UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2012

or

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number: 1-6300

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

(Exact name of Registrant as specified in its charter)

Pennsylvania	**23-6216339**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
200 South Broad Street	
Philadelphia, PA	**19102**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (215) 875-0700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common shares of beneficial interest, $1.00 par value per share, outstanding at April 25, 2012: 55,953,163

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

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Except as the context otherwise requires, references in this Quarterly Report on Form 10-Q to we, our, us, the Company and PREIT refer to Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating partnership, PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to PREIT Associates or the Operating Partnership refer to PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to PRI refer to PREIT-RUBIN, Inc.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS:		
INVESTMENTS IN REAL ESTATE, at cost:		
Operating properties	$ 3,473,802	$ 3,470,167
Construction in progress	96,671	91,538
Land held for development	15,107	15,292
Total investments in real estate	3,585,580	3,576,997
Accumulated depreciation	(875,267)	(844,010)
Net investments in real estate	2,710,313	2,732,987
INVESTMENTS IN PARTNERSHIPS, at equity:	15,866	16,009
OTHER ASSETS:		
Cash and cash equivalents	26,022	21,798
Tenant and other receivables (net of allowance for doubtful accounts of $16,765 and $17,930 at March 31, 2012 and December 31, 2011, respectively)	34,322	39,832
Intangible assets (net of accumulated amortization of $52,248 and $51,625 at March 31, 2012 and December 31, 2011, respectively)	9,298	9,921
Deferred costs and other assets	88,551	89,707
Total assets	$ 2,884,372	$ 2,910,254
LIABILITIES:		
Mortgage loans payable (including debt premium of $201 and $282 at March 31, 2012 and December 31, 2011, respectively)	$ 1,751,517	$ 1,691,381
Exchangeable Notes (net of debt discount of $342 and $849 at March 31, 2012 and December 31, 2011, respectively)	136,558	136,051
Term Loans	240,000	240,000
Revolving Facility	30,000	95,000
Tenants deposits and deferred rent	15,635	13,278
Distributions in excess of partnership investments	65,869	64,938
Fair value of derivative instruments	19,661	21,112
Accrued expenses and other liabilities	54,866	60,456
Total liabilities	2,314,106	2,322,216
COMMITMENTS AND CONTINGENCIES (Note 6)		
EQUITY:		
Shares of beneficial interest, $1.00 par value per share; 100,000 shares authorized; issued and outstanding 55,531 shares at March 31, 2012 and 55,677 shares at December 31, 2011	55,531	55,677
Capital contributed in excess of par	1,047,775	1,047,487
Accumulated other comprehensive loss	(32,416)	(34,099)
Distributions in excess of net income	(543,058)	(524,738)
Total equity PREIT	527,832	544,327
Noncontrolling interest	42,434	43,711
Total equity	570,266	588,038

Total liabilities and equity	$ 2,884,372	$ 2,910,254

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands of dollars)	Three months ended March 31, 2012	2011
REVENUE:		
Real estate revenue:		
Base rent	$ 72,040	$ 71,759
Expense reimbursements	32,026	33,762
Percentage rent	918	982
Lease termination revenue	651	25
Other real estate revenue	3,221	3,034
Total real estate revenue	108,856	109,562
Interest and other income	762	918
Total revenue	109,618	110,480
EXPENSES:		
Operating expenses:		
CAM and real estate taxes	(36,209)	(37,304)
Utilities	(5,289)	(5,831)
Other operating expenses	(4,898)	(5,958)
Total operating expenses	(46,396)	(49,093)
Depreciation and amortization	(33,719)	(34,510)
Other expenses:		
General and administrative expenses	(9,885)	(9,582)
Project costs and other expenses	(358)	(144)
Total other expenses	(10,243)	(9,726)
Interest expense, net	(31,669)	(33,613)
Total expenses	(122,027)	(126,942)
Loss before equity in income of partnerships	(12,409)	(16,462)
Equity in income of partnerships	1,993	1,543
Net loss	(10,416)	(14,919)
Less: net loss attributable to noncontrolling interest	419	601
Net loss attributable to PREIT	$ (9,997)	$ (14,318)

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)

EARNINGS PER SHARE

(Unaudited)

	Three months ended March 31,	
(in thousands of dollars, except per share amounts)	**2012**	**2011**
Net loss	$ (10,416)	$ (14,919)
Noncontrolling interest	419	601
Dividends on unvested restricted shares	(61)	(117)
Loss used to calculate earnings per share basic and diluted	$ (10,058)	$ (14,435)
Basic loss per share	$ (0.18)	$ (0.27)
Diluted loss per share	$ (0.18)	$ (0.27)
(in thousands of shares)		
Weighted average shares outstanding basic	54,908	54,466
Effect of common share equivalents[1]		
Weighted average shares outstanding diluted	54,908	54,466

(1) The Company had net losses for all periods presented. Therefore, the effect of common share equivalents of 646 and 555 for the three months ended March 31, 2012 and 2011, respectively, are excluded from the calculation of diluted loss per share for these periods because they would be antidilutive.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands of dollars)	**Three months ended March 31, 2012**	**2011**
Comprehensive (loss) income:		
Net loss	$ (10,416)	$ (14,919)
Unrealized gain on derivatives	1,451	3,490
Other	302	497
Total comprehensive loss	(8,663)	(10,932)
Less: Comprehensive loss attributable to noncontrolling interest	349	440
Comprehensive loss attributable to PREIT	$ (8,314)	$ (10,492)

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended

March 31, 2012

(Unaudited)

		PREIT Shareholders				
(in thousands of dollars, except per share amounts)	**Total Equity**	**Shares of Beneficial Interest, $1.00 Par**	**Capital Contributed in Excess of Par**	**Accumulated Other Comprehensive Loss**	**Distributions in Excess of Net Income**	**Non-controlling Interest**
Balance January 1, 2012	$ 588,038	$ 55,677	$ 1,047,487	$ (34,099)	$ (524,738)	$ 43,711
Total comprehensive loss	(8,663)			1,683	(9,997)	(349)
Shares issued upon redemption of Operating Partnership Units		20	297			(317)
Shares issued under distribution reinvestment and share purchase plan	149	10	139			
Shares issued under employee share purchase plan	189	12	177			
Shares retired under equity incentive plans, net of shares issued	(2,555)	(188)	(2,367)			
Amortization of deferred compensation	2,042		2,042			
Distributions paid to common shareholders ($0.15 per share)	(8,323)				(8,323)	
Noncontrolling interests:						
Distributions to Operating Partnership unitholders ($0.15 per unit)	(349)					(349)
Other distributions to noncontrolling interest, net	(262)					(262)
Balance March 31, 2012	$ 570,266	$ 55,531	$ 1,047,775	$ (32,416)	$ (543,058)	$ 42,434

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands of dollars)	**Three months ended March 31, 2012**	**2011**
Cash flows from operating activities:		
Net loss	$ (10,416)	$ (14,919)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	31,385	31,410
Amortization	4,350	4,706
Straight-line rent adjustments	(153)	(276)
Provision for doubtful accounts	572	1,642
Amortization of deferred compensation	2,042	2,198
Change in assets and liabilities:		
Net change in other assets	6,711	635
Net change in other liabilities	(1,912)	(5,095)
Net cash provided by operating activities	32,579	20,301
Cash flows from investing activities:		
Additions to construction in progress	(7,719)	(7,210)
Investments in real estate improvements	(2,273)	(1,703)
Additions to leasehold improvements	(183)	(42)
Investments in partnerships	(93)	(132)
Capitalized leasing costs	(1,325)	(1,158)
(Increase) decrease in cash escrows	(1,984)	288
Cash distributions from partnerships in excess of equity in income	1,167	897
Net cash used in investing activities	(12,410)	(9,060)
Cash flows from financing activities:		
Net repayment of Revolving Facility	(65,000)	
Proceeds from mortgage loans	65,750	
Principal installments on mortgage loans	(5,533)	(5,226)
Payment of deferred financing costs	(273)	(11)
Dividends paid to common shareholders	(8,323)	(8,327)
Distributions paid to Operating Partnership unitholders and noncontrolling interest	(349)	(347)
Shares of beneficial interest issued	338	139
Shares retired under equity incentive plans, net of shares issued	(2,555)	(1,875)
Net cash used in financing activities	(15,945)	(15,647)
Net change in cash and cash equivalents	4,224	(4,406)
Cash and cash equivalents, beginning of period	21,798	42,327
Cash and cash equivalents, end of period	$ 26,022	$ 37,921

See accompanying notes to the unaudited the consolidated financial statements.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

1. BASIS OF PRESENTATION

Nature of Operations

Pennsylvania Real Estate Investment Trust (PREIT or the Company) prepared the accompanying unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations, although we believe that the included disclosures are adequate to make the information presented not misleading. Our unaudited consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in PREIT s Annual Report on Form 10-K, as amended, for the year ended December 31, 2011. In our opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position and the consolidated results of our operations and our cash flows are included. The results of operations for the interim periods presented are not necessarily indicative of the results for the full year.

