Exton Square Mall	—	73,218	—
Wyoming Valley Mall	—	32,177	—
Valley View Mall	1,408	14,294	15,521
Wiregrass Mall mortgage note receivable	—	8,122	—
New Garden Land	—	7,567	—
Logan Valley Mall	—	—	38,720
Sunrise land	—	—	226
Other	48	20	51
Total impairment of assets	\$5,018	\$137,487	\$55,793

See note 2 to our consolidated financial statements for a further discussion of impairment of assets.

INTEREST EXPENSE Interest expense increased by \$2.6 million, or 4%, in 2019 as compared to 2018 due to higher weighted average effective interest rates (4.31% in 2019 compared to 4.15% in 2018) and a higher weighted average debt balance (\$2,052.7 million in 2019 compared to \$1,624.6 million in 2018), partially offset by higher capitalized interest.

Interest expense increased by \$2.9 million, or 5%, in 2018 as compared to 2017 due to a decrease in capitalized interest and higher weighted average effective interest rates (4.15% in 2018 compared to 4.01% in 2017), partially offset by lower weighted average debt balance (\$1,624.6 million in 2018 compared to \$1,648.5 million in 2017).

DEPRECIATION AND AMORTIZATION Depreciation and amortization expense increased by \$4.7 million, or 4%, in 2019 as compared to 2018, primarily due to:

- an increase of \$10.8 million due to a higher asset base resulting from capital improvements related to new tenants at our same store properties, as well as accelerated amortization of capital improvements associated with store closings; partially offset by
- a decrease of \$3.9 million at two properties that have a lower asset base resulting from impairment charges during 2018; and
- a decrease of \$2.2 million at Wyoming Valley Mall due to a lower asset base resulting from an impairment charge during 2018, as well as the property being conveyed to the lender of the mortgage loan secured by the mall on September 26, 2019.

Depreciation and amortization expense increased by \$4.3 million, or 3%, in 2018 as compared to 2017, primarily because of:

- an increase of \$5.7 million due to a higher asset base resulting from capital improvements related to new tenants at our same store properties, as well as accelerated amortization of capital improvements associated with store closings; partially offset by
- a decrease of \$1.4 million related to sold properties.

EQUITY IN INCOME OF PARTNERSHIPS Equity in income of partnerships decreased by \$3.1 million, or 27%, in 2019 as compared to 2018. This decrease was primarily due to lower lease revenue in 2019 at Same Store properties.

Equity in income of partnerships decreased by \$3.0 million, or 21%, in 2018 as compared to 2017. This decrease was primarily due to unamortized below-market lease intangibles written off in 2017 related to Fashion District Philadelphia, partially offset by a \$1.6 million mortgage prepayment penalty incurred at Lehigh Valley Mall in 2017 that did not recur.

GAINS ON SALE OF REAL ESTATE BY EQUITY METHOD INVESTEE Gain on sale of real estate by equity method investee was \$0.5 million in 2019, which resulted from our 25% share of a \$2.0 million gain on the sale of a land parcel at Gloucester Premium Outlets in Blackwood, New Jersey recorded by a partnership in which we hold a 25% ownership interest.

Gain on sale of real estate by equity method investee was \$2.8 million in 2018, which resulted from our 50% share of a \$5.5 million gain on the sale of a condominium interest in 907 Market Street in Philadelphia, Pennsylvania recorded by a partnership in which we hold a 50% ownership interest.

Gain on sale of real estate by equity method investee was \$6.5 million in 2017, which resulted from our 50% share of \$13.1 million gain on the sale of a condominium interest in 801 Market Street in Philadelphia, Pennsylvania recorded by a partnership in which we hold a 50% ownership interest.

GAIN (LOSS) ON SALES OF REAL ESTATE, NET OF ADJUSTMENTS TO GAIN ON SALES Gain on sales of real estate was \$2.8 million in 2019, which was primarily due to a \$1.3 million gain on the sale of a Whole Foods store located on a parcel adjacent to Exton Square Mall, a \$0.2 million gain on the sale of an undeveloped land parcel located in New Garden Township, Pennsylvania, and a \$1.2 million gain on the sale of an outparcel located at Valley View Mall in La Crosse, Wisconsin.

Gain on sales of real estate was \$1.5 million in 2018, which was primarily due to a \$1.0 million gain on the sale of an outparcel on which two restaurants are located at Valley Mall in Hagerstown, Maryland and a \$0.7 million gain on the sale of an outparcel on which a restaurant is located at Magnolia Mall in Florence, South Carolina, partially offset by adjustment to gains from properties sold in prior periods.

Loss on sale of real estate in 2017 was \$0.4 million, which was primarily due to adjustments to gains of sales from properties sold in prior periods.

GAIN (LOSS) ON SALES OF REAL ESTATE, NET OF ADJUSTMENTS TO GAIN ON SALES Gain on sales of non-operating real estate was \$2.7 million in 2019, which was primarily due to a \$1.9 million gain from the sale of two parcels adjacent to Capital City Mall in Camp Hill, Pennsylvania and a \$0.7 million gain from the sale of a parcel adjacent to Magnolia Mall in Florence, South Carolina.

Gain on sales of non-operating real estate was \$8.1 million in 2018, which was primarily due to the sale of a parcel adjacent to Exton Square Mall in Exton, Pennsylvania.

NON-GAAP SUPPLEMENTAL FINANCIAL MEASURES

OVERVIEW The preceding discussion analyzes our financial condition and results of operations in accordance with generally accepted accounting principles, or GAAP, for the periods presented. We also use Net Operating Income (“NOI”) and Funds from Operations (“FFO”) which are non-GAAP financial measures, to supplement our analysis and discussion of our operating performance:

- 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. When we use and present NOI, we also do so on a same store (“Same Store NOI”) and non-same store (“Non Same Store NOI”) basis to differentiate between properties that we have owned for the full periods presented and properties acquired, sold or under redevelopment during those periods. Furthermore, our use and presentation of NOI combines NOI from our consolidated properties and NOI attributable to our share of unconsolidated properties in order to arrive at total NOI. We believe that this is also helpful information because it reflects the pro rata contribution from our unconsolidated properties that are owned through investments accounted for under GAAP as equity in income of partnerships. See “Unconsolidated Properties and Proportionate Financial Information” below.

