

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form S-3
December 22, 2014

As filed with the Securities and Exchange Commission on December 22, 2014
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization) 200 South Broad Street Philadelphia, PA 19102-3803 (215) 875-0700 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	23-6216339 (I.R.S. Employer Identification Number)
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Bruce Goldman, Esq.
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Pennsylvania Real Estate Investment Trust
200 South Broad Street
Philadelphia, PA 19102-3803
(215) 875-0700
(Name, address, including zip code, and telephone number,
including area code, of agent for service)
Copy to:
Robert C. Juelke, Esq.

Drinker Biddle & Reath LLP
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Philadelphia, PA 19103

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Shares of Beneficial Interest, par value \$1.00 per share	657,393(1)(2)	(2)	(2)	(2)
Common Shares of Beneficial Interest, par value \$1.00 per share	342,607(1)	\$22.49(3)	\$7,705,231(3)	\$895(3)

Pursuant to Rule 416 under the Securities Act, such number of common shares of beneficial interest registered (1) hereby shall include an indeterminable number of common shares that may be issued in connection with a share split, share dividend, recapitalization or similar event.

As discussed below, pursuant to Rule 415(a)(6) under the Securities Act, this Registration Statement includes (2) unsold securities that have been previously registered. Accordingly, there is no registration fee due in connection with these previously registered shares.

(3)

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The proposed maximum offering price per share with respect to the additional 342,607 shares being registered pursuant to this Registration Statement is \$22.49, estimated solely for the purpose of computing the registration fee, pursuant to Rule 457(a) under the Securities Act, and, in accordance with Rule 457(c) under the Securities Act, based on the average of the high and low reported sale prices of our common shares on the New York Stock Exchange on December 17, 2014.

Pursuant to Rule 415(a)(6) under the Securities Act, the securities registered pursuant to this Registration Statement consist of 657,393 unsold common shares previously registered on the Registrant's Registration Statement on Form S-3 (Registration No. 333-178598). In connection with the registration of such unsold common shares, the Registrant paid a registration fee of \$592 for the newly registered shares on Registration Statement No. 333-178598 and carried over \$69 of previously paid registration fees, which will continue to be

applied to such unsold securities. Pursuant to Rule 415(a)(6), the offering of the unsold securities registered under the Registration Statement No. 333-178598 will be deemed terminated as of the date of effectiveness of this Registration Statement.

PROSPECTUS

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

1,000,000 Common Shares of Beneficial Interest

Distribution Reinvestment and Share Purchase Plan

The Distribution Reinvestment and Share Purchase Plan of Pennsylvania Real Estate Investment Trust provides owners of our Shares of beneficial interest, \$1.00 par value per share, with a simple and convenient method of purchasing additional shares. Some significant features of the Plan are:

- You may participate in the Plan if you own our Shares or limited partner interests in PREIT Associates, L.P., our operating partnership. If you do not own our Shares or limited partner interests in our operating partnership, you can participate in the Plan by making a minimum initial investment of \$250.
- You may purchase additional Shares by automatically reinvesting some or all of your cash dividends on our Shares or cash distributions on limited partner interests in our operating partnership.
- You may also purchase Shares by making optional cash investments of \$50 to \$5,000 per calendar month. In some instances, we may permit greater optional cash investments.

Those holders of our Shares who do not participate in the Plan will receive cash distributions, as declared, in the usual manner.

To enroll in the Plan, simply complete the enclosed Account Authorization Form and return it in the envelope provided. Enrollment in the Plan is entirely voluntary and participants may terminate their participation at any time. A broker, bank or other nominee may reinvest distributions on behalf of beneficial owners.

Our Shares currently trade on the New York Stock Exchange under the symbol "PEI." On December 17, 2014, the last reported sale price of our Shares on the New York Stock Exchange was \$22.58 per share.

You should consider the risks that we have described in "Risk Factors" on page 2 of this prospectus and included in documents that we file with the Securities and Exchange Commission that are incorporated by reference into this prospectus before investing in our Shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 22, 2014.

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References in this prospectus to “we,” “our,” “us” and “the Company” refer to Pennsylvania Real Estate Investment Trust, a Pennsylvania business trust, PREIT Associates, L.P., and any of our other subsidiaries. PREIT Associates, L.P., is a Delaware limited partnership of which we are the sole general partner and to which we refer in this prospectus as our operating partnership. All references to “common shares” or “Shares” refer to Pennsylvania Real Estate Investment Trust’s common shares of beneficial interest, par value \$1.00 per share.

You should rely only on the information contained in this prospectus, in an accompanying prospectus supplement or incorporated by reference herein or therein. We have not authorized anyone to provide you with information or make any representation that is not contained or incorporated by reference in this prospectus or an accompanying prospectus supplement. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any accompanying prospectus supplement do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which they relate, and this prospectus and any accompanying prospectus supplement do not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or solicitation. You should not assume that the information contained in this prospectus and any accompanying prospectus supplement is correct on any date after the respective dates of the prospectus and such prospectus supplement or supplements, as applicable, even though this prospectus and such prospectus supplement or supplements are delivered or Shares are sold pursuant to the prospectus and such prospectus supplement or supplements at a later date. Since the respective dates of the prospectus contained in this registration statement and any accompanying prospectus supplement, our business, financial condition, results of operations and prospects might have changed.

SUMMARY

The Company

We are a Pennsylvania business trust founded in 1960 and one of the first equity real estate investment trusts (“REITs”) in the United States, and we have a primary investment focus on retail shopping malls located in the eastern half of the United States, primarily in the Mid-Atlantic region.

We currently own interests in 42 retail properties, of which 38 are operating properties and four are development properties. The 38 operating properties include 32 shopping malls and six other retail properties, have a total of 28.4 million square feet and operate in 11 states. We and partnerships in which we own an interest own 21.6 million square feet at these properties (excluding space owned by anchors).