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 March 31, 2012, our portfolio consisted of a total of 49 properties in 13 states, including 38 shopping malls, eight strip and power centers and three development properties, with two of the development properties classified as mixed use (a combination of retail and other uses) and one of the development properties classified as other.

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 March 31, 2012, we held a 96.0% 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 partnership agreement of the Operating Partnership, each of the 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. In the event that all of the outstanding OP Units held by limited partners were redeemed for cash, the total amount that would have been distributed as of March 31, 2012 would have been $35.3 million, which is calculated using our March 30, 2012 closing share price on the New York Stock Exchange of $15.27 multiplied by the number of outstanding OP Units held by limited partners, which was 2,309,118 as of March 31, 2012.

We provide management, leasing and real estate development services through two companies: 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 an expanded menu of 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 consolidated operations on a geographic basis. We do not have any significant revenue or asset concentrations, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to the nature of our properties and the nature of our tenants and operational processes, as well as long-term financial performance. In addition, no single tenant accounts for 10% or more of consolidated revenue, and none of our properties are located outside the United States.

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Fair Value

Fair value accounting applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements.

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).

New Accounting Developments

The Financial Accounting Standards Board has proposed new accounting pronouncements related to lease accounting and to fair value accounting for long lived assets, including real estate. These pronouncements, if adopted, could have a significant effect on our financial statements. The effective dates of these possible accounting pronouncement changes, if any, are unknown at this time.

In 2011, we adopted new accounting requirements relating to the presentation of comprehensive income. These accounting requirements have increased the prominence of other comprehensive income in our financial statements. We now present the components of net income and comprehensive income in two financial statements under the heading Consolidated Statements of Operations. The new accounting requirements eliminate the option to present other comprehensive income in the statement of changes in equity. We have applied these changes retrospectively. The adoption of these new accounting requirements did not have a material effect on our financial statements.

In 2011, we adopted new accounting requirements relating to testing for goodwill impairment that permit us to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If we conclude it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we do not perform the two-step impairment test.

Effective January 1, 2012, in conjunction with our implementation of updates to the fair value measurements guidance, we made an accounting policy election to measure derivative financial instruments subject to master netting agreements on a net basis. This accounting policy election did not have a material effect on our financial statements.

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2. REAL ESTATE ACTIVITIES

Investments in real estate as of March 31, 2012 and December 31, 2011 were comprised of the following:

(in thousands of dollars)	As of March 31, 2012	As of December 31, 2011
Buildings, improvements and construction in progress	$ 3,068,092	$ 3,060,095
Land, including land held for development	517,488	516,902
Total investments in real estate	3,585,580	3,576,997
Accumulated depreciation	(875,267)	(844,010)
Net investments in real estate	$ 2,710,313	$ 2,732,987

Capitalization of Costs

The following table summarizes our capitalized salaries, commissions and benefits, real estate taxes and interest for the three months ended March 31, 2012 and 2011:

	Three months ended March 31,	
(in thousands of dollars)	2012	2011
Development/Redevelopment Activities:		
Salaries and benefits	$ 133	$ 215
Real estate taxes	393	47
Interest	547	397
Leasing Activities:		
Salaries, commissions and benefits	1,325	1,158

We expensed project costs that did not meet or no longer met our criteria for capitalization of $0.2 million and $0.1 million for the three months ended March 31, 2012 and 2011, respectively.

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3. INVESTMENTS IN PARTNERSHIPS

The following table presents summarized financial information of the equity investments in our unconsolidated partnerships as of March 31, 2012 and December 31, 2011:

(in thousands of dollars)	As of March 31, 2012	As of December 31, 2011
ASSETS:		
Investments in real estate, at cost:		
Retail properties	$ 404,446	$ 404,219
Construction in progress	1,949	2,092
Total investments in real estate	406,395	406,311
Accumulated depreciation	(147,908)	(144,671)
Net investments in real estate	258,487	261,640
Cash and cash equivalents	10,716	11,379
Deferred costs and other assets, net	20,111	19,687
Total assets	289,314	292,706
LIABILITIES AND PARTNERS DEFICIT:		
Mortgage loans payable	409,616	410,978
Other liabilities	6,623	6,645
Total liabilities	416,239	417,623
Net deficit	(126,925)	(124,917)
Partners share	(67,661)	(66,667)
PREIT s share	(59,264)	(58,250)
Excess investment[(1)]	9,261	9,321
Net investments and advances	$ (50,003)	$ (48,929)
Investment in partnerships, at equity	$ 15,866	$ 16,009
Distributions in excess of partnership investments	(65,869)	(64,938)
Net investments and advances	$ (50,003)	$ (48,929)

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

We record distributions from our equity investments up to an amount equal to the equity in income of partnerships as cash from operating activities. Amounts in excess of our share of the income in the equity investments are treated as a return of partnership capital and recorded as cash from investing activities.

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The following table summarizes our share of equity in income of partnerships for the three months ended March 31, 2012 and 2011:

(in thousands of dollars)	Three months ended March 31, 2012	Three months ended March 31, 2011
Real estate revenue	$ 19,377	$ 18,708
Expenses:		
Operating expenses	(5,927)	(6,046)
Interest expense	(5,654)	(5,587)
Depreciation and amortization	(3,612)	(3,846)
Total expenses	(15,193)	(15,479)
Net income	4,184	3,229
Less: Partners share	(2,087)	(1,603)
PREIT s share	2,097	1,626
Amortization of excess investment	(104)	(83)
Equity in income of partnerships	$ 1,993	$ 1,543

4. FINANCING ACTIVITY

Amended, Restated and Consolidated Senior Secured Credit Agreement

Our credit facility consists of a revolving line of credit with a capacity of $250.0 million (the Revolving Facility) and term loans with an aggregate balance as of March 31, 2012 of $240.0 million (collectively, the 2010 Term Loan and, together with the Revolving Facility, and as amended the 2010 Credit Facility).

As of March 31, 2012, $30.0 million was outstanding under our Revolving Facility. No amounts were pledged as collateral for letters of credit, and the unused portion that was available to us was $220.0 million at March 31, 2012. In April 2012, we used proceeds from the Series A Preferred Share offering (see note 8) to repay $30.0 million of outstanding borrowings on our Revolving Facility. Following this paydown, there were no amounts outstanding under the Revolving Facility and the unused portion available to us was $250.0 million.

The weighted average interest rate on outstanding Revolving Facility borrowings as of March 31, 2012 was 4.25%. Interest expense related to the Revolving Facility was $0.7 million and $0.1 million for the three months ended March 31, 2012 and 2011, respectively, excluding non-cash amortization of deferred financing fees.

As of March 31, 2012, $240.0 million was outstanding under the 2010 Term Loan. The weighted average effective interest rates based on amounts borrowed under the 2010 Term Loan for the three months ended March 31, 2012 was 5.08%. Interest expense related to the 2010 Term Loan was $3.3 million and $5.1 million, respectively, for the three months ended March 31, 2012 and 2011, excluding non-cash amortization of deferred financing fees.

Deferred financing fee amortization associated with the 2010 Credit Facility for each of the three months ended March 31, 2012 and 2011 was $0.9 million.

The 2010 Credit Facility contains affirmative and negative covenants of the type customarily found in credit facilities of this nature. As of March 31, 2012, we were in compliance with all financial covenants.