- We believe that FFO is also 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. In addition to FFO and FFO per diluted share and OP Unit, when applicable, we also present FFO, as adjusted and FFO per diluted share and OP Unit, as adjusted, which we believe is helpful to management and investors because they adjust FFO to exclude items that management does not believe are indicative of operating performance, such as gain on debt extinguishment and insurance recoveries.

- We use both NOI and FFO, or related terms like Same Store NOI and, when applicable, Funds From Operations, as adjusted, for determining incentive compensation amounts under certain of our performance-based executive compensation programs.

NOI and FFO are commonly used non-GAAP financial measures of operating performance in the real estate industry, and we use them as supplemental non-GAAP measures to compare our performance between different periods and to compare our performance to that of our industry peers. Our computation of NOI, FFO and other non-GAAP financial measures, such as Same Store NOI, Non Same Store NOI, NOI attributable to our share of unconsolidated properties, and FFO, as adjusted, may not be comparable to other similarly titled measures used by our industry peers. None of these measures are measures of performance in accordance with GAAP, and they have limitations as analytical tools. They should not be considered as alternative measures of our net income, operating performance, cash flow or liquidity. They are not indicative of funds available for our cash needs, including our ability to make cash distributions. Please see below for a discussion of these non-GAAP measures and their respective reconciliation to the most directly comparable GAAP measure.

UNCONSOLIDATED PROPERTIES AND PROPORTIONATE FINANCIAL INFORMATION The non-GAAP financial measures presented below incorporate financial information attributable to our share of unconsolidated properties. This proportionate financial information is non-GAAP financial information, but we believe that it is helpful information because it reflects the pro rata contribution from our unconsolidated properties that are owned through investments accounted for under GAAP using the equity method of accounting. Under such method, earnings from these unconsolidated partnerships are recorded in our statements of operations prepared in accordance with GAAP under the caption entitled “Equity in income of partnerships.”

To derive the proportionate financial information reflected in the tables below as “unconsolidated,” we multiplied the percentage of our economic interest in each partnership on a property-by-property basis by each line item. Under the partnership agreements relating to our current unconsolidated partnerships with third parties, we own a 25% to 50% economic interest in such partner-

ships, and there are generally no provisions in such partnership agreements relating to special non-pro rata allocations of income or loss, and there are no preferred or priority returns of capital or other similar provisions. While this method approximates our indirect economic interest in our pro rata share of the revenue and expenses of our unconsolidated partnerships, 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. Our percentage ownership is not necessarily indicative of the legal and economic implications of our ownership interest. Accordingly, NOI and FFO results based on our share of the results of unconsolidated partnerships do not represent cash generated from our investments in these partnerships.

We have determined that we hold a noncontrolling interest in each of our unconsolidated partnerships, and account for such partnerships using the equity method of accounting, because:

- 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 hold legal title to a property owned by one of our unconsolidated partnerships through a tenancy in common arrangement. For this property, such legal title is held by us and another entity, and each has an undivided interest in title to the property. With respect to this property, under the applicable agreements between us and the entity with ownership interests, we and such other entity 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 entity owning an interest in the property. Hence, we account for this property like our other unconsolidated partnerships using the equity method of accounting. The balance sheet items arising from this property appear under the caption “Investments in partnerships, at equity.”

For further information regarding our unconsolidated partnerships, see note 3 to our consolidated financial statements.

NET OPERATING INCOME (“NOI”) NOI (a non-GAAP measure) is derived from real estate revenue (determined in accordance with GAAP, including lease termination revenue), minus property operating expenses (determined in accordance with GAAP), plus our pro rata share of revenue and property operating expenses of our unconsolidated partnership investments. NOI 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 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 measure to NOI. NOI excludes other income, general and administrative expenses, provision for employee separation expenses, interest expense, depreciation and amortization, insurance recoveries, gain/loss on debt extinguishment, impairment of assets, gains on sales of real estate by equity method investees, gain on sale of non operating real estate, gain/loss on sale of interest in real estate, impairment of assets, project costs and other expenses.

Same Store NOI is calculated using retail properties owned for the full periods presented and excludes properties acquired or disposed of, under redevelopment, or designated as non-core during the periods presented. In 2018, Wyoming Valley Mall was designated as non-core and subsequently conveyed to the lender of the mortgage loan secured by that property in 2019. In 2019, Exton Square Mall and Valley View Mall were designated as non-core and are excluded from Same Store NOI. Non Same Store NOI is calculated using the retail properties excluded from the calculation of Same Store NOI.

The table below reconciles net income (loss) to NOI of our consolidated properties for the years ended 2019, 2018 and 2017:

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Net loss	\$ (13,000)	\$ (126,503)	\$ (32,848)
Other income	(1,834)	(4,171)	(5,966)
Depreciation and amortization	137,784	133,116	128,822
General and administrative expenses	46,010	38,342	36,736
Provision for employee separation expenses	3,689	1,139	1,299
Project costs and other expenses	284	693	768
Insurance recoveries, net	(4,362)	(689)	—
Interest expense, net	63,987	61,355	58,430
Gain on debt extinguishment	(24,859)	—	—
Impairment of assets	1,455	137,487	55,793
Impairment of development land parcel	3,562	—	—
Equity in income of Partnerships	(8,289)	(11,375)	(14,367)
Gain on sales of real estate by equity method investee	(553)	(2,772)	(6,539)
Gains (losses) on sales of interests in real estate	(2,744)	(1,525)	361
Gains on sales of non-operating real estate	(2,718)	(8,100)	(1,270)
Net operating income from consolidated properties	\$198,412	\$ 216,997	\$ 221,219

The table below reconciles equity in income of partnerships to NOI of our share of unconsolidated properties for the years ended 2019, 2018 and 2017:

(in thousands of dollars)	For the Year Ended December 31,		
	2019	2018	2017
Equity in income of partnerships	\$ 8,289	\$ 11,375	\$ 14,367
Other income	(76)	(82)	(594)
Depreciation and amortization	9,874	8,612	10,974
Interest and other expenses	11,243	10,828	12,013
Net operating income from equity method investments at ownership share	\$29,330	\$ 30,733	\$36,760