There are 31 operating retail properties in our portfolio that we consolidate for financial reporting purposes. These consolidated properties have a total of 23.1 million square feet, of which we own 17.8 million square feet. The seven operating retail properties that are owned by unconsolidated partnerships with third parties have a total of 5.3 million square feet, of which 3.8 million square feet are owned by such partnerships.

The development portion of our portfolio contains four properties in three states, with two classified as “mixed use” (a combination of retail and other uses), one classified as “retail” (outlet) and one classified as “other.”

We are a fully integrated, self-managed and self-administered REIT that has elected to be treated as a REIT for federal income tax purposes. In general, we are required each year to distribute to our shareholders at least 90% of our net taxable income and to meet certain other requirements in order to maintain the favorable tax treatment associated with qualifying as a REIT.

We hold our interests in our portfolio of properties primarily through our operating partnership, PREIT Associates, L.P. (“PREIT Associates”). We are the sole general partner of PREIT Associates and, as of September 30, 2014, held a 97.0% controlling interest in PREIT Associates. We consolidate PREIT Associates for financial reporting purposes. We own our interests in our properties through various ownership structures, including partnerships and tenancy in common arrangements. PREIT owns interests in some of these properties directly and has pledged the entire economic benefit of such ownership interests to 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 primary objective is to maximize the long-term value of the Company for our shareholders. To that end, our business goals are to obtain the highest possible rental income, tenant sales and occupancy at our properties in order to maximize our cash flows, funds from operations, funds available for distribution to shareholders, and other operating measures and results, and ultimately to maximize the values of our properties.

Our principal corporate offices are located at The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102-3803, and our telephone number is (215) 875-0700. We maintain a web site that contains information about us at www.preit.com. The information included on the web site is not, and should not be considered to be, a part of this prospectus.

About this Prospectus

This prospectus describes the common shares of beneficial interest of Pennsylvania Real Estate Investment Trust. As we describe below in the section entitled “Where to Find Additional Information,” we have filed and plan to continue to file other documents with the Securities and Exchange Commission, or the SEC, that contain information about us. Before you decide whether to invest in our Shares, you should read this prospectus and the information we otherwise file with the SEC.

RISK FACTORS

Investment in the Shares offered pursuant to this prospectus involves risks. You should carefully consider the risk factors incorporated into this prospectus by reference to our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and the other information contained in this prospectus, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the risk factors and other information contained in any applicable prospectus supplement, before acquiring any Shares. The occurrence of any of the events described in these risks might cause you to lose all or part of your investment in our Shares. Please also refer to the section below entitled “Forward-Looking Statements.”

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FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference herein contain certain forward-looking statements within the meaning of the federal securities laws. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. When used, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “result,” “should,” “will” and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. Future events and actual results, performance, transactions or achievements, financial and otherwise, may differ materially from the results, performance, transactions or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- our substantial debt and stated value of preferred shares and our high leverage ratio;
- constraining leverage, unencumbered debt yield, interest and tangible net worth covenants under our 2013 Revolving Facility, our 2014 Term Loans and the Letter of Credit;
- potential losses on impairment of certain long-lived assets, such as real estate, or of intangible assets, such as goodwill, including such losses that we might be required to record in connection with any dispositions of assets;
- changes to our corporate management team and any resulting modifications to our business strategies;
- our ability to refinance our existing indebtedness when it matures, on favorable terms or at all;
- our ability to raise capital, including through the issuance of equity or equity-related securities if market conditions are favorable, through joint ventures or other partnerships, through sales of properties or interests in properties, or through other actions;
- our ability to identify and execute on suitable acquisition opportunities and to integrate acquired properties into our portfolios;
- our partnerships and joint ventures with third parties to acquire or develop properties;
- our short and long-term liquidity position;
- current economic conditions and their effect on employment and consumer confidence and spending, and the corresponding effects on tenant business performance, prospects, solvency and leasing decisions and on our cash flows, and the value and potential impairment of our properties;
- changes in the retail industry, including consolidation and store closings, particularly among anchor tenants;
- the effects of online shopping and other uses of technology on our retail tenants;
- general economic, financial and political conditions, including credit and capital market conditions, changes in interest rates or unemployment;
- risks relating to development and redevelopment activities;
- our ability to sell properties that we seek to dispose of or our ability to obtain estimated sale prices;
- 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;
- acts of violence at malls, including our properties, or at other similar spaces, and the potential effect on traffic and sales;
- increases in operating costs that cannot be passed on to 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; and
- potential dilution from any capital raising transactions or other equity issuances.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled “Risk Factors,” including the risks incorporated therein from our most recent

Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as updated by our future filings, including any applicable prospectus supplement.

WHERE TO FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-3, of which this prospectus is a part. This prospectus and any accompanying prospectus supplement do not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our Company and the Shares registered hereby, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Statements contained in this prospectus and any accompanying prospectus supplement as to the contents of any contract or other document referred to in, or incorporated by reference in, this prospectus and any accompanying prospectus supplement are not necessarily complete and, where that contract or other document is an exhibit to the registration statement or a document incorporated in the registration statement by reference, each statement is qualified in all respects by the exhibit to which the reference relates.

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We file annual, quarterly and current reports, proxy statements and other information with the SEC. Copies of the registration statement and other documents we file with the SEC may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330. Copies of all or a portion of the documents we file with the SEC can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings are also available to you on the SEC's website at <http://www.sec.gov>. In addition, you can inspect reports and other information we file with the SEC at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" in this prospectus certain information we file with the SEC, which means that we may disclose important information in this prospectus by referring you to the document that contains the information. The information incorporated by reference is considered to be a part of this prospectus, and the information we file later with the SEC will automatically update and supersede the information filed earlier. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the offering of the Shares covered by this prospectus is completed, including all filings made after the date of the initial filing of the registration statement of which this prospectus is a part; provided, however, that we are not incorporating by reference any additional documents or information furnished and not filed with the SEC:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2013;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014;
- our Current Reports on Form 8-K, filed with the SEC on January 9, 2014, March 3, 2014, March 4, 2014, April 22, 2014, June 2, 2014, June 16, 2014 and November 13, 2014; and
- the description of our Shares contained in our Registration Statement on Form 8-A dated December 17, 1997, and all amendments or reports filed with the SEC for the purpose of updating such description.

