PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form 424B5
May 02, 2013
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-178599

PROSPECTUS SUPPLEMENT

(To prospectus dated January 12, 2012)

10,000,000 Shares

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Common Shares of Beneficial Interest

We are offering 10,000,000 of our common shares of beneficial interest, par value $1.00 per share. Our common shares are listed on the New York Stock Exchange under the symbol PEI. On April 30, 2013, the last reported sale price for our common shares was $20.73 per share.

Investing in our common shares involves risks. See Risk Factors on page S-6 of this prospectus supplement and beginning on page 14 of our Annual Report on Form 10-K for the year ended December 31, 2012.

	Per Share	Total
Public offering price	$20.00	$200,000,000
Underwriting discount	$ 0.80	$ 8,000,000
Proceeds, before expenses, to us	$19.20	$192,000,000

The underwriters may also purchase up to an additional 1,500,000 common shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state or other securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any

representation to the contrary is a criminal offense.

The underwriters expect to deliver the common shares to purchasers on or about May 6, 2013.

Joint Book-Running Managers

Wells Fargo Securities **BofA Merrill Lynch** **Citigroup** **J.P. Morgan**

Deutsche Bank Securities **Mitsubishi UFJ Securities** **PNC Capital Markets LLC**

Capital One Southcoast **Piper Jaffray** **RBS** **Stifel**

Janney Montgomery Scott **Santander** **TD Securities**

The date of this prospectus supplement is May 1, 2013.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information about the securities we may offer, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement will control. In addition, any statement in a filing we make with the Securities and Exchange Commission, or SEC, prior to the completion of this offering that adds to, updates or changes information contained in an earlier filing we made with the SEC or in this prospectus supplement or the accompanying prospectus shall be deemed to modify and supersede such previous information.

You should read this document together with additional information described under the heading Where You Can Find More Information and Incorporation by Reference in this prospectus supplement. You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any free writing prospectus that we may file with the SEC. Neither we nor the underwriters have authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this prospectus supplement, the accompanying prospectus and any free-writing prospectus, as well as the information we have previously filed with the SEC and incorporated by reference in this document, is accurate only as of its date or the date which is specified in such documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those respective dates.

Unless the context requires otherwise, references in this prospectus supplement to we, our, us, the Company, our Company and PREIT re Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating partnership, PREIT Associates, L.P. (the Operating Partnership). References in this prospectus supplement to PREIT Associates refer to PREIT Associates, L.P. References in this prospectus supplement to PRI refer to PREIT-RUBIN, Inc. The term you refers to a prospective investor.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference into these documents contain certain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We caution investors that any forward-looking statements presented in this prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference into these documents are based on management s beliefs and assumptions made by, and information currently available to, management. When used, the words anticipate, believe, estimate, expect, intend, may, might, plan, project, will and similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. 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, we might be materially and adversely affected by uncertainties affecting real estate businesses generally, as well as the following, among other factors:

- our substantial debt, stated value of preferred shares and our high leverage ratio;

- constraining leverage, interest and tangible net worth covenants under the 2013 Revolving Facility;

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potential losses on impairment of certain long-lived assets, such as real estate, or of intangible assets, such as goodwill;

potential losses on impairment of assets that we might be required to record in connection with any dispositions of assets;

recent changes to our corporate management team and any resulting modifications to our business strategies;

our ability to refinance our existing indebtedness when it matures, on favorable terms or at all;

our ability to raise capital, including through the issuance of equity or equity-related securities if market conditions are favorable, through joint ventures or other partnerships, through sales of properties or interests in properties, or through other actions;

our short- and long-term liquidity position;

current economic conditions and their effect on employment and consumer confidence and spending, and the corresponding effects on tenant business performance, prospects, solvency and leasing decisions and on our cash flows, and the value and potential impairment of our properties;

general economic, financial and political conditions, including credit and capital market conditions, changes in interest rates or unemployment;

changes in the retail industry, including consolidation and store closings, particularly among anchor tenants;

the effects of online shopping and other uses of technology on our retail tenants;

our ability to maintain and increase property occupancy, sales and rental rates, in light of the relatively high number of leases that have expired or are expiring in the next two years;

increases in operating costs that cannot be passed on to tenants;

risks relating to development and redevelopment activities;

concentration of our properties in the Mid-Atlantic region;

changes in local market conditions, such as the supply of or demand for retail space, or other competitive factors;

potential dilution from any capital raising transactions;

- possible environmental liabilities;

- our ability to obtain insurance at a reasonable cost; and

- existence of complex regulations, including those relating to our status as a REIT, and the adverse consequences if we were to fail to qualify as a REIT.