The table below presents total NOI and total NOI excluding lease terminations for the years ended December 31, 2019 and 2018:

(in thousands of dollars)	Same Store		Non Same Store		Total (non-GAAP)	
	2019	2018	2019	2018	2019	2018
NOI from consolidated properties	\$ 185,874	\$196,836	\$ 12,526	\$ 20,161	\$ 198,400	\$ 216,997
NOI from equity method investments at ownership share	28,597	30,161	732	572	29,329	30,733
Total NOI	\$ 214,471	\$226,997	\$13,258	\$20,733	\$ 227,729	\$ 247,730
Less: lease termination revenue	1,531	8,641	18	577	1,549	9,218
Total NOI - excluding lease termination revenue	\$212,940	\$218,356	\$13,240	\$20,156	\$ 226,180	\$238,512

Total NOI decreased by \$20.0 million, or 8.1%, in 2019 as compared to 2018. NOI from Non Same Store properties decreased by \$7.5 million. This decrease was primarily due to the conveyance of Wyoming Valley Mall and operating results at non-core properties. NOI from Same Store properties decreased by \$12.5 million primarily due to property results as discussed in “—Results of Operations—Real Estate Revenue” and “—Property Operating Expenses.”

The table below presents total NOI and total NOI excluding lease terminations for the years ended December 31, 2018 and 2017:

(in thousands of dollars)	Same Store		Non Same Store		Total (non-GAAP)	
	2018	2017	2018	2017	2018	2017
NOI from consolidated properties	\$ 210,112	\$ 209,244	\$ 6,885	\$ 11,975	\$ 216,997	\$ 221,219
NOI from equity method investments at ownership share	30,161	30,266	572	6,494	30,733	36,760
Total NOI	240,273	239,510	7,457	18,469	247,730	257,979
Less: lease termination revenue	9,183	3,142	35	85	9,218	3,227
Total NOI - excluding lease termination revenue	\$231,090	\$236,368	\$ 7,422	\$18,384	\$238,512	\$254,752

Total NOI decreased by \$10.2 million, or 4.0%, in 2018 as compared to 2017. NOI from Non Same Store properties decreased by \$11.0 million. This decrease was primarily due to the properties sold in 2018 and 2017. NOI from Same Store properties increased by \$0.8 million primarily due to property results as discussed in “—Results of Operations—Real Estate Revenue” and “—Property Operating Expenses.”

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 (i) depreciation and amortization of real estate, (ii) gains and losses on sales of certain real estate assets, (iii) gains and losses from change in control and (iv) impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. 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. NAREIT’s established guidance provides that excluding impairment write downs of depreciable real estate is consistent with the NAREIT definition.

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 (including development land parcels), 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, 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.

When applicable, 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, for the years ended December 31, 2019, 2018 and 2017, respectively, to show the effect of such items as gain or loss on debt extinguishment (including accelerated amortization of financing costs), impairment of assets, provision for employee separation expense and insurance recoveries or losses, net, loss on redemption of preferred shares and loss on hedge ineffectiveness which had an effect on our results of operations, but are not, in our opinion, indicative of our ongoing 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, such as gain or loss on debt extinguishment (including accelerated amortization of financing costs), impairment of assets, provision for employee separation expense and insurance recoveries or losses, net, loss on redemption of preferred shares and loss on hedge ineffectiveness.

The following table presents a reconciliation of net income (loss) determined in accordance with GAAP to FFO attributable to common shareholders and OP Unit holders, FFO attributable to common shareholders and OP Unit holders per diluted share and OP Unit, FFO attributable to common shareholders and OP Unit holders, as adjusted and FFO attributable to common shareholders and OP Unit holders, as adjusted per diluted share and OP Unit, for the years ended December 31, 2019, 2018 and 2017:

(in thousands, except per share amounts)	For the Year Ended December 31,			
	2019	% Change 2018 to 2019	2018	% Change 2017 to 2018
Net loss	\$ (13,000)		\$ (126,503)	\$ (32,848)
Adjustments:				
Depreciation and amortization on real estate				
Consolidated	136,422		131,694	127,327
Unconsolidated	9,874		8,612	10,974
Gain on sale of real estate by equity method investee	—		(2,772)	(6,539)
Gains (losses) on sales of real estate, net	(2,756)		(1,525)	361
Impairment of real estate assets	1,456		129,365	55,793
Dividends on preferred shares	(27,375)		(27,375)	(27,845)
Loss on redemption of preferred shares	—		—	(4,103)
Funds from operations attributable to common shareholders and OP Unit holders	104,621	(6.2%)	111,496	(9.4%)
Impairment of mortgage loan receivable	—		8,122	—
Provision for employee separation expense	3,689		1,139	1,299
Insurance recoveries, net	(4,362)		(689)	—
Gain (loss) on debt extinguishment	(24,859)		363	1,557
Loss on redemption of preferred shares	—		—	4,103
Impairment of development land parcel	3,562		—	—
Funds from operations attributable to common shareholders and OP Unit holders, as adjusted	\$ 82,651	(31.4%)	\$ 120,431	(7.4%)
Funds from operations attributable to common shareholders and OP Unit holders per diluted share and OP Unit	\$ 1.33	(7.0%)	\$ 1.43	(9.5%)
Funds from operations attributable to common shareholders and OP Unit holders, as adjusted, per diluted share and OP Unit	\$ 1.05	(32.0%)	\$ 1.54	(12.6%)
Weighted average number of shares outstanding	75,221		69,749	69,364
Weighted average effect of full conversion of OP Units	3,221		8,273	8,297
Effect of common share equivalents	453		203	93
Total weighted average shares outstanding, including OP Units	78,895		78,225	77,754

FFO was \$104.6 million for 2019, a decrease of \$6.9 million, or 6.2%, compared to \$111.5 million for 2018. This decrease was primarily due to:

- a \$12.5 million decrease in Same Store NOI primarily due to tenant bankruptcies and a \$7.1 million decrease in lease termination revenue;
- a \$7.5 million decrease in Non Same Store NOI primarily due to three anchor store closings during 2018 and 2019 and associated co-tenancy concessions, as well as a decrease in lease revenue at Exton Square Mall due to the sale of an outparcel in 2019 and the conveyance of Wyoming Valley Mall;
- a \$7.7 million increase in general and administrative expense primarily due to the

implementation of ASC 842;

- a \$4.8 million decrease in gains on non-operating real estate;
- a \$2.6 million increase in net interest expense;
- a \$2.6 million increase in provision for employee separation expenses;
- a \$2.3 million decrease in other income; and
- a \$3.6 million increase in impairment of development land parcels; partially offset by

- a \$24.9 million net gain on debt extinguishment;
- a \$8.1 million impairment on a mortgage loan receivable asset in 2018 that did not recur in 2019; and

- a \$4.4 million increase in insurance proceeds, net \$1.05

FFO per diluted share and OP Unit decreased \$(0.10) per share to \$1.33 per share for 2019, compared to \$1.43 per share for 2018 due to the factors noted above and higher share count in the 2018 period.

FFO was \$111.5 million for 2018, a decrease of \$11.6 million, or 9.4%, compared to \$123.1 million for 2017. This decrease was primarily due to:

- a \$11.0 million decrease in Non Same Store NOI primarily due to properties sold; and
- a \$8.1 million impairment on a mortgage loan receivable asset; partially offset by
- a \$4.1 million loss on preferred share redemption in 2017;
- a \$1.7 million decrease in interest expense; and
- a \$0.8 million increase in Same Store NOI.

FFO per diluted share and OP Unit decreased \$0.15 per share to \$1.43 per share for 2018, compared to \$1.58 per share for 2017 due to the factors noted above and higher share count in the 2018 period.

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 currently 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 2018 Revolving Facility, subject to the terms and conditions of our 2018 Revolving Facility. See “Identical covenants and common provisions contained in the Credit Agreements” below for covenant information. We expect to spend approximately \$75.2 million related to our capital improvements and development projects and an additional \$25.0 million in incremental leasing costs for these redevelopment and development projects. 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 2019 were \$94.1 million, based on distributions of \$1.8436 per Series B Preferred Share, distributions of \$1.8000 per Series C Preferred Share, distributions of \$1.7188 per Series D Preferred Share and distributions of \$0.84 per common share and OP Unit. For the first quarter of 2020, we have announced a distribution of \$0.21 per common share and OP Unit.

In December 2019, 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.

During 2019, we raised capital from a number of sources, including proceeds of \$50.4 million from our share of asset sales by us and our unconsolidated subsidiaries, \$148.0 million in distributions from the proceeds of the Fashion District Philadelphia Term Loan (\$124.0 million and \$25.0 million in 2018 and 2019, respectively), and net proceeds of \$190.0 million from our revolving facilities.

We are actively seeking to raise additional capital, including through asset dispositions identified through our portfolio property reviews. Disposing of these properties can enable us to redeploy or recycle our capital to other uses. During December 2019 and subsequently, we have executed agreements of sale that are expected to provide an aggregate of up to approximately \$312.0 million in proceeds and net liquidity improvement of approximately \$200.0 million. These agreements include a sale-leaseback transaction for five properties, the sale of land parcels for multifamily residential development, the sale of operating outparcels and the sale of land parcels for hotel development. Each of the transactions is subject to numerous closing conditions, including the completion of due diligence and securing of entitlements, and closing of the transactions cannot be assured or the timing of their completion yet estimated with certainty.

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:

- 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.

In addition, we are continuing to monitor the outbreak of a novel coronavirus (COVID-19) and the related business and travel restrictions and changes to behavior intended to reduce its spread, and its impact on our tenants, their supply chains and customers and the retail industry. The magnitude and duration of the pandemic and its impact on our operations and liquidity is uncertain as of the date of the Report as this continues to evolve globally. However, if the outbreak continues on its current trajectory, such impacts could grow and become material. To the extent that our tenants and their customers and suppliers continue to be impacted by the coronavirus outbreak, or by the other risks identified in this Report, this could materially interrupt our business operations.

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 Credit Agreements, as further described below.

LIBOR ALTERNATIVE In July 2017, the Financial Conduct Authority (“FCA”), which is the authority that regulates LIBOR, announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee (“ARRC”) has identified

the Secured Overnight Financing Rate (“SOFR”) as the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. We are not able to predict when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets. Any changes adopted by FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change, perhaps substantially. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

We have material contracts that are indexed to LIBOR and are monitoring and evaluating the related risks, which include interest on loans or amounts received and paid on derivative instruments. These risks arise in connection with transitioning contracts to a new alternative rate, including any resulting value transfer that may occur. The value of loans, securities, and derivative instruments tied to LIBOR could also be affected if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative rate may be challenging, as they may require negotiation with the respective counterparty.

If a contract is not transitioned to an alternative rate and LIBOR is discontinued, the impact on our contracts is likely to vary by contract. If LIBOR is discontinued or if the methods of calculating LIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

While we expect LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point. This could occur, for example, if a requisite number of banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate would be accelerated and magnified.

CREDIT AGREEMENTS We have entered into two credit agreements (collectively, as amended, the “Credit Agreements”): (1) the 2018 Credit Agreement, which, as described in more detail below, includes (a) the 2018 Revolving Facility, and (b) the 2018 Term Loan Facility, and (2) the 2014 7-Year Term Loan. The 2018 Term Loan Facility and the 2014 7-Year Term Loan are collectively referred to as the “Term Loans.”

As of December 31, 2019, we had borrowed \$550.0 million under the Term Loans and \$255.0 million under the 2018 Revolving Facility. The carrying value of the Term Loans on our consolidated balance sheet as of December 31, 2019 is net of \$1.8 million of unamortized debt issuance costs. The net operating income (“NOI”) from our unencumbered properties is at a level such that within the Unencumbered Debt Yield covenant (see note 4 in the notes to our consolidated financial statements) under the Credit Agreements, the maximum amount that was available to be borrowed by us under the 2018 Revolving Facility as of December 31, 2019 was \$30.1 million.