You may obtain copies of any of these filings by contacting us at the address and phone number indicated below or by contacting the SEC or New York Stock Exchange ("NYSE") as described above. You may request a copy of these filings, and any exhibits we have specifically incorporated by reference as an exhibit in this prospectus, at no cost, by writing or telephoning our General Counsel at:

Pennsylvania Real Estate Investment Trust
200 South Broad Street
Philadelphia, PA 19102-3803
(215) 875-0700

Attention: General Counsel

Readers should only rely on the information provided or incorporated by reference in this prospectus or in any applicable supplement to this prospectus. Readers should not assume that the information in this prospectus or any applicable supplement is accurate as of any date other than the date on the front cover of the applicable document.

DESCRIPTION OF THE PLAN

The Distribution Reinvestment and Share Purchase Plan (the "Plan") provides record and beneficial owners of our Shares or limited partner interests in PREIT Associates, L.P. (collectively, "Eligible Shareholders") and interested new

investors who are not currently Eligible Shareholders (“Interested New Investors” and, together with Eligible Shareholders, “Participants”) with a convenient and attractive method of investing cash dividends made on Shares and cash distributions made on units of limited partner interest in PREIT Associates, L.P. (together with such cash dividends, “Distributions”) in additional Shares, and Interested New Investors or other Participants may make optional cash investments in additional Shares, all without payment of any brokerage commissions or service charges. The price to be paid for Shares purchased under the Plan will be a price reflecting a 1% discount from the “market price” (as described in Question 10) for the reinvestment of cash Distributions and for optional cash payments that do not exceed \$5,000, and a price reflecting a discount ranging between 0% and 5% (the “Discount”) from the market price (as described in Question 16) for the investment of optional cash payments made pursuant to a Large Cash Purchase, to the extent Shares are purchased directly from us. The Discount is subject to change (but will not vary from the range of between 0% and 5%) from time to time at our discretion after a review of factors including current market conditions, the level of participation in the Plan and our current and projected capital needs.

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Subject to the availability of Shares registered for issuance under the Plan, there is no minimum or maximum limitation on the amount of Distributions a Participant may reinvest under the Plan. See Question 2. As of the date hereof, 1,000,000 Shares are registered for sale under the Plan.

Participants (other than Participants who are solely beneficial owners) electing to invest optional cash payments in additional Shares are subject to a minimum purchase per transaction of \$50, provided that the initial minimum investment amount for Interested New Investors is \$250, and a maximum per month purchase limit of \$5,000 (subject to waiver). See Question 16. Participants who are beneficial owners who wish to invest optional cash payments may open an account with the Plan Administrator as an Interested New Investor and become a record owner with respect to such purchased shares. See Questions 5 and 6. A Participant may be a beneficial owner with respect to some shares and a record owner with respect to others if the Participant owns shares in multiple accounts. In general, it is expected that optional cash payments that do not exceed \$5,000 will be invested monthly. Optional cash payments in excess of \$5,000 may be made only upon our acceptance of a completed Request for Waiver Form from an eligible Participant. See Question 16. Optional cash payments of less than \$50 and that portion of any optional cash payment that exceeds the maximum monthly purchase limit of \$5,000, unless such limit has been waived, are subject to return to the Participant without interest. Participants may request that any or all Shares held in the Plan be sold by the Plan Administrator (as defined in Question 4) on behalf of such Participants, at a nominal charge to the Participant. See Question 19.

We may grant Requests for Waiver to Participants that are financial intermediaries, including brokers and dealers, and other Participants in the future. Grants of Requests for Waiver will be made in our sole discretion based on a variety of factors, which may include: our current and projected capital needs, the alternatives available to us to meet those needs, prevailing market prices for Shares, general economic and capital market conditions, potential aberrations in the price or trading volume of the Shares, the potential disruption of the price of the Shares by a financial intermediary, the number of Shares held by the Participant submitting the waiver request, the past actions of a Participant under the Plan, the aggregate amount of optional cash payments for which such waivers have been submitted, and the administrative constraints associated with granting such waivers. If such Requests for Waiver are granted, a portion of the Shares available for issuance under the Plan will be purchased by Participants (including brokers or dealers) who, in connection with any resales of such Shares, may be deemed to be underwriters within the meaning of the Securities Act. To the extent that Requests for Waiver are granted, it is expected that a greater number of Shares will be issued under the optional cash payment feature of the Plan as opposed to the Distribution reinvestment feature of the Plan.

Financial intermediaries may purchase a significant portion of the Shares issued pursuant to the optional cash payment feature of the Plan. We do not have any formal or informal understanding with any such organizations with respect to such purchases and, therefore, the extent of such financial intermediaries' participation under the Plan cannot be estimated at this time. Participants that are financial intermediaries that acquire Shares under the Plan with a view to distribution of such Shares or that offer or sell Shares for us in connection with the Plan may be deemed to be underwriters within the meaning of the Securities Act.

From time to time, financial intermediaries, including brokers and dealers, may engage in positioning transactions in order to benefit from the discount from the market price of the Shares acquired through the cash payment feature of the Plan. Such transactions may cause fluctuations in the price or trading volume of the Shares. Financial intermediaries that engage in positioning transactions may be deemed to be underwriters within the meaning of the Securities Act. The Plan is intended for the benefit of our investors and not for individuals or investors who engage in transactions that may cause aberrations in the price or trading volume of the Shares.