Exchangeable Notes

As of both March 31, 2012 and December 31, 2011, $136.9 million in aggregate principal amount of our 4.0% Senior Exchangeable Notes due 2012 (the Exchangeable Notes) remained outstanding, excluding debt discount of $0.3 million and $0.8 million, respectively.

Interest expense related to our Exchangeable Notes for each of the three months ended March 31, 2012 and 2011, was $1.4 million, excluding the non-cash amortization of debt discount of $0.5 million and the non-cash amortization of deferred financing fees of $0.2 million. The Exchangeable Notes have an effective interest rate of 5.94%.

We intend to repay in full the Exchangeable Notes upon their maturity in June 2012, using available cash and borrowings from our Revolving Facility.

Mortgage Loans

The carrying value (including debt premium of $0.2 million and $0.3 million as of March 31, 2012 and December 31, 2011, respectively) and estimated fair values of mortgage loans based on interest rates and market conditions at March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012		December 31, 2011	
(in millions of dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Mortgage loans	$ 1,751.5	$ 1,765.4	$ 1,691.4	$ 1,683.4

The mortgage loans contain various customary default provisions. As of March 31, 2012, we were not in default on any of the mortgage loans.

Mortgage Loan Activity

The following table presents the mortgage loans we have entered into since January 1, 2012 relating to our consolidated properties:

Financing Date	**Property**	**Amount Financed or Extended (in millions of dollars)**	**Stated Rate**	**Maturity**
2012 Activity:				
January	New River Valley Mall	$ 28.1	LIBOR plus 3.00%	January 2019
February	Capital City Mall	65.8	5.30% fixed	March 2022

5. CASH FLOW INFORMATION

Cash paid for interest was $27.2 million (net of capitalized interest of $0.5 million) and $30.1 million (net of capitalized interest of $0.4 million) for the three months ended March 31, 2012 and 2011, respectively.

6. COMMITMENTS AND CONTINGENCIES

Contractual Obligations

As of March 31, 2012, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of $18.4 million in the form of tenant allowances, lease termination fees, and contracts with general service providers and other professional service providers.

Related Party Transactions

We lease our principal executive offices from Bellevue Associates (the Landlord), an entity in which certain of our officers/trustees have an interest. Under the original lease, our base rent was $1.5 million. Our total rent expense in 2011 was $1.8 million. The office lease had a 10 year term that commenced on November 1, 2004. We had the option to renew the office lease for up to two additional five year periods at the then-current fair market rate calculated in accordance with the terms of the office lease. Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, own approximately a 50% interest in the Landlord.

Under the office lease, we also had the right on one occasion at any time during the seventh lease year to terminate the lease upon the satisfaction of certain conditions. In April 2012, we entered into an amendment to our office lease with the Landlord, effective June 1, 2012. The amendment was negotiated in light of the aforementioned termination right. Under this amendment, the term has been extended for five years to October 31, 2019, and we have the option to renew the amended office lease for up to two additional periods for an aggregate of 10 years, at the then-current market base rental rate calculated in accordance with the terms of the amended office lease. The first extension period shall be no less than three and no more than seven years, at our discretion, and the second shall be for 10 years less the number of years of the first extension. The base rent will be approximately $1.2 million per year, increasing incrementally to approximately $1.4 million in 2019.

In accordance with PREIT s related party transactions policy, PREIT s Special Committee considered and approved the terms of the transaction.

Employment Agreements

On April 25, 2012, we entered into amended employment agreements with Ronald Rubin and Joseph F. Coradino. See our Form 8-K filed on April 27, 2012 for further information.

7. 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

Our outstanding derivatives have been designated under applicable accounting authority as cash flow hedges. The effective portion of changes in the fair value of derivatives designated as, and that qualify as, cash flow hedges is recorded in Accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. To the extent these instruments are ineffective as cash flow hedges, changes in the fair value of these instruments are recorded in Interest expense, net. We recognize all derivatives at fair value as either assets or liabilities in the accompanying consolidated balance sheets. Our derivative assets and liabilities are recorded in Fair value of derivative instruments.

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Amounts reported in Accumulated other comprehensive loss that are related to derivatives will be reclassified to Interest expense, net as interest payments are made on our corresponding debt. During the next twelve months, we estimate that $17.3 million will be reclassified as an increase to interest expense in connection with derivatives.

Interest Rate Swaps and Cap

As of March 31, 2012, we had entered into nine interest rate swap agreements and one cap agreement with a weighted average interest rate of 2.54% on a notional amount of $632.6 million maturing on various dates through November 2013, and two forward starting interest rate swap agreements with a weighted average interest rate of 2.76% on a notional amount of $228.1 million maturing on various dates through January 2017.

We entered into these interest rate swap agreements (including the forward starting swap agreements) and the cap agreement in order to hedge the interest payments associated with the 2010 Credit Facility and our issuances of variable interest rate long-term debt. We have assessed the effectiveness of these interest rate swap agreements and cap agreement as hedges at inception and on a quarterly basis. On March 31, 2012, we considered these interest rate swap agreements and the cap agreement to be highly effective as cash flow hedges. The interest rate swap agreements and cap agreement are net settled monthly.

Accumulated other comprehensive loss as of March 31, 2012 includes a net loss of $10.3 million relating to forward-starting swaps that we cash settled in prior years that are being amortized over 10 year periods commencing on the closing dates of the debt instruments that are associated with these settled swaps.

The following table summarizes the terms and estimated fair values of our interest rate swap, cap and forward starting swap derivative instruments at March 31, 2012 and December 31, 2011. The notional amounts provide an indication of the extent of our involvement in these instruments, but do not represent exposure to credit, interest rate or market risks. The fair values of our derivative instruments are recorded in Fair value of derivative instruments on our balance sheet.

(in millions of dollars) **Notional Value**	**Fair Value at March 31, 2012[(1)]**	**Fair Value at December 31, 2011[(1)]**	**Interest Rate**	**Effective Date**	**Maturity Date**
Interest Rate Swaps					
$200.0	$ (0.0)	$ (0.7)	1.78%		April 2, 2012
25.0	(0.3)	(0.3)	1.83%		December 31, 2012
60.0	(0.8)	(0.9)	1.74%		March 11, 2013
40.0	(0.6)	(0.6)	1.82%		March 11, 2013
65.0	(2.9)	(3.2)	3.60%		September 9, 2013
68.0	(3.2)	(3.5)	3.69%		September 9, 2013
56.3	(2.7)	(2.9)	3.73%		September 9, 2013
55.0	(2.2)	(2.4)	2.90%		November 29, 2013
48.0	(2.0)	(2.1)	2.90%		November 29, 2013
Interest Rate Cap					
15.3	(0.0)	(0.0)	2.50%		April 2, 2012
Forward Starting Interest Rate Swaps					
200.0	(4.9)	(4.5)	2.96%	April 2, 2012	March 11, 2013
28.1	(0.1)	N/A	1.38%	January 2, 2013	January 2, 2017
	$ (19.7)	$ (21.1)			

(1) As of March 31, 2012 and December 31, 2011, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. As of March 31, 2012 and December 31, 2011, we do not have any significant recurring fair value measurements related to derivative instruments using significant unobservable inputs (Level 3).

The table below presents the effect of our derivative financial instruments on our consolidated statements of operations for the three months ended March 31, 2012 and 2011:

	Three months ended March 31, 2012	Three months ended March 31, 2011	Consolidated Statements of Operations location
Derivatives in cash flow hedging relationships			
Interest Rate Products			
Loss recognized in Other comprehensive income (loss) on derivatives	$ (2.1) million	$ (0.4) million	N/A
Loss reclassified from Accumulated Other Comprehensive loss into income (effective portion)	$ 3.9 million	$ 4.3 million	Interest expense
Gain (loss) recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)			Interest expense

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 in default on our derivative obligations. As of March 31, 2012, 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 us being in default on any derivative instrument obligations covered by the agreement.

As of March 31, 2012, the fair value of derivatives in a net liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was $19.7 million. If we had breached any of the default provisions in these agreements as of March 31, 2012, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of $21.6 million. We had not breached any of these provisions as of March 31, 2012.