IDENTICAL COVENANTS AND COMMON PROVISIONS CONTAINED IN THE CREDIT AGREEMENTS See note 4 in the notes to our consolidated financial statements for a description of the identical covenants and common provisions contained in the Credit Agreements.

As of December 31, 2019, we were in compliance with all such financial covenants. However, we anticipate not meeting certain financial covenants applicable under the Credit Agreements during 2020. We plan to continue to work with our lender group to obtain temporary debt covenant relief through September 2020 and then pursue a longer term financing solution

prior to the expiration of the initial modification. In addition, we plan to execute the sale-leaseback of certain properties, sell certain real estate assets and control certain operational costs. Due to the inherent risks, unknown results and significant uncertainties associated with each of these matters and the direct correlation between these matters and our ability to satisfy our financial obligations that may arise over the applicable twelve month period, we are unable to conclude that it is probable that we will be able to meet our obligations arising within twelve months of the date of issuance of these financial statements and continue as a going concern.

As a result, management evaluated whether this was mitigated by our approved plans and expectations for the applicable period under the second step of the going concern accounting standard.

Our ability to satisfy obligations under our senior unsecured credit facility and mortgage loans, maintain compliance with our debt covenants and fund recurring costs of operations depends primarily on management’s ability to obtain relief from the lender group in regards to debt covenants, execute the sale-leaseback of certain properties, complete the sale of certain real estate assets which will provide cash from those sales, and continue to control operational costs. While controlling operational costs is within management’s control to some extent, executing the sale-leaseback transactions, selling real estate assets, and obtaining relief from the lender group through modified debt covenant requirements involve performance by third parties and therefore cannot be considered probable of occurring. In particular, as of the date of the filing of this Annual Report on Form 10-K, we are in active discussions with the banks participating in our credit facilities to modify the terms of the Credit Agreements and obtain debt covenant relief. See “Item 1A. Risk Factors – Risks Related to our Indebtedness and Our Financing – If we are unable to comply with the covenants in our credit agreements, we might be adversely affected.” and “Item 1A. Risk Factors – Risks Related to our Indebtedness and Our Financing – We have determined that there is substantial doubt about our ability to continue as a going concern within.”

PREFERRED SHARES We have 3,450,000 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares (the “Series B Preferred Shares”) outstanding, 6,900,000 7.20% Series C Cumulative Redeemable Perpetual Preferred Shares (the “Series C Preferred Shares”) outstanding and 5,000,000 6.875% Series D Cumulative Redeemable Perpetual Preferred Shares (the “Series D Preferred Shares”) outstanding. Upon 30 days’ notice, we may redeem any or all of the Series B Preferred Shares at \$25.00 per share plus any accrued and unpaid dividends. We may not redeem the Series C Preferred Shares and the Series D Preferred Shares before January 27, 2022 and September 15, 2022, 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 C and Series D Preferred Shares, respectively. On and after January 27, 2022 and September 15, 2022, we may redeem any or all of the Series C Preferred Shares or the Series D 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 C Preferred Shares or the Series D 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 B Preferred Shares, the Series C Preferred Shares and the Series D 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, 2017 related to our consolidated properties:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2018 Activity:				
January	Francis Scott Key Mall ⁽¹⁾	\$ 68.5	LIBOR plus 2.60%	January 2022
February	Viewmont Mall ⁽²⁾	\$ 10.2	LIBOR Plus 2.35%	March 2021

⁽¹⁾ In January 2018, the \$68.5 million mortgage loan secured by Francis Scott Key was amended to extend the initial maturity date to January 2022, and has a one-year extension option that would further extend the maturity date to January 2023.

⁽²⁾ In 2018, the mortgage was increased by \$10.2 million to \$67.2 million. In 2016, the mortgage was increased by \$9.0 million and the interest rate was lowered to LIBOR plus 2.35% and the maturity date was extended to March 2021.

We received a notice of transfer of servicing, dated July 9, 2018, from the special servicer for the mortgage loan secured by Wyoming Valley Mall, which had a balance of \$72.8 million as of September 26, 2019. Our subsidiary that was the borrower under the loan also received a notice of default on the loan from the lender, dated December 14, 2018. The loan was subject to a cash sweep arrangement as a result of an anchor tenant trigger event. We had entered into an agreement with the lender to jointly market the property for sale for a stipulated period of time. The property did not sell and we conveyed the property to the lender by deed in lieu of foreclosure on September 26, 2019.

In April 2019, we received a notice from the servicer of the Cumberland Mall mortgage of a cash sweep event due to the failure of an anchor tenant to renew for a full term. We satisfied this requirement in August 2019.

In March 2017, we repaid a \$150.6 million mortgage loan plus accrued interest secured by The Mall at Prince Georges in Hyattsville, Maryland using \$110.0 million from our 2013 Revolving Facility and the balance from available working capital.

MORTGAGE LOANS Our mortgage loans, which are secured by ten of our consolidated properties, are due in installments over various terms extending to the year 2025. Seven 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 4.08% at December 31, 2019. Three of our mortgage loans bear interest at variable rates and had a weighted average interest rate of 3.94% at December 31, 2019. The weighted average interest rate of all consolidated mortgage loans was 4.04% at December 31, 2019. 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, 2019:

(in thousands of dollars)	Payments by Period					
	Total	2020	2021	2022	2023-2024	Thereafter
Consolidated mortgage loans						
Principal payments	\$ 64,985	\$ 16,266	\$ 17,862	\$ 13,462	\$ 12,989	\$ 4,406
Balloon payments	836,580	27,161	188,785	355,989	53,299	211,346
Total consolidated mortgage loans	\$ 901,565	\$ 43,427	\$ 206,647	\$ 369,451	\$ 66,288	\$ 215,752
Less: Unamortized debt issuance costs	1,812					
Carrying value of mortgage notes payable	\$ 899,753					

CONTRACTUAL OBLIGATIONS The following table presents our consolidated aggregate contractual obligations as of December 31, 2019 for the periods presented:

(in thousands of dollars)	Total	2020	2021-2022	2023-2024	Thereafter
Mortgage loans	\$ 901,565	\$ 43,427	\$ 576,098	\$ 66,288	\$ 215,752
Term Loans	550,000	—	250,000	300,000	—
2018 Revolving Facility	255,000	—	255,000	—	—
Interest on indebtedness ⁽¹⁾	192,318	69,038	94,704	22,195	6,381
Operating leases	4,328	688	1,949	1,691	—
Ground leases	54,889	1,549	3,319	3,168	46,853
Development and redevelopment commitments ⁽²⁾	75,224	73,306	1,918	—	—
Total	\$ 2,033,324	\$ 188,008	\$ 1,182,988	\$ 393,342	\$ 268,986

⁽¹⁾ Includes interest payments expected to be made on consolidated debt, including those in connection with interest rate swap agreements.