The Plan

The Plan was initially adopted by our board of trustees on February 2, 1999 and, in connection with the filing of the updated prospectus in 2011, the board of trustees approved increasing the number of Shares available under the plan to 1,000,000. With this prospectus, the number of Shares available under the Plan will be increased so that, notwithstanding any Shares issued since 2011, 1,000,000 Shares will again be available under the Plan. The following

questions and answers explain and constitute the Plan. Shareholders who do not participate in the Plan will receive cash Distributions, as declared and paid in the usual manner.

Purpose

1. What is the purpose of the Plan?

The primary purpose of the Plan is to provide Eligible Shareholders with a convenient and simple method of increasing their investment in our Shares by investing cash Distributions and (for Eligible Shareholders who are or become record owners) optional cash payments in additional Shares, without payment of any brokerage commission or service charge. See Question 5 for a description of the holders who are eligible to participate in the Plan. The Plan may also be used by us to raise additional capital through the sale of a portion of the Shares available for issuance under the Plan to record owners and Interested New Investors (including brokers or dealers). These sales may be effected through our ability to waive limitations applicable to the amounts that eligible Participants may

invest pursuant to the Plan's optional cash payment feature. See Question 16 for information concerning limitations applicable to optional cash payments and certain of the factors considered by us in granting waivers.

To the extent that Shares are purchased from us under the Plan, we will receive additional funds that we propose to use for the acquisition, development and improvement of properties, repayment of indebtedness, capital expenditures, working capital, and other general corporate purposes. The Plan is intended for the benefit of our investors and not for individuals or investors who engage in transactions that may cause aberrations in the price or trading volume of Shares. From time to time, financial intermediaries may engage in positioning transactions in order to benefit from the discount from the market price of the Shares acquired through the reinvestment of Distributions or optional cash payments under the Plan. Such transactions may cause fluctuations in the price or trading volume of the Shares. We reserve the right to modify, suspend or terminate participation in the Plan by otherwise eligible Participants in order to eliminate practices that are, as determined in our sole discretion, not consistent with the purposes or operation of the Plan or that may affect adversely the price of the Shares.

Options Available To Participants

2. What reinvestment and investment options are available to enrolled Participants?

Eligible Shareholders may elect to have cash Distributions paid on all or a portion of their Shares reinvested automatically in additional Shares. Cash Distributions are paid on the Shares when and as declared by our board of trustees. There is no minimum limitation on the amount of Distributions an Eligible Shareholder may reinvest under the Distribution reinvestment feature of the Plan.

Eligible Participants may also elect to invest optional cash payments in additional Shares, subject to a minimum purchase per transaction of \$50, provided that the initial minimum investment amount for Interested New Investors is \$250, and a maximum per month purchase limit of \$5,000, subject to waiver. See Question 16 for information concerning limitations applicable to optional cash payments and the availability of waivers with respect to such limitations. Eligible Participants may make optional cash payments even if Distributions on their Shares are not being reinvested and whether or not a Distribution has been declared.

Plan Features

3. What are some of the features of the Plan?

Benefits:

- (a) The Plan provides Participants with the opportunity to reinvest cash Distributions paid on all or a portion of their Shares in additional Shares at a 1% discount from the market price without payment of any brokerage commission or service charge.
- (b) The Plan provides eligible Participants with the opportunity to make investments of optional cash payments, subject to minimum and maximum amounts, for the purchase of additional Shares without payment of any brokerage commission or service charge. Such purchases may be made at the market price of the Shares less a discount of 1% for optional cash payments of not less than \$50, provided that the initial minimum investment amount for Interested New Investors is \$250, and up to \$5,000 per month, and a Discount ranging between 0% and 5% (as determined in accordance with the Plan) for optional cash payments greater than \$5,000 per month made pursuant to accepted Requests for Waiver, to the extent Shares are purchased directly from us.
- (c) Subject to the availability of Shares registered for issuance under the Plan, all cash Distributions paid on Participants' Shares can be invested fully in additional Shares because the Plan permits fractional Shares to be credited to Plan accounts. Distributions on such fractional shares, as well as on whole Shares, will also be reinvested in additional Shares that will be credited to Plan accounts.
- (d) The Plan Administrator, at no charge to Participants and at a Participant's request, will convert certificates for Shares credited to each Plan account into Shares held in book-entry form.
- (e) Periodic statements reflecting all current activity, including Share purchases and the latest Plan account balance, simplify Participants' record keeping. See Question 20 for information concerning reports to Participants.

Caveats:

(a) No interest will be paid by us or the Plan Administrator on Distributions or optional cash payments held pending reinvestment or investment. See Question 9. In addition, optional cash payments in excess of \$5,000 for purchases made pursuant to Requests for Waiver may be subject to return to the Participant without interest in the event that the threshold price (as described in Question 16), if any, is not met for any trading day during the related pricing period. See Question 16.

(b) With respect to optional cash payments, the actual number of Shares to be issued to an eligible Participant's Plan account will not be determined until after the investment date.

(c) With respect to certain optional cash payments and Distribution reinvestments, the market price may exceed the price at which Shares are trading on the investment date (as defined in Question 9) when the Shares are issued or thereafter.

(d) Because optional cash payments must be received by the Plan Administrator prior to the related investment date, such payments may be exposed to changes in market conditions for a longer period of time than in the case of typical secondary market transactions, such as through a broker. In addition, once received by the Plan Administrator, optional cash payments will not be returned to Participants unless a written request is directed to the Plan Administrator at least two trading days prior to the investment date with respect to which optional cash payments have been delivered by such Participant.

(e) Resales of Shares credited to a Participant's account under the Plan will involve a nominal fee per transaction and a brokerage commission paid to the Plan Administrator (if such resale is made by the Plan Administrator at the request of a Participant). See Questions 19 and 26.

(f) Prospective investors in Shares should consider carefully the matters noted above in "Risk Factors" and "Forward-Looking Statements" prior to making an investment in the Shares.