The risks included here are non-exhaustive, and there are additional factors that might cause future events, achievements or results to differ materially from those expressed or implied by our forward-looking statements, including those discussed in the section entitled Risk Factors in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013. We do not intend to update or revise any forward-looking statements to reflect new information, future events or otherwise.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary description of us and our business highlights selected information about us contained elsewhere in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein or therein. This summary does not contain all of the information about us that you should consider before deciding to buy securities in this offering. You should carefully read this entire prospectus supplement and the accompanying prospectus, including each of the documents incorporated herein and therein by reference, before making an investment decision.

Our Company

Pennsylvania Real Estate Investment Trust, a Pennsylvania business trust founded in 1960 and one of the first equity 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 March 31, 2013, we owned interests in 46 retail properties, of which 42 are operating properties, three are development properties and one is classified as held for sale. The 42 operating properties include 36 enclosed malls and six strip and power centers, have a total of 31.0 million square feet and operate in 12 states. We and partnerships in which we own an interest own 24.3 million square feet at these properties (excluding space owned by anchors). There are 35 operating retail properties in our portfolio that we consolidate for financial reporting purposes. These consolidated properties have a total of 26.5 million square feet, of which we own 21.2 million square feet. The seven operating retail properties that are owned by unconsolidated partnerships with third parties have a total of 4.6 million square feet, of which 3.1 million square feet are owned by such partnerships. The development portion of our portfolio contains three properties in two states, with two classified as mixed use (a combination of retail and other uses) and one classified as other.

We are a fully integrated, self-managed and self-administered real estate investment trust (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.

We hold our interests in our portfolio of properties through the Operating Partnership. We are the sole general partner of the Operating Partnership and, as of March 31, 2013, held a 96.2% controlling interest in the Operating Partnership. We consolidate the Operating Partnership for financial reporting purposes. We own our interests in our properties through various ownership structures, including partnerships and tenancy in common arrangements. PREIT owns interests in some of these properties directly and has pledged the entire economic benefit of such ownership to the Operating Partnership.

We provide management, leasing and real estate development services through PREIT Services, LLC, which generally develops and manages properties that we consolidate for financial reporting purposes, and PRI, which generally develops and manages properties that we do not consolidate for financial reporting purposes, including properties in which we own interests through partnerships with third parties 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 primary objective is to maximize the long-term value of the Company for our shareholders. To that end, our business goals are to obtain the highest possible rental income, tenant sales and occupancy at our properties in order to maximize our cash flows, funds from operations, funds available for distribution to shareholders, and other operating measures and results, and ultimately to maximize the values of our properties.

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Recent Developments

Credit Facility

On April 17, 2013, we entered into a Credit Agreement with Wells Fargo Bank, National Association and certain other financial institutions for a $400.0 million senior unsecured revolving credit facility (the 2013 Revolving Facility). The 2013 Revolving Facility replaces the previously existing Amended, Restated and Consolidated Senior Secured Credit Agreement, as amended (the 2010 Revolving Facility) and the term loans (the 2010 Term Loan and, together with the 2010 Revolving Facility, the 2010 Credit Facility). The initial maturity date of the 2013 Revolving Facility is April 17, 2016, and we have options for two one-year extensions of the initial maturity date, subject to certain conditions and to the payment of extension fees. Affiliates of certain of the underwriters are lenders under our 2013 Revolving Facility and will receive their pro rata share of the net proceeds of this offering that are used to repay the 2013 Revolving Facility. See Use of Proceeds and Underwriting in this prospectus supplement.

Acquisition of 907 Market

In April 2013, we acquired a 430,000 square foot, six-story property located on the 900 block of Market Street in Philadelphia (907 Market) for $59.6 million. The building lies between two adjacent buildings owned by the Company and is part of the retail complex known as The Gallery at Market East.

Corporate Information

Our principal corporate offices are located at The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102-3803, and our telephone number is (215) 875-0700. We maintain a web site that contains information about us at *http://www.preit.com*. The information included on the web site is not, and should not be considered to be, a part of, nor incorporated by reference into, this prospectus supplement or the accompanying prospectus.

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The Offering

The following is a brief summary of the terms of this offering. For a description of our common shares, see Description of Common Shares in the accompanying prospectus.