⁽²⁾ The timing of the payments of these amounts is uncertain. We expect that a significant majority of such payments (of which we include 100% of obligations related to Fashion District Philadelphia, which opened in September 2019) will be made prior to December 31, 2020, 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 Fashion District 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, which was March 14, 2016. As of December 31, 2019, we expect to meet this obligation.

MORTGAGE LOAN ACTIVITY—UNCONSOLIDATED PROPERTIES The following table presents the mortgage loans secured by our unconsolidated properties entered into since January 1, 2017:

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Interest Rate	Maturity
2018 Activity:				
February	Pavilion at Market East ⁽¹⁾	\$ 8.3	LIBOR plus 2.85%	February 2021
March	Gloucester Premium Outlets ⁽²⁾	\$ 86.0	LIBOR plus 1.50%	March 2022
2017 Activity:				
October	Lehigh Valley Mall ⁽³⁾⁽⁴⁾	\$200.0	Fixed 4.06%	November 2027

⁽¹⁾ We own a 40% partnership interest in Pavilion at Market East and our share of this mortgage loan is \$3.2 million.

⁽²⁾ We own a 25% partnership interest in Gloucester Premium Outlets and our share of this mortgage loan is \$21.5 million.

⁽³⁾ The proceeds were used to repay the existing \$124.6 million mortgage loan plus accrued interest. We own a 50% partnership interest in Lehigh Valley Mall and our share of this mortgage loan is \$100.0 million.

⁽⁴⁾ We received \$35.3 million of proceeds as a distribution in connection with the financing. In connection with this new mortgage loan financing, the unconsolidated entity recorded \$3.1 million of prepayment penalty and accelerated the amortization of \$0.1 million of unamortized financing costs in the fourth quarter of 2017.

INTEREST RATE DERIVATIVE AGREEMENTS As of December 31, 2019, we had interest rate swap agreements outstanding with a weighted average base interest rate of 1.85% on a notional amount of \$795.6 million, maturing on various dates through May 2023, and forward starting interest rate swap agreements with a weighted average base interest rate of 2.75% on a notional amount of \$100.0 million, with effective dates in June 2020, and maturity dates in May 2023. 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. The interest rate swap agreements are net settled monthly.

We assessed the effectiveness of these swap agreements as hedges at inception and do so on a quarterly basis. On December 31, 2019, we considered these interest rate swap agreements to be highly effective as cash flow hedges.

As of December 31, 2019, the fair value of derivatives in a liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was \$13.1 million. If we had breached any of the default provisions in these agreements as of December 31, 2019, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of \$12 million. We had not breached any of these provisions as of December 31, 2019.

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 \$111.4 million for 2019 compared to \$134.9 million for 2018 and \$142.1 million for 2017.

The decrease in net cash provided by operating activities in 2019 is primarily due to dilution from sales of operating properties in 2018, partially offset by changes in working capital, distributions from partnerships, and other items. The decrease in net cash provided by operating activities in 2018 is primarily due to dilution from sales of operating properties in 2017, partially offset by changes in working capital and other items.

Cash flows used in investing activities were \$131.4 million for 2019, compared to \$41.6 million for 2018 and \$105.4 million for 2017.

Investing activities in 2019 included investment in construction in progress of \$113.8 million, investments in partnerships of \$72.9 million (primarily at Fashion District Philadelphia) and real estate improvements of \$34.3 million (primarily related to capital improvements at our properties, including tenant allowances), partially offset by \$50.4 million of proceeds from land and outparcel sales, and \$25.0 million of distributions from the FDP Term Loan.

Investing activities in 2018 included investment in construction in progress of \$75.6 million, investments in partnerships of \$58.1 million (primarily at Fashion District Philadelphia) and real estate improvements of \$35.2 million (primarily related to capital improvements at our properties, including tenant allowances), partially offset by \$13.7 million of proceeds from land and outparcel sales, \$123.0 million of distributions from the FDP Term Loan, and \$19.7 million of proceeds from the sale of 907 Market Street by the Fashion District Philadelphia joint venture.

Investing activities for 2017 included investment in construction in progress of \$116.6 million, investments in partnerships of \$73.4 million (primarily at Fashion District Philadelphia) and real estate improvements of \$51.9 million (primarily related to capital improvements at our properties, including tenant allowances), partially offset by \$77.8 million of proceeds from the sale of three operating properties and two non-operating parcels, \$35.2 million of distributions of refinancing proceeds from Lehigh Valley Mall and \$30.3 million of proceeds from the sale of 801 Market Street by the Fashion District Philadelphia joint venture.

Cash flows provided by financing activities were \$7.1 million for 2019 compared to cash flows used in financing activities of \$94.8 million for 2018 and cash flows used in financing activities of \$32.6 million for 2017.

Cash flows provided by financing activities for 2019 included aggregate dividends and distributions of \$94.2 million and principal installments on mortgage loans of \$17.9 million, offset by \$190.0 million of net borrowings on our 2013 Revolving Facility.

Cash flows used in financing activities for 2018 included aggregate dividends and distributions of \$93.5 million and principal installments on mortgage loans of \$18.7 million, partially offset by \$12.0 million of net borrowings on our 2013 Revolving Facility and a \$10.2 million increase in Viewmont Mall’s mortgage principal.