8. SERIES A PREFERRED SHARE OFFERING

In April 2012, we issued 4,600,000 of our 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the Series A Preferred Shares) in a public offering at $25.00 per share plus accrued dividends. We received net proceeds from the offering of $110.7 million after deducting payment of the underwriting discount of $3.6 million ($0.7875 per Series A Preferred Share) and offering expenses of $0.7 million. We used a portion of the net proceeds from this offering to repay $30.0 million of outstanding borrowings under the Revolving Facility. After the repayment, there were no amounts outstanding under the Revolving Facility.

The Series A Preferred Shares will not be redeemable before April 20, 2017, except under circumstances intended to preserve our status as a real estate investment trust, or REIT, for federal and/or state income tax purposes and except upon the occurrence of a Change of Control, as defined in the Trust Agreement addendum designating the Series A Preferred Shares. On and after April 20, 2017, we may, at our option, redeem any or all of the Series A Preferred Shares for cash at $25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. In addition, upon the occurrence of a Change of Control, we may, at our option, redeem any or all of the Series A Preferred Shares for cash within 120 days after the first date on which such Change of Control occurred at $25.00 per share plus, subject to certain exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. The Series A 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 become convertible and are converted.

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Item 2. 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 unaudited consolidated financial statements and the notes thereto included elsewhere in this report.

OVERVIEW

Pennsylvania Real Estate Investment Trust, 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. Our portfolio currently consists of a total of 49 properties in 13 states, including 38 enclosed malls, eight strip and power centers and three development properties. The operating retail properties have a total of approximately 33.1 million square feet. The operating retail properties that we consolidate for financial reporting purposes have a total of approximately 28.5 million square feet, of which we own approximately 22.8 million square feet. The operating retail properties that are owned by unconsolidated partnerships with third parties have a total of approximately 4.6 million square feet, of which 2.9 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.

Our primary business is owning and operating retail shopping malls, which we primarily do through our operating partnership, PREIT Associates, L.P. (PREIT Associates). 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 we own interests in 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 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.

Net loss for the three months ended March 31, 2012 was $10.4 million, a decrease of $4.5 million compared to a net loss of $14.9 million for the three months ended March 31, 2011. This increase was primarily due to lower operating expenses and lower interest expenses.

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. We do not have any significant revenue or asset concentrations, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to the nature of our properties and the nature of our tenants and operational processes, as well as long-term financial performance. 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 interests in our portfolio of properties through our operating partnership, PREIT Associates. We are the sole general partner of PREIT Associates and, as of March 31, 2012, held a 96.0% controlling interest in PREIT Associates. We consolidate PREIT Associates for financial reporting purposes. We hold our investments in seven of the 46 retail properties and one of the three development properties in our portfolio through unconsolidated partnerships with third parties in which we own a 40% to 50% interest. We hold a noncontrolling interest in each unconsolidated partnership, and account for such partnerships using the equity method of accounting. 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, 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 record the earnings from the unconsolidated partnerships using the equity method of accounting under the statements of operations 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 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 our interest in three of our unconsolidated partnerships through tenancy in common arrangements. For each of these properties, title is held by us and another person or persons, and each has an undivided interest in the property. With respect to each of the three properties, under the applicable agreements between us and the other persons with ownership interests, we and such other persons 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 person (or at least one of the other persons) owning an interest in the property. Hence, we account for each of the properties using the equity method of accounting. The balance sheet items arising from these properties appear under the caption Investments in partnerships, at equity. The statements of operations items arising from these properties appear in Equity in income of partnerships.

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

Current Economic Conditions and Our Leverage

The conditions in the economy and the disruptions in the financial markets have reduced employment and have caused fluctuations and variations in business and consumer confidence and consumer spending on retail goods. We continue to adjust our plans and actions to take into account the current environment.

The conditions in the economy and their effect on retail sales, as well as our significant leverage resulting from use of debt to fund our redevelopment program and other development activity, have combined to necessitate that we vary our approach to obtaining, using and recycling capital. In light of these conditions, we are focusing on appropriately managing our liquidity. We intend to consider all of our available options for accessing the capital markets, given our position and constraints. We believe that we have access to sufficient capital to fund our remaining redevelopment project and our other capital improvement projects.

We continue to contemplate ways to reduce our leverage through a variety of means available to us, subject to and in accordance with the terms of our Amended, Restated and Consolidated Senior Secured Credit Agreement (as amended, the 2010 Credit Facility). These steps might include obtaining additional equity capital, including through the issuance of common or preferred equity securities if market conditions are favorable, through joint ventures or other partnerships or arrangements involving our contribution of assets with institutional investors, private equity investors or other REITs, through sales of properties or interests in properties with values in excess of their mortgage loans or allocable debt and application of the excess proceeds to debt reduction, or through other actions.

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Capital Improvements and Development Projects

We might make capital improvements at our operating properties. Such improvements 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 $96.7 million as of March 31, 2012.

We are also engaged in several types of development projects. However, we do not expect to make any significant investment in these projects in the short term. As of March 31, 2012, we had incurred $56.7 million of costs (net of impairment charges recorded in prior years) related to our activity at development properties.

As of March 31, 2012, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of $18.4 million in the form of tenant allowances, lease termination fees, and contracts with general service providers and other professional service providers.

Dispositions

We did not dispose of any properties during the three months ended March 31, 2012.

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 unaudited consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. In preparing the 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 similar businesses. The estimates and assumptions made by management in applying critical accounting policies have not changed materially during 2012 and 2011, 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.

For additional information regarding our Critical Accounting Policies, see Critical Accounting Policies in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011, as amended.

OFF BALANCE SHEET ARRANGEMENTS

We have no material off-balance sheet items other than the partnerships described in note 3 to the unaudited consolidated financial statements and in the Overview section above.

RESULTS OF OPERATIONS

Occupancy

The table below sets forth certain occupancy statistics for our properties as of March 31, 2012 and 2011:

	Occupancy (1) as of March 31,					
	Consolidated Properties		Unconsolidated Properties		Combined (2)	
	2012	2011	2012	2011	2012	2011
Retail portfolio weighted average:						
Total excluding anchors	86.9%	86.2%	93.1%	92.3%	87.9%	87.1%
Total including anchors	91.6%	90.4%	94.8%	94.2%	91.9%	90.8%
Malls weighted average:						
Total excluding anchors	86.6%	85.9%	92.5%	94.8%	87.0%	86.5%
Total including anchors	91.4%	90.2%	94.0%	95.9%	91.5%	90.4%
Strip and power centers weighted average	97.2%	96.1%	95.2%	93.3%	95.8%	94.2%

(1) Occupancy for both periods presented includes all tenants irrespective of the terms of their agreements.

(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.

Leasing Activity

The table below sets forth summary leasing activity information with respect to our consolidated and unconsolidated properties for the three months ended March 31, 2012.

			Average Base Rent psf		Increase (Decrease) in Base Rent psf		Annualized Tenant Improvements psf (2)
	Number	GLA	Previous	New	Dollar	Percentage(1)	
New Leases -Previously Leased Space:							
1st Quarter	32	119,188	$ 20.58	$ 21.54	$ 0.96	4.7%	$ 3.02
New Leases -Previously Vacant Space: (3)							
1st Quarter	35	124,425	N/A	$ 28.60	$ 28.60	N/A	$ 3.82
Renewal: (4)							
1st Quarter	139	481,428	$ 22.28	$ 22.92	$ 0.64	2.9%	$
Anchor New:							
1st Quarter	3	285,136	N/A	$ 13.87	$ 13.87	N/A	$ 3.40
Anchor Renewal:							
1st Quarter	1	100,115	$ 3.13	$ 3.13	$		$

(1) Leasing spreads on a gross rent basis (base rent plus common area maintenance, real estate taxes and other charges) were 1.3% for New Leases Previously Leased Space and 0.0% for Renewals.

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

(3) This category includes newly constructed and recommissioned space.

(4) This category includes expansions, relocations and lease extensions.

As of March 31, 2012, for non-anchor leases, the average base rent per square foot as of the expiration date was $26.41 for the renewing leases in Holdover status and $25.34 for leases expiring in 2012.

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The following information sets forth our results of operations for each of the three months ended March 31, 2012 and 2011.

Financial Overview

Net loss for the three months ended March 31, 2012 was $10.4 million, a decrease of $4.5 million compared to a net loss of $14.9 million for the three months ended March 31, 2011. Our March 31, 2012 results of operations were primarily affected by lower operating expenses and decreased interest expense.