Securities offered by us	10,000,000 common shares
Common shares to be outstanding after this offering(1)	66,506,001
Common shares and operating partnership units to be outstanding after this offering(2)	68,767,203
Use of proceeds	We estimate that the net proceeds of this offering will be approximately $191.5 million (approximately $220.3 million if the underwriters option to purchase additional common shares is exercised in full), after deducting the underwriting discount and estimated expenses of this offering. We intend to use the net proceeds of this offering to repay amounts outstanding under our 2013 Revolving Facility and for other general corporate purposes. Affiliates of certain of the underwriters in this offering are lenders under our 2013 Revolving Facility and will receive their pro rata share of the net proceeds of this offering that are used to repay our 2013 Revolving Facility. See Use of Proceeds.
Restrictions on ownership and transfer	To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Internal Revenue Code, our Trust Agreement contains ownership and transfer restrictions relating to our shares. Ownership by any person of more than 9.9% in value of our outstanding common shares is restricted. Our board of trustees might exempt a person from the 9.9% ownership limit if it receives a ruling from the Internal Revenue Service or an opinion of counsel or tax accountants that exceeding the 9.9% ownership limit as to that person would not jeopardize our tax status as a REIT and the Company receives such representations and undertakings as it deems appropriate. See Description of Common Shares Restrictions on Transfer in the accompanying prospectus.
Risk factors	See Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our common shares.
New York Stock Exchange symbol	PEI

(1) The number of our common shares to be outstanding after this offering is based on 56,506,001 common shares outstanding as of April 22, 2013. Excludes (i) 1,500,000 common shares subject to the underwriters option to purchase additional common shares, (ii) approximately 1,804,540 common shares reserved for issuance in the future under our equity compensation plans, (iii) 30,000 common shares issuable upon exercise of outstanding options, and (iv) outstanding operating partnership units exchangeable for cash or, at our option, 2,261,202 common shares.

(2)

Excludes (i) 1,500,000 common shares subject to the underwriters option to purchase additional common shares, (ii) approximately 1,804,540 common shares reserved for issuance in the future under our equity compensation plans, and (iii) 30,000 common shares issuable upon exercise of outstanding options.

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RISK FACTORS

Investing in our common shares involves risks. Before deciding to invest in our common shares, you should carefully consider the following risk factors and the risk factors incorporated by reference in this prospectus supplement and the accompanying prospectus, including in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, as well as other information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. The occurrence of any of these risks could materially and adversely affect our business, prospects, financial condition, results of operations and cash flow, in which case the trading price of our common shares would decline and you could lose all or part of your investment.

This offering is expected to be dilutive, and there may be future dilution of our common shares.

Giving effect to the issuance of common shares in this offering, the receipt of the expected net proceeds and the use of those proceeds as described under Use of Proceeds, we expect that this offering will have a dilutive effect on our expected earnings per share and funds from operations per share for the year ending December 31, 2013. The actual amount of dilution cannot be determined at this time and will be based on numerous factors. Additionally, we are not restricted from issuing additional common shares or preferred shares, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common shares or preferred shares or any substantially similar securities in the future. The market price of our common shares could decline as a result of sales of a large number of our common shares in the market after this offering or the perception that such sales could occur.

The price of our common shares may fluctuate and you could lose all or a significant part of your investment.

Volatility in the market price of our common shares may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common shares may also be influenced by many factors, some of which are beyond our control, including the factors set forth in this prospectus supplement under the caption Cautionary Note Regarding Forward-Looking Statements. In addition, the stock market in general, and our common shares in particular, have experienced extreme price and volume fluctuations in recent years. Future price and volume fluctuations may be unrelated or disproportionate to the operating performance of companies like us. Therefore, broad market and industry factors may materially reduce the market price of our common shares, regardless of our operating performance.

Future sales of common shares by our existing and future shareholders may cause our share price to fall.

The market price of our common shares could decline as a result of sales by our existing and future shareholders, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

We may change the distribution policy for our common shares in the future.

Our future payment of distributions will be at the discretion of our Board of Trustees and will depend on numerous factors, including our results of operations, cash flow, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code, the terms and conditions of our 2013 Revolving Facility and other factors that our Board of Trustees deems relevant. Any change in our distribution policy could have a material adverse effect on the market price of our common shares.

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USE OF PROCEEDS

We expect the net proceeds of this offering to be approximately $191.5 million (approximately $220.3 million if the underwriters option to purchase additional common shares is exercised in full), after deducting the estimated underwriting discount and other expenses of this offering.

We intend to use the net proceeds from this offering to repay amounts outstanding under our 2013 Revolving Facility and for other general corporate purposes. As of the date of this prospectus supplement, the interest rate payable on our 2013 Revolving Facility is approximately 2.25% per annum, and the initial maturity date of the 2013 Revolving Facility is April 17, 2016.

Affiliates of certain of the underwriters in this offering are lenders under our 2013 Revolving Facility and will receive their pro rata share of the net proceeds of this offering that are used to repay the 2013 Revolving Facility. See Underwriting in this prospectus supplement.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2013 (1) on an actual basis, (2) on a pro forma basis to reflect certain transactions since March 31, 2013 and (3) as adjusted to reflect the consummation of this offering, after deducting the underwriting discount and our estimated offering expenses, and the application of the net proceeds as described under Use of Proceeds in this prospectus supplement. You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q and our unaudited financial statements and related notes for the quarter ended March 31, 2013 included therein.