Cash flows used in financing activities in 2017 included the mortgage loan repayments of \$150.0 million on The Mall of Prince Georges, the Series A preferred share redemption of \$115.0 million, aggregate dividends and distributions of \$93.0 million, and principal installments on mortgage loans of \$17.9 million, partially offset by \$286.8 million of proceeds from our 2017 Series C and D Preferred Share offerings and \$56.0 million of net borrowings from our 2013 Revolving Facility.

See note 1 to our consolidated financial statements for details regarding costs capitalized during 2019 and 2018.

Commitments

As of December 31, 2019, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of \$75.2 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 Fashion District 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, which was March 14, 2016. As of December 31, 2019, we expect to meet this obligation.

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 over our three year policy term. See our Annual Report on Form 10-K for the year ending December 31, 2019 in the section entitled “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 debt-or-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 November/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.

Forward Looking Statements

This Annual Report for the year ended December 31, 2019, together with other statements and information publicly disseminated by us, contain certain forward-looking statements that can be identified by the use of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “project,” and similar expressions. 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 the following:

- changes in the retail and real estate industries, including consolidation and store closings, particularly among anchor tenants;
- current economic conditions and the corresponding effects on tenant business performance, prospects, solvency and leasing decisions;
- our inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise;
- our ability to maintain and increase property occupancy, sales and rental rates;
- increases in operating costs that cannot be passed on to tenants;
- the effects of online shopping and other uses of technology on our retail tenants;
- risks related to our development and redevelopment activities, including delays, cost overruns and our inability to reach projected occupancy or rental rates;
- acts of violence at malls, including our properties, or at other similar spaces, and the potential effect on traffic and sales;
- 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, including losses that we might be required to record in connection with any dispositions of assets;

- our substantial debt and the liquidation preference of our preferred shares and our high leverage ratio and our ability to remain in compliance with our financial covenants under our debt facilities;
- our ability to refinance our existing indebtedness when it matures, on favorable terms or at all;
- our ability to raise capital, including through sales of properties or interests in properties and through the issuance of equity or equity-related securities if market conditions are favorable; and
- potential dilution from any capital raising transactions or other equity issuances.

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 our Annual Report on Form 10-K for the year ending December 31, 2019 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.

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, 2019, our consolidated debt portfolio consisted of \$899.8 million of fixed and variable rate mortgage loans (net of debt issuance costs), \$300.0 million borrowed under our 2018 Term Loan Facility, which bore interest at a rate of 3.59% and \$250.0 million borrowed under our 2014 7-Year Term Loan, which bore interest at a rate of 3.59%. As of December 31, 2019, \$255.0 million was outstanding under our 2018 Revolving Facility, which bore interest at a rate of 3.31%.

Our mortgage loans, which are secured by 10 of our consolidated properties, are due in installments over various terms extending to October 2025. Seven 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 4.08% at December 31, 2019. Three of our mortgage loans bear interest at variable rates, a portion of which has been swapped to fixed rates, and, taking into consideration the impact of interest rate swaps, had a weighted average interest rate of 3.94% at December 31, 2019. The weighted average interest rate of all consolidated mortgage loans was 4.04% at December 31, 2019. Mortgage loans for properties owned by unconsolidated partnerships are accounted for in “Investments in partnerships, at equity” and “Distributions in excess of partnership investments” on the consolidated balance sheets 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 of the expected annual maturities due in the respective years 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 ⁽¹⁾
2020	\$ 41,747	5.03%	\$ 1,680	3.69%
2021	\$ 15,745	4.01%	\$ 440,902	3.63%
2022	\$302,539	3.96%	\$ 321,912	3.26%
2023	\$ 59,883	3.99%	\$300,000	3.59%
2024 and thereafter	\$222,156	4.04%	\$ —	—%

⁽¹⁾ Based on the weighted average interest rate in effect as of December 31, 2019 and does not include the effect of our interest rate swap derivative instruments as described below.

As of December 31, 2019 and 2018, we had \$1,064.5 million and \$876.2 million, respectively, 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, and in some cases have been, 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 of the notes to our audited consolidated financial statements.

As of December 31, 2019, we had interest rate swap agreements outstanding with a weighted average base interest rate of 1.85% on a notional amount of \$795.6 million, maturing on various dates through May 2023, and forward starting interest rate swap agreements with a weighted average base interest rate of 2.75% on a notional amount of \$100.0 million, with effective dates in June 2020 and maturity dates in May 2023.

As of December 31, 2018, we had interest rate swap agreements outstanding with a weighted average base interest rate of 1.55% on a notional amount of \$797.3 million, maturing on various dates through 2023, and forward starting interest rate swap agreements with a weighted average base interest rate of 2.71% on a notional amount of \$250.0 million, with effective dates from January 2019 through June 2020 and maturity dates in May 2023.

Changes in market interest rates have different effects on the fixed and variable rate 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 our 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, 2019 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 \$36.9 million at December 31, 2019. A 100 basis point decrease in market interest rates would have resulted in an increase in our net financial instrument position of \$38.3 million at December 31, 2019. Based on the variable rate debt included in our debt portfolio at December 31, 2019, a 100 basis point increase in interest rates would have resulted in an additional \$2.7 million in interest expense annually. A 100 basis point decrease would have reduced interest incurred by \$2.7 million annually.

A 100 basis point increase in market interest rates would have resulted in a decrease in our net financial instrument position of \$49.2 million at December 31, 2018. A 100 basis point decrease in market interest rates would have resulted in an increase in our net financial instrument position of \$51.5 million at December 31, 2018. Based on the variable rate debt included in our debt portfolio at December 31, 2018, a 100 basis point increase in interest rates would have resulted in an additional \$0.8 million in interest expense annually.

Because the information presented above includes only those exposures that existed as of December 31, 2019, it does not consider changes, exposures or positions which have arisen or 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.



TRUSTEES

UPPER ROW (FROM LEFT TO RIGHT)

GEORGE J. ALBURGER (3) Trustee Since 2017
Former Executive Vice President and CFO of Liberty Property Trust

JOSEPH F. CORADINO Trustee Since 2006
Chairman and Chief Executive Officer
Pennsylvania Real Estate Investment Trust

MICHAEL J. DEMARCO (2)(4) Trustee Since 2015
Chief Executive Officer
Mack-Cali Realty Corp

JOANNE A. EPPS (1) Trustee Since 2018
Executive Vice President and Provost
Temple University

LEONARD I. KORMAN (2)(4) Trustee Since 1996
Chairman and Chief Executive Officer
Korman Commercial Properties, Inc.