(in thousands of dollars)	Three months ended March 31, 2012	Three months ended March 31, 2011	% Change 2010 to 2011
Real estate revenue	$ 108,856	$ 109,562	(1%)
Interest and other income	762	918	(17%)
Operating expenses	(46,396)	(49,093)	(5%)
Depreciation and amortization	(33,719)	(34,510)	(2%)
General and administrative expenses	(9,885)	(9,582)	3%
Project costs and other expenses	(358)	(144)	149%
Interest expense, net	(31,669)	(33,613)	(6%)
Equity in income of partnerships	1,993	1,543	29%
Net loss	$ (10,416)	$ (14,919)	(30%)

The amounts in the preceding table reflect our consolidated properties and our unconsolidated properties, which are presented under the equity method of accounting in the line item Equity in income of partnerships.

Real Estate Revenue

Real estate revenue decreased by $0.7 million, or 1%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to:

- a decrease of $1.7 million in expense reimbursements, primarily due to a $1.6 million decrease in common area maintenance, real estate tax and utilities expenses;
- an increase of $0.6 million in lease termination revenue, primarily as a result of $0.5 million received from one tenant during the three months ended March 31, 2012;
- an increase of $0.3 million in base rent, including a $0.2 million increase in income from tenants with short-term agreements; and
- an increase of $0.2 million in other revenue, including a $0.1 million increase in promotional income.

Operating Expenses

Operating expenses decreased by $2.7 million, or 5%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to:

a decrease of $1.4 million in common area maintenance expenses, including decreases of $1.7 million in snow removal expense and $0.3 million in common area utilities expense resulting from a mild and dry winter across the Mid-Atlantic states where many of our properties are located, partially offset by a $0.2 million increase in housekeeping and security services as a result of stipulated annual contractual increases;

a decrease of $1.0 million in bad debt expense due to favorable collections resulting in lower accounts receivable balances, as well as fewer tenant bankruptcies compared to the three months ended March 31, 2011; and

a decrease of $0.5 million in non-common area utility expense, due in part to a mild winter with above average temperatures across the Mid-Atlantic states where many of our properties are located and in part to the fact that electric rates at the Pennsylvania properties where we re-distribute electricity to our tenants decreased by approximately 7% as a result of deregulation and alternate supplier contracts executed over the past 12 months.

Net Operating Income (NOI)

NOI (a non-GAAP measure) is derived from real estate revenue (determined in accordance with generally accepted accounting principles, or GAAP, including lease termination revenue) minus operating expenses (determined in accordance with GAAP), plus our share of revenue and operating expenses of our partnership investments as described below, and includes real estate revenue and operating expenses from properties included in discontinued operations. It 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 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. We believe that net income is the most directly comparable GAAP measurement to NOI.

NOI excludes interest and other income, general and administrative expenses, interest expense, depreciation and amortization, gains on sales of interests in real estate, gains on sales of non-operating real estate, gains on sales of discontinued operations, gain on extinguishment of debt, impairment losses, project costs and other expenses.

The following table presents NOI for the three months ended March 31, 2012 and 2011. The results are presented using the proportionate-consolidation method (a non-GAAP measure), which presents our share of the results of our partnership investments. Under GAAP, we account for our partnership investments under the equity method of accounting. Operating results for retail properties that we owned for the full periods presented (Same Store) exclude properties acquired or disposed of during the periods presented. A reconciliation of NOI to net loss determined in accordance with GAAP appears under the heading Reconciliation of GAAP Net Loss to Non-GAAP Measures.

	Same Store Three months ended March 31,			Non Same Store Three months ended March 31,			Total Three months ended March 31,		
(in thousands of dollars)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Real estate revenue	$ 117,979	$ 118,376	(0%)	$ 487	$ 484	1%	$ 118,466	$ 118,860	(0%)
Operating expenses	(48,882)	(51,614)	(5%)	(461)	(486)	(5%)	(49,343)	(52,100)	(5%)
Net Operating Income (Loss)	$ 69,097	$ 66,762	3%	$ 26	$ (2)	1,400%	$ 69,123	$ 66,760	4%

Total NOI increased by $2.4 million, or 4%, in the three months ended March 31, 2012 compared to the three months ended March 30, 2011. Same Store NOI increased by $2.3 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. See Real Estate Revenue and Operating Expenses above for further information about our consolidated properties.

NOI includes lease termination revenue of $0.7 million and $0.0 million for the three months ended March 31, 2012 and 2011, respectively.

Depreciation and Amortization

Depreciation and amortization expense decreased by $0.8 million, or 2%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily because certain lease intangibles related to three properties purchased during 2004 and 2005 became fully amortized after March 31, 2011.

General and Administrative Expenses

General and administrative expenses increased by $0.3 million, or 3%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to the timing of certain expenditures.

Interest Expense

Interest expense decreased by $1.9 million, or 6%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. This decrease was primarily due to a lower overall debt balance and lower applicable stated interest rates. Our weighted average effective borrowing rate was 5.96% for the three months ended March 31, 2012 compared to 6.11% for the three months ended March 31, 2011.

Equity in Income of Partnerships

Equity in income of partnerships increased by $0.5 million, or 29%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase was primarily due to increased revenue of $0.3 million and decreased depreciation and amortization expenses of $0.1 million.

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 excluding gains and losses on sales of operating properties (computed in accordance with GAAP), 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. In 2011, NAREIT reiterated its established guidance that excluding impairment write downs of depreciable real estate is consistent with the NAREIT definition.

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 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

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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.

The following table presents FFO and FFO per diluted share and OP Unit for the three months ended March 31, 2012 and 2011:

(in thousands of dollars, except per share amounts)	Three Months Ended March 31, 2012	% Change 2011 to 2012	Three Months Ended March 31, 2011
Funds from operations	$ 24,962	17%	$ 21,309
Funds from operations per diluted share and OP Unit	$ 0.43	16%	$ 0.37
Weighted average number of shares outstanding	54,908		54,466
Weighted average effect of full conversion of OP Units	2,328		2,329
Effect of common share equivalents	646		555
Total weighted average shares outstanding, including OP Units	57,882		57,350

FFO was $25.0 million for the three months ended March 31, 2012, an increase of $3.7 million, or 17%, compared to $21.3 million for the three months ended March 31, 2011. This increase primarily was due to:

- an increase of $2.4 million in NOI (presented using the proportionate-consolidation method; see Net Operating Income); and
- a decrease in interest expense of $1.9 million.

FFO per diluted share increased $0.06 per share to $0.43 per share for the three months ended March 31, 2012, compared to $0.37 per share for the three months ended March 31, 2011.

Reconciliation of GAAP Net Loss to Non-GAAP Measures

The preceding discussions compare our unaudited Consolidated Statements of Operations results for different periods based on GAAP. Also, the non-GAAP measures of NOI and FFO are discussed. 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. 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. FFO is a commonly used measure of operating performance and profitability among REITs, and we use FFO and FFO per diluted share and OP Unit as supplemental non-GAAP measures to compare our performance for different periods to that of our industry peers.

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The following information is provided to reconcile NOI and FFO, which are non-GAAP measures, to net loss, a GAAP measure:

	Three months ended March 31, 2012		
(in thousands of dollars)	Consolidated	Share of unconsolidated partnerships	Total
Real estate revenue	$ 108,856	$ 9,610	$ 118,466
Operating expenses	(46,396)	(2,947)	(49,343)
Net operating income	**62,460**	**6,663**	**69,123**
General and administrative expenses	(9,885)		(9,885)
Interest and other income	762		762
Project costs and other expenses	(358)		(358)
Interest expense, net	(31,669)	(2,819)	(34,488)
Depreciation on non real estate assets	(192)		(192)
Funds from operations	**21,118**	**3,844**	**24,962**
Depreciation on real estate assets	(33,527)	(1,851)	(35,378)
Equity in income of partnerships	1,993	(1,993)	
Net loss	**$ (10,416)**	**$**	**$ (10,416)**

	Three months ended March 31, 2011		
(in thousands of dollars)	Consolidated	Share of unconsolidated partnerships	Total
Real estate revenue	$ 109,562	$ 9,298	$ 118,860
Operating expenses	(49,093)	(3,007)	(52,100)
Net operating income	**60,469**	**6,291**	**66,760**
General and administrative expenses	(9,582)		(9,582)
Interest and other income	918		918
Project costs and other expenses	(144)		(144)
Interest expense, net	(33,613)	(2,778)	(36,391)
Depreciation on non real estate assets	(252)		(252)
Funds from operations	**17,796**	**3,513**	**21,309**
Depreciation on real estate assets	(34,258)	(1,970)	(36,228)
Equity in income of partnerships	1,543	(1,543)	
Net loss	**$ (14,919)**	**$**	**$ (14,919)**

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 in our Annual Report on Form 10-K, as amended for the year ended December 31, 2011 filed with the Securities and Exchange Commission. 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.