Administration

4. Who administers the Plan?

We have retained Wells Fargo Shareowner Services, a division of Wells Fargo Bank, National Association, as plan administrator (the "Plan Administrator") to administer the Plan, keep records, send statements of account activity to each Participant and perform other duties relating to the Plan. See Question 20 for information concerning reports to Participants. Shares purchased under the Plan and held by the Plan Administrator will be registered in the Plan Administrator's name or the name of its nominee for the benefit of the Participants. In the event that the Plan Administrator resigns or otherwise ceases to act as Plan Administrator, we will appoint a new Plan Administrator to administer the Plan. The Plan Administrator also acts as Distribution disbursing agent, transfer agent and registrar for the Shares in the Plan.

Participation

For purposes of this section, responses will be based on the method by which the Participant holds his or her Shares. Generally, shareholders are either "Record Owners" or "Beneficial Owners." A Record Owner is a holder who owns Shares in his or her own name. A Record Owner may own additional Shares as a beneficial owner. A Beneficial Owner is a holder who only owns Shares beneficially that are registered in a name other than his or her own name (for example, the Shares are held in the name of a broker, bank or other nominee). A Record Owner may participate in the Plan directly, with respect to the Shares held in his or her own name, whereas a Beneficial Owner will either have to become a Record Owner by having one or more Shares transferred into his or her own name or coordinate his or her reinvestment of Distributions through the broker, bank or other nominee in whose name the Beneficial Owner's Shares are held. If a Beneficial Owner who desires to become a Participant encounters any difficulties in coordinating his or her reinvestment of Distributions with his or her broker, bank or other nominee, he or she should call the Plan Administrator at (800) 468-9716.

5. Who is eligible to participate?

All Record Owners or Beneficial Owners of at least one Share are eligible to participate in the Plan. A Record Owner may participate in the Plan directly. A Beneficial Owner must either become a Record Owner by having one or more Shares transferred into his or her own name or arrange with the broker, bank or other nominee who is the record holder to reinvest Distributions on his or her behalf. In addition, Interested New Investors may participate in the optional cash payment feature of the Plan. See Question 6. To facilitate participation by Beneficial Owners, we have made arrangements with the Plan Administrator to reinvest Distributions, on a per Distribution basis, on behalf of Beneficial Owners. See Question 6.

A Participant who is solely a Beneficial Owner may not participate in the optional cash payment aspect of the Plan, unless he or she first opens an account with the Plan Administrator as an Interested New Investor, or transfers at least one Share into an account and becomes a Record Owner with respect to such Share or Shares.

Regulations in certain countries may limit or prohibit participation in the Plan. Accordingly, Record Owners and Beneficial Owners residing outside the United States who wish to participate in the Plan should first determine whether they are subject to any governmental regulations prohibiting their participation.

We may terminate, by written notice, at any time, any Participant's individual participation in the Plan if such participation would be in violation of the restrictions contained in our Trust Agreement or By-laws, each as amended and/or restated from time to time. Such restrictions prohibit any person or group of persons from acquiring or holding, directly or indirectly, ownership of a number of

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shares of beneficial interest or any class or series of our shares of beneficial interest in excess of 9.9% of the number or value of the outstanding shares of such class or series. The meanings ascribed to the terms “group” and “ownership” may cause a person who owns less than 9.9% of the shares outstanding in an individual capacity to be deemed to be holding shares in excess of the foregoing limitation. Our Trust Agreement provides that in the event a person acquires shares of beneficial interest in excess of the foregoing limitation, the excess shares will be transferred to a trustee for the benefit of a charitable beneficiary designated by us pursuant to the Trust Agreement. Under the Trust Agreement, certain transfers or attempted transfers that would jeopardize our qualification as a real estate investment trust for tax purposes may be void to the fullest extent permitted by law.

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6. How does an Eligible Shareholder or Interested New Investor participate?

Eligible Shareholders

Record Owners may join the Plan by completing and signing the Account Authorization Form and, if applicable, a Request for Waiver, and returning it or them to the Plan Administrator. Account Authorization Forms may be obtained at any time online at shareowneronline.com, by telephoning the Plan Administrator at (800) 468-9716, by telephoning us at (215) 875-0735 or toll free at (866) 875-0700, Extension 0735, or by visiting our web site at www.preit.com. Requests for Waiver may be obtained at any time by telephoning us at (215) 875-0412 or toll free at (866) 875-0700, Extension 0412.

If a Record Owner or the broker, bank or other nominee on behalf of a Beneficial Owner submits a properly executed Account Authorization Form without electing an investment option, such Account Authorization Form will be deemed to indicate the intention of such Record Owner or Beneficial Owner, as the case may be, to apply all cash Distributions toward the purchase of additional Shares. See Question 7 for investment options.

Interested New Investors

Interested New Investors may join the Plan by completing and signing the Account Authorization Form and, if applicable, a Request for Waiver Form, and returning it or them to the Plan Administrator. Account Authorization Forms may be obtained at any time online at shareowneronline.com, by telephoning the Plan Administrator at (800) 468-9716, by telephoning us at (215) 875-0735 or toll free at (866) 875-0700, Extension 0735, or by visiting our web site at www.preit.com. Requests for Waiver may be obtained at any time by telephoning us at (215) 875-0412 or toll free at (866) 875-0700, Extension 0412, or by visiting our web site at www.preit.com.

7. What are the different options for reinvestment of Distributions?

The Account Authorization Form directs us to pay to the Plan Administrator each Participant's cash Distributions on all or a specified number of Shares owned by the Participant on the applicable record date ("Participating Shares"), as well as on all whole and fractional Shares credited to a Participant's Plan account ("Plan Shares"). The Account Authorization Form directs the Plan Administrator to purchase on the investment date additional Shares with such Distributions and optional cash payments, if any, made by an eligible Participant, or to pay to the Participant the cash Distributions on all or a specified number of Participating Shares and Plan Shares owned by the Participant on the applicable record date. The Account Authorization Form also directs the Plan Administrator to either reinvest automatically all subsequent Distributions with respect to Plan Shares, or to pay to the Participant the cash Distributions on all or a specified number of Plan Shares owned by the Participant on the applicable record date. Distributions will continue to be reinvested on the Participating Shares and Plan Shares or paid in cash to the Participant, in each case as directed in the Account Authorization Form, until the Participant changes his or her investment option as described below, withdraws from the Plan or the Plan is terminated (see Questions 23 and 25). See Question 6 for additional information about the Account Authorization Form.