LOWER ROW (FROM LEFT TO RIGHT)

MARK PASQUERILLA (1)(3) Trustee Since 2003
President
Pasquerilla Enterprises, LP

CHARLES P. PIZZI (1)(2) Trustee Since 2013
Former President and Chief Executive Officer
Tasty Baking Company

JOHN J. ROBERTS (1)(3)(4) Trustee Since 2003
Former Global Managing Partner
PricewaterhouseCoopers LLP

(1) Nominating & Governance Committee

(2) Executive Compensation & Human Resources Committee

(3) Audit Committee

(4) Special Committee

BOLD indicates Committee Chairperson

OFFICERS

JOSEPH F. CORADINO
Chief Executive Officer

MARIO C. VENTRESCA, JR.
Executive Vice President
and Chief Financial Officer

JOSEPH J. ARISTONE
Executive Vice President
Leasing

HEATHER CROWELL
Executive Vice President
Strategy and Communications

ANDREW M. IOANNOU
Executive Vice President
Finance and Acquisitions

LISA M. MOST
Executive Vice President
General Counsel and
Chief Compliance Officer

DANIEL M. HERMAN
Senior Vice President
Development

RUDOLPH ALBERTS, JR.
Senior Vice President
Asset Management

MICHAEL A. KHOURI
First Vice President
Leasing

ANTHONY DILORETO
First Vice President
Leasing

MICHAEL A. FENCHAK
First Vice President
Asset Management

VINCE VIZZA
First Vice President
Leasing

SAM COLLIER
Vice President
Leasing

PAULA CHARLES
Vice President
Leasing

JOHANNA DIDIO
Vice President
Legal

MARK GAMBILL
Vice President
Development

BRADFORD HUGHART
Vice President
Information Technology

SEAN LINEHAN
Vice President
Leasing

DAVID MARSHALL
Vice President
Financial Services

EUGENE McCAFFERY
Vice President
Leasing

DANIEL PASCALE
Vice President
Development

JOSHUA SCHRIER
Vice President
Acquisitions

JOSHUA TALLEY
Vice President
Legal

Investor Information

HEADQUARTERS

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866.875.0700 Toll Free
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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

LEGAL COUNSEL

Faegre Drinker Biddle & Reath LLP
One Logan Square, Ste. 2000
Philadelphia, PA 19103-6996

TRANSFER AGENT AND REGISTRAR

For change of address, lost dividend checks, shareholder records and other shareholder matters, contact:

Mailing Address

EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
651.450.4064 (outside the United States)
651.450.4085 Fax
800.468.9716 Toll Free
shareowneronline.com

Street or Courier Address

1110 Centre Pointe Curve, Suite 101
MAC N9173 -010
Mendota Heights, MN 55120

DISTRIBUTION REINVESTMENT AND SHARE PURCHASE PLAN

The Company has a Distribution Reinvestment and Share Purchase Plan for common shares (NYSE:PEI) that allows investors to invest directly in shares of the Company at a 1% discount with no transaction fee, and to reinvest their dividends at no cost to the shareholder. The minimum initial investment is \$250, the minimum subsequent investment is \$50, and the maximum monthly amount is \$5,000, without a waiver.

Further information and forms are available on our web site at preit.com under Investor Relations, DRIP/Stock Purchase. You may also contact the Plan Administrator, EQ Shareowner Services, at 800.468.9716 or 651.450.4064.

INVESTOR INQUIRIES

Shareholders, prospective investors and analysts seeking information about the Company should direct their inquiries to:

Investor Relations

Pennsylvania Real Estate Investment Trust
One Commerce Square
2005 Market Street, Suite 1000,
Philadelphia, PA 19103
215.875.0735
215.546.1271 Fax
866.875.0700 ext. 50735 Toll Free
email: investorinfo@preit.com
preit.com

FORMS 10-K AND 10-Q; CEO AND CFO CERTIFICATIONS

The Company's Annual Report on Form 10-K, including financial statements and a schedule, and Quarterly Reports on Form 10-Q, which are filed with the Securities and Exchange Commission, may be obtained without charge from the Company.

The Company's chief executive officer certified to the New York Stock Exchange (NYSE) that, as of June 27, 2019, he was not aware of any violation by the Company of the NYSE's corporate governance listing standards.

The certifications of our chief executive officer and chief financial officer required under Section 302 of the Sarbanes-Oxley Act of 2002 were filed as Exhibits 31.1 and 31.2, respectively, to our Annual Report on Form 10-K for the year ended December 31, 2019.

DISTRIBUTION RECORD

The following table shows the Company's cash distributions paid for the periods indicated.

Quarter Ended	Distributions Paid per Common Share	
	2019	2018
March 31	\$ 0.21	\$ 0.21
June 30	\$ 0.21	\$ 0.21
September 30	\$ 0.21	\$ 0.21
December 31	\$ 0.21	\$ 0.21
	\$0.84	\$ 0.84

In February 2020, our Board of Trustees declared a cash dividend of \$0.21 per share payable in March 2020. 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.

As of December 31, 2019, there were approximately 1,800 registered shareholders and 19,000 beneficial holders of record of the Company's common shares of beneficial interest. The Company had an aggregate of approximately 233 employees as of December 31, 2019.

STOCK MARKET

New York Stock Exchange
Common Ticker Symbol: PEI

ANNUAL MEETING

The Annual Meeting will be conducted as a virtual meeting of stockholders by means of a live webcast at 11AM on Thursday, May 28, 2020.

Shareholders can join our meeting at www.virtualshareholdermeeting.com/PEI2020

If you experience technical difficulties call:
1-800-586-1548 (U.S. Domestic Toll Free)
1-303-562-9288 (International)

PREIT IS A MEMBER OF

National Association of Real Estate Investment Trusts
International Council of Shopping Centers
Pension Real Estate Association
Urban Land Institute



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