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Capital Resources

We expect to meet our short-term liquidity requirements, including distributions to shareholders, recurring capital expenditures, tenant improvements and leasing commissions, but excluding development and redevelopment projects, generally through our available working capital and net cash provided by operations, and subject to the terms and conditions of our 2010 Credit Facility. 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 common shareholders and OP Unitholders in March 2012 for the first quarter of 2012 were $8.7 million, based on distributions of $0.15 per share and OP Unit. 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 in-line 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.

We expect to meet certain of our longer-term requirements, such as remaining obligations to fund development and redevelopment projects and certain capital requirements, including scheduled debt maturities, future property and portfolio acquisitions, expenses associated with acquisitions and renovations, expansions and other non-recurring capital improvements, through a variety of capital sources, subject to the terms and conditions of our 2010 Credit Facility.

The conditions in the market for debt capital and commercial mortgage loans (including the commercial mortgage backed securities market and the state of domestic and international bank and life insurance company real estate lending), and the conditions in the economy and their effect on retail sales, as well as our significant leverage resulting from debt incurred to fund our redevelopment program and other development activity, have combined to necessitate that we vary our approach to obtaining, using and recycling capital. In light of these conditions, we are focusing on appropriately managing our liquidity. We intend to consider all of our available options for accessing the capital markets, given our position and constraints.

In the past, one avenue available to us to finance our obligations or new business initiatives has been to obtain unsecured debt, based in part on the existence of properties in our portfolio that were not subject to mortgage loans. The terms of the 2010 Credit Facility include our grant of a security interest consisting of a first lien on 20 properties. As a result, we have very few remaining assets that we could use to support unsecured debt financing. Our lack of properties in the portfolio that could be used to support unsecured debt might limit our ability to obtain capital in this way.

We are contemplating ways to reduce our leverage through a variety of means available to us, and subject to and in accordance with the terms and conditions of the 2010 Credit Facility. These steps might include obtaining equity capital, including through the issuance of common or preferred equity securities if market conditions are favorable, through joint ventures or other partnerships or arrangements involving our contribution of assets with institutional investors, private equity investors or other REITs, through sales of properties or interests in properties with values in excess of their mortgage loans or allocable debt and application of the excess proceeds to debt reduction, or through other actions.

In January 2012, the SEC declared effective our $1.0 billion universal shelf registration statement. 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. In April 2012, we issued $115 million of preferred shares in an underwritten public offering. However, we may be unable to issue securities under the shelf registration statement, or otherwise, on terms that are favorable to us, or at all.

Amended, Restated and Consolidated Senior Secured Credit Agreement

Our credit facility consists of a revolving line of credit with a capacity of $250.0 million (the Revolving Facility) and term loans with an aggregate balance as of March 31, 2012 of $240.0 million (collectively, the 2010 Term Loan and, together with the Revolving Facility, and as amended, the 2010 Credit Facility).

As of March 31, 2012, $30.0 million was outstanding under our Revolving Facility. No amounts were pledged as collateral for letters of credit, and the unused portion that was available to us was $220.0 million at March 31, 2012. In April 2012, we used proceeds from the Series A Preferred Share offering mentioned above to repay $30.0 million of outstanding borrowings on our Revolving Facility. Following this paydown, there were no amounts outstanding under the Revolving Facility and the unused portion available to us was $250.0 million.

The weighted average interest rate on outstanding Revolving Facility borrowings as of March 31, 2012 was 4.25%. Interest expense related to the Revolving Facility was $0.7 million and $0.1 million for the three months ended March 31, 2012 and 2011, respectively, excluding non-cash amortization of deferred financing fees.

As of March 31, 2012, $240.0 million was outstanding under the 2010 Term Loan. The weighted average effective interest rates based on amounts borrowed under the 2010 Term Loan for the three months ended March 31, 2012 was 5.08%. Interest expense related to the 2010 Term Loan was $3.3 million and $5.1 million, respectively, for the three months ended March 31, 2012 and 2011, excluding non-cash amortization of deferred financing fees.

Amounts borrowed under the 2010 Credit Facility bear interest at a rate between 2.75% and 4.00% per annum, depending on our leverage, in excess of LIBOR. The rate in effect at March 31, 2012 was 4.00%. The following table presents the applicable credit spread over LIBOR at various leverage levels:

Less than 50%	2.75%
Equal to or greater than 50% but less than 55%	3.00%
Equal to or greater than 55% but less than 60%	3.25%
Equal to or greater than 60% but less than 65%	3.50%
Equal to or greater than 65% but less than 70%	4.00%

Deferred financing fee amortization associated with the 2010 Credit Facility for each of the three months ended March 31, 2012 and 2011 was $0.9 million.

The 2010 Credit Facility contains affirmative and negative covenants of the type customarily found in credit facilities of this nature. As of March 31, 2012, we were in compliance with all of these covenants.

Exchangeable Notes

As of both March 31, 2012 and December 31, 2011, $136.9 million in aggregate principal amount of our 4.0% Senior Exchangeable Notes due 2012 (the Exchangeable Notes) remained outstanding, excluding debt discount of $0.3 million and $0.8 million, respectively.

Interest expense related to our Exchangeable Notes for each of the three months ended March 31, 2012 and 2011, was $1.4 million, excluding the non-cash amortization of debt discount of $0.5 million and the non-cash amortization of deferred financing fees of $0.2 million. The Exchangeable Notes have an effective interest rate of 5.94%.

We intend to repay in full the Exchangeable Notes upon their maturity in June 2012 using available cash and borrowings from our Revolving Facility.

Series A Preferred Share Offering

In April 2012, we issued 4,600,000 of our 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the Series A Preferred Shares) in a public offering at $25.00 per share plus accrued dividends. We received net proceeds from the offering of $110.7 million after deducting payment of the underwriting discount of $3.6 million ($0.7875 per Series A Preferred Share) and offering expenses of $0.7 million. We used a portion of the net proceeds from this offering to repay $30.0 million of outstanding borrowings under the Revolving Facility. After the repayment, there were no amounts outstanding under the Revolving Facility.

The Series A Preferred Shares will not be redeemable before April 20, 2017, except under circumstances intended to preserve our status as a real estate investment trust, or REIT, for federal and/or state income tax purposes and except upon the occurrence of a Change of Control, as defined in the Trust Agreement addendum designating the Series A Preferred Shares. On and after April 20, 2017, we may, at our option, redeem any or all of the Series A Preferred Shares for cash at $25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. In addition, upon the occurrence of a Change of Control, we may, at our option, redeem any or all of the Series A Preferred Shares for cash within 120 days after the first date on which such Change of Control occurred at $25.00 per share plus, subject to certain exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. The Series A 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 become convertible and are converted.

Interest Rate Derivative Agreements

As of March 31, 2012, we had entered into nine interest rate swap agreements and one interest rate cap agreement that have a weighted average interest rate of 2.54% on a notional amount of $632.6 million maturing on various dates through November 2013, and two forward starting interest rate swap agreements that have a weighted average interest rate of 2.76% on a notional amount of $228.1 million maturing on various dates through January 2017.

We entered into these interest rate swap agreements (including the forward starting swap agreements) and cap agreement in order to hedge the interest payments associated with the 2010 Credit Facility and our issuances of variable interest rate long term debt. We have assessed the effectiveness of these interest rate swap agreements and cap agreement as hedges at inception and on a quarterly basis. On March 31, 2012, we considered these interest rate swap agreements and the cap agreement to be highly effective as cash flow hedges. The interest rate swap agreements and cap agreement are net settled monthly.