The Account Authorization Form provides for the purchase of additional Shares through the following investment options:

- (1) If "Full Distribution Reinvestment" is elected, all cash Distributions payable on Shares held in the Plan, along with any Shares held in physical certificate form or through book-entry Direct Registration Shares ("DRS"), will be used to purchase additional Shares. The Participant will not receive cash Distributions from PREIT; instead, all Distributions will be reinvested. Whole and fractional Shares will be allocated to the Plan account. (RD)
- (2) If "Partial Distribution Reinvestment" is elected, a Participant may elect to reinvest a portion of the Distribution and receive the remainder in cash. The percentage elected will be applied to the total Shares held in the Plan, along with any Shares held in physical certificate form or held through book-entry DRS. A Participant may elect percentages from 10%-90%, in increments of 10%. The cash portion of Distributions will be sent by check unless the Participant has elected to have those Distributions deposited directly to a designated bank account. (RX-N)

An example of partial reinvestment by percentage: A Participant has a total of 150 shares; 120 shares are held in the Plan, 15 in physical certificate form and 15 shares in book-entry DRS. The Participant chooses to have 50% of the total Distributions reinvested. This will equate to 75 Shares having Distributions reinvested and 75 Shares having

Distributions paid in cash.

(3) If “Optional Cash Payments Only” is elected, all Distributions payable to the Participant will be paid in cash. This includes the Distributions payable on all Shares held in the Plan, any Shares held in physical certificate form or held through book-entry DRS. The Participant’s Distribution payment will be sent by check unless the Participant has elected to have those Distributions deposited directly to a designated bank account. (RPO)

Each Participant may select any one of these three options. Unless otherwise specified on the Account Authorization Form under “Partial Distribution Reinvestment,” Distributions will be reinvested on all Participating Shares and on all Plan Shares held in the Plan account, including Distributions on Shares purchased with any optional cash payments, until a Participant specifies otherwise by

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contacting the Plan Administrator, or withdraws from the Plan altogether, or until the Plan is terminated (see Questions 23 and 25). Participants may change their investment options at any time online at shareowneronline.com, by telephone or by requesting a new Account Authorization Form and returning it to the Plan Administrator at the address set forth in Question 34. See Question 9 for the effective date for any change in investment options.

A Participant may have Distributions that are not being reinvested transferred directly to his or her bank for deposit. For electronic direct deposit of dividend funds, Participants should (i) contact the Plan Administrator as indicated in Question 34 to request a Direct Deposit of Dividends Authorization Form, (ii) complete the form, and (iii) return it to the Plan Administrator. Participants must include a voided check for checking accounts or a savings deposit slip for savings accounts.

8. When may an Eligible Shareholder or Interested New Investor join the Plan?

A Record Owner, Beneficial Owner or Interested New Investor may join the Plan at any time. Once in the Plan, a Participant remains in the Plan until he or she withdraws from the Plan, we terminate his or her participation in the Plan or we terminate the Plan. See Questions 23 and 25 regarding withdrawal from the Plan and termination of the Plan.

Purchases

9. When will Distributions be reinvested and/or optional cash payments be invested?

Dividend reinvestment. Cash Distributions will be reinvested on the applicable dividend payment date or, if the dividend payment date is not a trading day, the trading day following the dividend payment date. If a Participant's Account Authorization Form is received by the Plan Administrator on or before the record date for a particular dividend, dividend reinvestment will begin with respect to dividends paid on the next dividend payment date. If the Account Authorization Form is received by the Plan Administrator after the record date, dividend reinvestment will not begin until the dividend payment date following the next record date.

Optional cash payments. Any initial, one-time or recurring optional cash payment generally will be invested on the next monthly purchase date. The Plan Administrator schedules purchases of shares for optional cash payments at least once per month. Participants may obtain the date of the next scheduled optional cash payment purchase date by contacting the Plan Administrator by telephone or online.

See Question 16 for information concerning limitations on the minimum and maximum amounts of optional cash payments that may be made each month and Question 15 for information as to when optional cash payments must be received to be invested on the applicable investment date.

Shares will be allocated and credited to Participants' accounts as follows: (1) Shares purchased from us will be allocated and credited as of the appropriate investment date; and (2) Shares purchased in open market transactions will be allocated and credited as of the date on which the Plan Administrator completes the purchases of the aggregate number of Shares to be purchased on behalf of all Participants with Distributions to be reinvested or optional cash payments, as the case may be, during the month.

NO INTEREST WILL BE PAID ON CASH DISTRIBUTIONS OR OPTIONAL CASH PAYMENTS PENDING INVESTMENT OR REINVESTMENT UNDER THE TERMS OF THE PLAN.

Price of Shares

10. What will be the price to Participants of Shares purchased under the Plan?

Participants may make optional cash investments in additional Shares without payment of any brokerage commissions or service charges. The price to be paid for Shares purchased under the Plan will be a price reflecting a 1% discount from the "market price" (as described in this Question 10) for the reinvestment of cash Distributions and for optional cash payments that do not exceed \$5,000, and a price reflecting a discount ranging between 0% and 5% (the "Discount") from the market price (as described in Question 16) for the investment of optional cash payments made pursuant to a Large Cash Purchase, to the extent Shares are purchased directly from us.

References in the Plan to the "market price" in connection with the reinvestment of Distributions or optional cash payments that do not exceed \$5,000 have the meanings set forth below, depending on whether the shares are to be

issued directly by us or purchased in the open market. The pricing for Shares purchased using optional cash payments in excess of \$5,000 is set forth in Question 16.