	As of March 31, 2013		
(In thousands, except per share data)	**Actual**	**Pro Forma[1] (unaudited)**	**As Adjusted (unaudited)**
Cash	$ 33,641	$ 20,831	$ 20,831
Debt:			
Mortgage loans and other loans payable	$ 1,679,314	$ 1,689,314	$ 1,689,314
Credit Facility - 2010 Term Loan	97,500		
Credit Facility - 2010 Revolving Facility	60,000		
Credit Facility - 2013 Revolving Facility		192,500	1,000
Total debt	$ 1,836,814	$ 1,881,814	$ 1,690,314
Equity:			
Preferred shares: 25,000 shares authorized			
Series A Preferred Shares, $0.01 par value per share; 4,600 shares issued and outstanding at March 31, 2013, pro forma and as adjusted	$ 46	$ 46	$ 46
Series B Preferred Shares, $0.01 par value per share; 3,450 shares issued and outstanding at March 31, 2013, pro forma and as adjusted	35	35	35
Shares of beneficial interest, $1.00 par value per share; 200,000 shares authorized; 56,506 shares issued and outstanding at March 31, 2013 and pro forma and 66,506 shares issued and outstanding as adjusted	56,506	56,506	66,506
Capital contributed in excess of par	1,248,586	1,248,586	1,430,086
Accumulated other comprehensive loss	(18,576)	(18,576)	(18,576)
Distributions in excess of net income	(597,956)	(597,956)	(597,956)
Total Equity - Pennsylvania Real Estate Investment Trust	688,641	688,641	880,141
Non controlling interest	38,429	38,429	38,429
Total Equity	$ 727,070	$ 727,070	$ 918,570
Total Capitalization	$ 2,563,884	$ 2,608,884	$ 2,608,884

(1) Reflects (a) the acquisition of 907 Market in April 2013 through a borrowing of $35,000 under the 2010 Credit Facility, the issuance of a $10,000 promissory note and cash, and (b) the entry into the 2013 Revolving Facility and the use of the proceeds thereof to repay $192,500 outstanding under the 2010 Credit Facility.

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UNDERWRITING

Subject to the terms and conditions contained in an underwriting agreement between us and the underwriters named below, for whom Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are acting as representatives, we have agreed to sell to the underwriters, and the underwriters have agreed, severally and not jointly, to purchase from us, the respective number of common shares shown opposite their names below:

Underwriter	Number of Shares
Wells Fargo Securities, LLC	1,750,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,750,000
Citigroup Global Markets Inc.	1,750,000
J.P. Morgan Securities LLC	1,750,000
Deutsche Bank Securities Inc.	500,000
Mitsubishi UFJ Securities (USA), Inc.	500,000
PNC Capital Markets LLC	500,000
Capital One Southcoast, Inc.	300,000
RBS Securities Inc.	300,000
Stifel, Nicolaus & Company, Incorporated	300,000
Piper Jaffray & Co.	300,000
Janney Montgomery Scott LLC	100,000
Santander Investment Securities Inc.	100,000
TD Securities (USA) LLC	100,000
Total	10,000,000

The underwriters have agreed, severally and not jointly, to purchase all of the common shares sold under the underwriting agreement if any of those common shares are purchased.

We have agreed to indemnify the underwriters and their respective controlling persons against specified liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the common shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by counsel and other conditions such as the receipt by the underwriters of officers certificates, comfort letters and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Discounts and Commissions

The representatives have advised us that they propose initially to offer the common shares to the public at the public offering price appearing on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $0.48 per share. After the initial offering, the public offering price and other selling terms may be changed.

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The following table shows the per share and total public offering price, the underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional common shares.

	Per Share	Without Option	With Option
Public offering price	$ 20.00	$ 200,000,000	$ 230,000,000
Underwriting discount	$ 0.80	$ 8,000,000	$ 9,200,000
Proceeds, before expenses, to us	$ 19.20	$ 192,000,000	$ 220,800,000

The expenses of the offering, exclusive of the underwriting discount, are estimated at approximately $500,000 and are payable by us.

Option to Purchase Additional Common Shares

We have granted an option to the underwriters to purchase up to 1,500,000 additional common shares at the public offering price on the cover page of this prospectus supplement less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus supplement. If the underwriters exercise this option, each underwriter will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter s initial amount reflected in the above table.

No Sales of Common Shares

We have agreed that, for a period of 45 days after the date of this prospectus supplement and subject to certain exceptions, we will not, without the prior written consent of the representatives, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any common shares or any securities convertible into or exercisable or exchangeable for common shares or file any registration statement under the Securities Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the common shares, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of common shares or such other securities, in cash or otherwise.

New York Stock Ex