As of March 31, 2012, the aggregate estimated unrealized net loss attributed to these interest rate derivatives was $19.7 million. The carrying amount of the derivative assets is reflected in Deferred costs and other assets, the associated liabilities are reflected in Accrued expenses and other liabilities and the net unrealized loss is reflected in Accumulated other comprehensive loss in the accompanying balance sheets.

As of March 31, 2012, the fair value of derivatives in a net liability position, which excludes accrued interest but includes any adjustment for nonperformance risk related to these agreements, was $19.7 million. If we had breached any of the default provisions in these agreements as of March 31, 2012, we might have been required to settle our obligations under the agreements at their termination value (including accrued interest) of $21.6 million. We had not breached any of the provisions as of March 31, 2012.

Mortgage Loan Activity

The following table presents the mortgage loans we have entered into since January 1, 2012 relating to our consolidated properties.

Financing Date	Property	Amount Financed or Extended (in millions of dollars)	Stated Rate	Maturity
2012 Activity:				
January	New River Valley Mall	$ 28.1	LIBOR plus 3.00%	January 2019
February	Capital City Mall	65.8	5.30% fixed	March 2022

Mortgage Loans

Twenty-six mortgage loans, which are secured by 24 of our consolidated properties, are due in installments over various terms extending to the year 2022. Seventeen of the mortgage loans bear interest at a fixed rate and nine of the mortgage loans bear interest at variable rates.

The balances of the fixed rate mortgage loans have interest rates that range from 4.95% to 7.50% and had a weighted average interest rate of 5.75% at March, 31, 2012. The nine variable rate mortgage loan balances had a weighted average interest rate of 2.44% at March, 31, 2012. The weighted average interest rate of all consolidated mortgage loans was 4.92% at March 31, 2012. 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.

The following table outlines the timing of principal payments related to our mortgage loans as of March 31, 2012.

	Payments by Period				
(in thousands of dollars)	Total	2012	2013-2014	2015-2016	Thereafter
Principal payments	$ 70,046	$ 15,161	$ 29,347	$ 16,347	$ 9,191
Balloon payments (1)	1,681,270	409,997	496,926	514,421	259,926
Total	$ 1,751,316	$ 425,158	$ 526,273	$ 530,768	$ 269,117

(1) Due dates for certain of the balloon payments set forth in this table may be extended pursuant to the terms of the respective loan agreements. Of the balloon payments coming due in 2012, $98.3 million may be extended under extension options in the respective loan agreements; however, we might be required to repay a portion of the principal balance in order to exercise the extension options.

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Contractual Obligations

The following table presents our aggregate contractual obligations as of March 31, 2012 for the periods presented.

(in thousands of dollars)	Total	Remainder of 2012[1]	2013-2014	2015-2016	Thereafter
Mortgage loans [2]	$ 1,751,316	$ 425,158	$ 526,273	$ 530,768	$ 269,117
Exchangeable Notes [3]	136,900	136,900			
2010 Term Loan [4]	240,000		240,000		
Revolving Facility [4]	30,000		30,000		
Interest on indebtedness [5]	314,781	77,189	149,741	59,883	27,968
Operating leases	5,569	1,720	3,622	226	1
Ground leases	43,507	545	1,295	1,310	40,357
Development and redevelopment commitments [6]	18,448	18,448			
Total	$ 2,540,521	$ 659,960	$ 950,931	$ 592,187	$ 337,443

(1) Includes $0.1 million of principal payments and $42.2 million of balloon payments related to the mortgage loan secured by Beaver Valley Mall. In April 2012, this mortgage loan passed its Anticipated Repayment Date. The final maturity date is April 2032.

(2) We have six mortgage loans secured by five properties that are scheduled to mature by their terms in 2012 with an aggregate balance of $413.0 million as of March 31, 2012, including the mortgage loans secured by Cherry Hill Mall that had an aggregate balance of $233.0 million as of March 31, 2012. We expect to refinance these mortgage loans with new mortgage loans secured by the underlying properties, or to extend the maturity according to the terms of the specific mortgage loan, or, to the extent that we are unable to obtain mortgage loans for these properties on terms that are satisfactory to us, or at all, we expect to utilize the Revolving Facility and other capital resources to repay the amounts outstanding under such mortgage loans.

(3) We intend to repay in full the Exchangeable Notes upon their maturity in June 2012, using available cash and borrowings from our Revolving Facility.

(4) The 2010 Credit Facility, which is comprised of the 2010 Term Loan and the Revolving Facility, has a variable interest rate that ranges between 2.75% and 4.00% plus LIBOR depending on our total leverage ratio.

(5) Includes payments expected to be made in connection with interest rate swaps, caps and forward starting interest rate swap agreements.

(6) The timing of the payments of these amounts is uncertain. We expect that the majority of such payments will be made prior to December 31, 2012, but cannot provide any assurances that changed circumstances at these projects will not delay the settlement of these obligations.

CASH FLOWS

Net cash provided by operating activities totaled $32.6 million for the three months ended March 31, 2012 compared to $20.3 million for the three months ended March 31, 2011. This increase in cash from operating activities was primarily due to increased net operating income, lower interest expense, and other working capital changes.

Cash flows used in investing activities were $12.4 million for the three months ended March 31, 2012 compared to cash flows used in investing activities of $9.1 million for the three months ended March 31, 2011. Investing activities for the three months ended March 31, 2012 reflect investment in construction in progress of $7.7 million and real estate improvements of $2.3 million, primarily relating to ongoing maintenance of our properties. Investing activities for the three months ended March 31, 2011 reflect investment in construction in progress of $7.2 million and real estate improvements of $1.7 million.

Cash flows used in financing activities were $15.9 million for the three months ended March 31, 2012 compared to cash flows used in financing activities of $15.6 million for the three months ended March 31, 2011. Cash flows used in financing activities for the three months ended March 31, 2012 included dividends and distributions of $8.7 million, principal installments on mortgage loans of $5.5 million and a net $65.0 million pay down of the Revolving Facility. We also received $65.8 million in proceeds from a mortgage loan on Capital City Mall in the three months ended March 31, 2012. Cash flows used in financing activities for the three months ended March 31, 2011 reflected dividends and distributions of $8.7 million and principal installments on mortgage loans of $5.2 million.

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COMMITMENTS

As of March 31, 2012, we had unaccrued contractual and other commitments related to our capital improvement projects and development projects of $18.4 million in the form of tenant allowances, lease termination fees, and contracts with general service providers and other professional service providers.

ENVIRONMENTAL

We are aware of certain environmental matters at some of our properties, including ground water contamination and the presence of asbestos containing materials. 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. We may be required in the future to perform testing relating to these matters. We have insurance coverage for certain environmental claims up to $10.0 million per occurrence and up to $20.0 million in the aggregate.

COMPETITION AND TENANT CREDIT RISK

Competition in the retail real estate industry is intense. We compete with other public and private retail real estate companies, including companies that own or manage malls, strip centers, power 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 in-line store and other tenants. We also compete to acquire land for new site development, during more favorable economic conditions. Our malls and our strip and power centers 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. 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 development of competing retail properties and the related increased competition for tenants might, subject to the terms and conditions of the 2010 Credit Facility, 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 other prime development sites, including institutional pension funds, other REITs and other owner-operators of retail properties. Our efforts to compete for acquisitions are also subject to the terms and conditions of our 2010 Credit Facility. Given current economic, capital market and retail industry conditions, however, there has been substantially less competition with respect to acquisition activity in recent quarters. 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, 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. 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 debtor-in-possession financing, which has decreased the likelihood that such retailers will emerge from bankruptcy protection and has limited their alternatives. 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.

SEASONALITY

There is seasonality in the retail real estate industry. Retail property leases often provide for the payment of a portion of rent based on a percentage of a tenant s 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 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 quarter. Our concentration in the retail sector increases our exposure to seasonality 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 may 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, together with other statements and information publicly disseminated by us, 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 and Section 21E of the Securities Exchange Act of 1934. 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 uncertainties affecting real estate businesses generally as well as the following, among other factors:

- our substantial debt and our high leverage ratio;
- constraining leverage, interest and tangible net worth covenants under our 2010 Credit Facility;
- our ability to refinance our existing indebtedness when it matures, on favorable terms or at all, due in part to the effects on us of dislocations and liquidity disruptions in the capital and credit markets;
- 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;

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current economic conditions and their effect on employment, 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 market conditions, changes in interest rates or unemployment;

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

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

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.