Shares purchased from us. The market price of Shares acquired directly from us will be 100% of the average of the high and low per share sales prices, computed to three decimal places, of our Shares on the NYSE on the investment date, or, if no trading occurs in our Shares on the investment date, the average of the high and low per share sales prices of our Shares on the NYSE during regular trading hours on the first trading day immediately preceding the investment date for which trades are reported.

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Shares purchased in the open market. The market price of Shares acquired through open market purchases will be the weighted average of the actual prices paid, computed to three decimal places, for all of our Shares that the Plan Administrator purchases. Additionally, you will be charged a pro rata portion of any brokerage commissions or other fees or charges that the Plan Administrator pays in connection with the open market purchases.

11. What are the Record Dates and investment dates for Distribution reinvestment?

For the reinvestment of Distributions, the "Record Date" is the record date declared by our board of trustees for such Distribution. Likewise, the Distribution payment date declared by our board of trustees constitutes the investment date applicable to the reinvestment of such Distribution with respect to Shares acquired directly from us, except that if any such date is not a trading day, the first trading day immediately following such date will be the investment date. The investment date with respect to Shares purchased in open market transactions will be no later than ten trading days following the Distribution payment date. Distributions will be reinvested on the investment date using the applicable market price. Generally, record dates for quarterly Distributions on the Shares will precede the Distribution payment dates by approximately two weeks. Please refer to Question 15 for a discussion of the investment dates applicable to optional cash payments.

12. How will the number of Shares purchased for a Participant be determined?

A Participant's account in the Plan will be credited with the number of Shares, including fractions computed to three decimal places, equal to the total amount to be invested on behalf of such Participant divided by the purchase price per share as calculated pursuant to the methods described in Question 10 or Question 16, as applicable. The total amount to be invested will depend on the amount of any Distributions paid on the number of Participating Shares and Plan Shares in such Participant's Plan account and available for investment on the related investment date, and the amount of any optional cash payments made by such eligible Participant and available for investment on the related investment date. Subject to the availability of Shares registered for issuance under the Plan, there is no total maximum number of Shares available for issuance pursuant to the reinvestment of Distributions.

13. What is the source of Shares purchased under the Plan?

Plan Shares will be purchased either directly from us, in which event such Shares will be authorized but unissued Shares, or on the open market, or by a combination of the foregoing, at our option, after a review of factors including current market conditions and our current and projected capital needs. We will determine the source of the Shares to be purchased under the Plan at least three trading days prior to the relevant Record Date for cash Distributions, and will notify the Plan Administrator of the same. Neither we nor the Plan Administrator will be required to provide any written notice to Participants as to the source of the Shares to be purchased under the Plan, but current information regarding the source of the Shares may be obtained by calling the Plan Administrator at (800) 468-9716 or by calling us at (215) 875-0735.

14. How are optional cash payments made?

Eligible Shareholders and Interested New Investors. Eligible Shareholders who elect to make optional cash payments in addition to reinvesting cash Distributions may make their initial optional cash payment by sending a check to the Plan Administrator either with the completed Account Authorization Form or at any subsequent time with a completed tear-off portion of the statement of account sent to Participants after each dividend reinvestment or optional cash payment for the Participant's account. Checks must be payable in U.S. dollars and drawn on a United States or Canadian financial institution.

Existing Participants. Optional cash payments for the purchase of additional Shares under the Plan may be made by a Participant at any time by enclosing a check with the tear-off portion of the statement of account received after each investment. All optional cash payments should be sent to the Plan Administrator.

Automatic Cash Withdrawal and Investment Service. A Participant may set up a one-time or monthly automatic withdrawal from a designated bank account. The request may be submitted online, by telephone or by sending an Account Authorization Form by mail (see Contact Information in Question 34). Requests are processed and become effective as promptly as administratively possible. Once the automatic withdrawal is initiated, funds will be debited from the Participant's designated bank account on or about the 21st of each month and will be invested in Shares on

the next investment date. Changes or a discontinuation of automatic withdrawals can be made online, by telephone or by using the Transaction Request Form attached to the Participant's statement. To be effective with respect to a particular investment date, a change request must be received by the Plan Administrator at least fifteen (15) trading days prior to the investment date.

15. When should optional cash payments be sent?

The optional cash payment feature is designed to meet your particular cash situation and investment intent at any given time. You are not obligated to make optional cash payments or to continue to do so. The amount of optional cash payments may also vary, subject

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to the minimum optional cash investment of \$50 (\$250 for Interested New Investors). We may suspend the optional cash payment feature at any time.

Eligible Shareholders and Interested New Investors may obtain the date of the next scheduled investment date for optional cash investments by contacting the Plan Administrator by telephone or online. Optional cash payments made by check must be received by the Plan Administrator at least one trading day prior to the applicable investment date to be invested on that investment date. No interest will be paid on optional cash payments received and held pending investment. Consequently, it will normally be in your best interest to submit any payments made by check such that it is received by the Plan Administrator shortly before (but no later than one trading day prior to) the applicable investment date.

On written request, the Plan Administrator will return any optional cash payment made by check if such request is received at least two trading days prior to the applicable investment date.

If any optional cash payment, including payment by check or automatic withdrawal, is returned to the Plan Administrator unpaid for any reason, the Plan Administrator will remove from your account any Shares purchased upon prior credit of such funds, and will sell such Shares. The Plan Administrator may sell other Shares in the account to recover a returned funds fee for each optional cash payment returned unpaid for any reason and may sell additional shares as necessary to cover any market loss incurred by the Plan Administrator.

During the period that an optional cash payment is pending investment, the collected funds in the possession of the Plan Administrator may be invested in certain "Permitted Investments," including any money market mutual funds registered under the Investment Company Act of 1940 (including those of an affiliate of the Plan Administrator or for which the Plan Administrator or any of its affiliates provide management advisory or other services) consisting entirely of (i) direct obligations of the United States of America; or (ii) obligations fully guaranteed by the United States of America. The risk of any loss from such Permitted Investments shall be the responsibility of the Plan Administrator. Investment income from such permitted investments shall be retained by the Plan Administrator.