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 ended December 31, 2011, as amended, 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.

Except as the context otherwise requires, references in this Quarterly Report on Form 10-Q to we, our, us, the Company and PREIT refer to Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating partnership, PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to PREIT Associates refer to PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to PRI refer to PREIT-RUBIN, Inc., which is a taxable REIT subsidiary of the Company.

ITEM 3. 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 March 31, 2012, our consolidated debt portfolio consisted primarily of $240.0 million borrowed under our 2010 Term Loan, which bore interest at a weighted average interest rate of 4.25%, $30.0 million borrowed under our Revolving Facility, which bore interest at a rate of 4.25%, $136.9 million of Exchangeable Notes, which bear interest at 4.00%, excluding debt discount of $0.3 million, and $1,751.5 million in fixed and variable rate mortgage loans, including $0.2 million of mortgage debt premium.

Twenty-six mortgage loans, which are secured by 24 of our consolidated properties, are due in installments over various terms extending to the year 2022. Seventeen of the mortgage loans bear interest at a fixed rate and nine of the mortgage loans bear interest at variable rates.

The balances of the fixed rate mortgage loans have interest rates that range from 4.95% to 7.50% and had a weighted average interest rate of 5.75% at March, 31, 2012. The nine variable rate mortgage loan balances had a weighted average interest rate of 2.44% at March, 31, 2012. The weighted average interest rate of all consolidated mortgage loans was 4.92% at March 31, 2012. 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 and the weighted average interest rates for the principal payments in the specified periods:

(in thousands of dollars)	Fixed Rate Debt		Variable Rate Debt	
For the Year Ending December 31,	Principal Payments	Weighted Average Interest Rate	Principal Payments	Weighted Average Interest Rate[(1)]
2012	$ 463,133[(2)]	5.40%	$ 98,925	2.18%
2013	$ 125,252	5.12%	$ 287,933	2.65%
2014	$ 112,391	6.54%	$ 270,697[(3)]	1.53%
2015	$ 282,968	5.80%	$ 728	2.34%
2016 and thereafter	$ 463,373	5.61%	$ 52,816	3.12%

(1) Based on the weighted average interest rate in effect as of March 31, 2012.

(2) Includes Exchangeable Notes of $136.9 million with a fixed interest rate of 4.00%.

(3) Includes 2010 Term Loan borrowings of $240.0 million with a weighted average interest rate of 4.25% and Revolving Facility borrowings of $30.0 million with a weighted average interest rate of 4.25% as of March 31, 2012.

As of March 31, 2012, we have $711.1 million of variable rate debt. Also, as of March 31, 2012, we had entered into nine interest rate swap agreements and one cap agreement with a weighted average interest rate of 2.54% on a notional amount of $632.6 million maturing on various dates through November 2013, and two forward starting interest rate swap agreements with a weighted average interest rate of 2.76% on a notional amount of $228.1 million maturing on various dates through January 2017. We entered into these interest rate swap agreements and the cap agreement in order to hedge the interest payments associated with the 2010 Credit Facility and our issuances of variable interest rate long-term debt.

Changes in market interest rates have different effects on the fixed and variable 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 and cap agreements, assumes an immediate 100 basis point change in interest rates from their actual March 31, 2012 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 $42.6 million at March 31, 2012. A 100 basis point decrease in market interest rates would have resulted

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in an increase in our net financial instrument position of $39.5 million at March 31, 2012. Based on the variable rate debt included in our debt portfolio at March 31, 2012, a 100 basis point increase in interest rates would have resulted in an additional $1.0 million in interest annually. A 100 basis point decrease would have reduced interest incurred by $1.0 million annually.

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 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 unaudited consolidated financial statements.

Because the information presented above includes only those exposures that existed as of March 31, 2012, it does not consider changes, exposures or positions which 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.

ITEM 4. CONTROLS AND PROCEDURES.

We are committed to providing accurate and timely disclosure in satisfaction of our SEC reporting obligations. In 2002, we established a Disclosure Committee to formalize our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2012, and have concluded as follows:

- Our disclosure controls and procedures are designed to ensure that the information that we are required to disclose in our reports under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

- Our disclosure controls and procedures are effective to ensure that information that we are required to disclose in our Exchange Act reports is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

There was no change in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In the normal course of business, we have become and might in the future become involved in legal actions relating to the ownership and operation of our properties and the properties that we manage for third parties. In management s opinion, the resolution of any such pending legal actions are not expected to have a material adverse effect on our consolidated financial position or results of operations.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the risks that could materially affect our business, financial condition or results of operations, which are discussed under the caption Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K, as amended for the year ended December 31, 2011, as well as the following:

Our recently announced management changes could impact our business and our prospects.

On March 21, 2012, we announced that our chief executive officer, Ronald Rubin, will retire from that position and that Joseph F. Coradino will become our new chief executive officer, effective as of our annual meeting on June 7, 2012. Our future success depends upon the ability of our corporate management team to implement this management transition and to continue to execute our business strategies. If we fail to manage the transition successfully, it would have a negative impact on our business and our prospects.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Issuer Purchases of Equity Securities

The following table shows the total number of shares that we acquired in the three months ended March 31, 2012 and the average price paid per share.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 January 31, 2012		$		$
February 1 February 29, 2012	191,442	13.35		
March 1 March 31, 2012				
Total	191,442	$ 13.35		$

On March 26, 2012, we issued 20,000 common shares in return for an equal number of Class A Units tendered for redemption by a limited partner of PREIT Associates, L.P. The shares were issued under exemptions provided by Section 4(2) of the Securities Act of 1933 as transactions not involving a public offering.

ITEM 5. OTHER INFORMATION

We lease our principal executive offices from Bellevue Associates (the Landlord), an entity in which certain of our officers/trustees have an interest. Under the original lease, as amended to date (the Original Lease), we rented approximately 68,100 square feet of space, and our base rent was $1.5 million. Our total rent expense in 2011 was $1.8 million. The Original Lease had a 10 year term that commenced on November 1, 2004. We had the option to renew the Original Lease for up to two additional five year periods at the then-current fair market rate calculated in accordance with the terms of the office lease. Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, own approximately a 50% interest in the Landlord.

Under the Original Lease, we also had the right on one occasion at any time during the seventh lease year to terminate the lease upon the satisfaction of certain conditions. In April 2012, we entered into an amendment to our office lease with the Landlord, effective June 1, 2012. The amendment was negotiated in light of the aforementioned termination right. Under this amendment, we are consolidating into approximately 58,000 square feet. The term has been extended for five years to October 31, 2019, and we have the option to renew the amended office lease for up to two additional periods for an aggregate of 10 years, at the then-current market base rental rate calculated in accordance with the terms of the amended office lease. The first extension period shall be no less than three and no more than seven years, at our discretion, and the second shall be for 10 years less the number of years of the first extension. The base rent will be approximately $1.2 million per year, increasing incrementally to approximately $1.4 million in 2019.

In accordance with PREIT s related party transactions policy, PREIT s Special Committee considered and approved the terms of the transaction.

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ITEM 6. EXHIBITS.

10.1	Pennsylvania Real Estate Investment Trust 2012-2014 Restricted Share Unit Program.
10.2	Form of Restricted Share Unit and Dividend Equivalent Rights Award Agreement.
31.1	Certification pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company s Quarterly Report on Form 10-Q for the period ended March 31, 2012 is formatted in XBRL interactive data files: (i) Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011; (ii) Consolidated Statement of Comprehensive Income for the three months ended March 31, 2012 and 2011; (iii) Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011; (iv) Consolidated Statements of Equity for the three months ended March 31, 2012; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011; and (vi) Notes to Unaudited Consolidated Financial Statements.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Date: April 30, 2012	By:	/s/ RONALD RUBIN **Ronald Rubin** **Chief Executive Officer**
	By:	/s/ ROBERT F. MCCADDEN **Robert F. McCadden** **Executive Vice President and Chief Financial Officer**
	By:	/s/ JONATHEN BELL **Jonathen Bell** **Senior Vice President Chief Accounting Officer** **(Principal Accounting Officer)**

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Exhibit Index

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** furnished herewith
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