16. What limitations apply to optional cash payments?

Each optional cash payment is subject to a minimum purchase per transaction of \$50, provided that the initial minimum investment amount for Participants is \$250, and a maximum per month purchase limit of \$5,000, subject to waiver by us. For purposes of these limitations, all Plan accounts under the common control or management of an eligible Participant (which will be determined at our sole discretion) will be aggregated. Generally, optional cash payments of less than \$50 and that portion of any optional cash payment that exceeds the maximum monthly purchase limit of \$5,000, unless such limit has been waived by us, will be returned to Participants without interest as promptly as administratively possible.

Eligible Participants may make optional cash payments of up to \$5,000 each month without our prior approval, subject to our right to modify, suspend or terminate participation in the Plan by otherwise eligible Participants in order to eliminate practices that are, in our sole discretion, not consistent with the purposes or operation of the Plan or that affect adversely the price of the Shares. Optional cash payments in excess of \$5,000 may be made by a Participant only upon acceptance by us of a completed Request for Waiver from such Participant and receipt of such form by the Plan Administrator. A Request for Waiver Form must be received by us and the Plan Administrator and accepted by us for the applicable investment date. Request for Waiver Forms will be furnished at any time upon request to the Plan Administrator at the address or telephone number specified in Question 34 or online at www.preit.com. Waivers will be accepted only with respect to actual Record Owners and not for the benefit of Beneficial Owners. Participants interested in obtaining further information about a Request for Waiver should contact us at (215) 875-0412.

Waivers will be considered on the basis of a variety of factors, which may include our current and projected capital needs, the alternatives available to us to meet those needs, prevailing market prices for Shares and other securities we might issue, general economic and capital market conditions, expected aberrations in the price or trading volume of the Shares, the potential disruption of the price of the Shares by a financial intermediary, the number of Shares held by the Participant submitting the waiver request, the past actions of a Participant under the Plan, the aggregate amount of optional cash payments for which such waivers have been submitted and the administrative constraints associated with

granting such waivers. Grants of waivers will be made in our sole discretion.

PARTICIPANTS IN THE PLAN ARE NOT OBLIGATED TO PARTICIPATE IN THE OPTIONAL CASH PAYMENT FEATURE OF THE PLAN AT ANY TIME. OPTIONAL CASH PAYMENTS NEED NOT BE IN THE SAME AMOUNT EACH TIME.

Submission of Requests for Waiver. Optional cash investments of more than \$5,000 in a month (including any initial investments in excess of \$5,000) (“Large Cash Purchase”) may be made only by investors that submit a Request for Waiver. Large Cash Purchase requests may be approved by us in our sole discretion at any time. Investors who wish to make Large Cash Purchases should telephone PREIT at 1-215-875-0412 to determine if we will be considering Large Cash Purchase requests. When you inquire, you will be informed of one of the following:

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- that we are not currently considering Large Cash Purchase requests; or
- that we will be considering Large Cash Purchase requests, in which case we will provide information about submitting a Request for Waiver Form.

Request for Waiver forms may be obtained online through our website at www.preit.com/investors. We must receive completed Request for Waiver forms by no later than 4:00 p.m. Eastern Time on the third trading day before the first day of the “pricing period” for the applicable waiver period, as described below. We will notify by email or by telephone any investor whose Large Cash Purchase request has been approved (including the amount of the investment approved) by 4:00 p.m. Eastern Time on the second trading day before the first day of the applicable pricing period. The Plan Administrator must receive good funds relating to any approved Large Cash Purchase request by wire transfer to the account designated by us no later than 2:00 p.m. Central Time on the trading day before the first day of the applicable pricing period. All such funds received after 2:00 p.m. Central Time on such trading day may be returned without interest.

Action on Large Cash Purchase Requests. We have the sole discretion to grant or refuse to grant, in whole or in part, a Large Cash Purchase request. In acting on a Large Cash Purchase request, we will consider relevant factors, including without limitation:

- whether the Plan is then purchasing Shares from us or in the open market;
- our need for additional funds;
- the attractiveness of obtaining funds through the sale of Shares under the Plan compared to other available sources of funds;
- the purchase price likely to apply to any sale of Shares under the Plan;
- the party submitting the request, including the extent and nature of that party’s prior participation in the Plan and the number of Shares held by that party; and
- the aggregate amount of Large Cash Purchases in excess of \$5,000 in a month for which we have received Large Cash Purchase requests under the Plan.

Large Cash Purchases will be priced as follows:

To determine the purchase price of Shares purchased from us pursuant to a Large Cash Purchase request, we will fix the number of trading days in the “pricing period” for the applicable investment. The pricing period generally will consist of 12 consecutive trading days, unless the pricing period is extended as described below. On each trading day, we will generally apply an equal portion of the amount approved for investment pursuant to a Large Cash Purchase request to the purchase of Shares, subject to the qualifications described below. Each day in the pricing period on which Shares are purchased is referred to as a “Purchase Date.” The price for Shares purchased on each Purchase Date in a pricing period will be equal to 100% (less any applicable discount, as described below) of the composite volume weighted average price, rounded to four decimal places, of Shares, as traded on the composite exchanges during regular NYSE hours on the Purchase Date. We will obtain this composite exchange pricing information from Bloomberg, LP or, if Bloomberg, LP is no longer providing this information, another authoritative source.

We may establish for each pricing period a minimum, or “threshold,” price applicable to purchases made pursuant to a Large Cash Purchase request. We will make this determination in our discretion after a review of, among other factors, current market conditions, the level of participation in the Plan and our current and projected capital needs. We will notify an investor of the establishment of a threshold price at the time the Large Cash Purchase request has been approved.

If established for any pricing period, the threshold price will be stated as a dollar amount which the composite volume weighted average price of Shares, rounded to four decimal places, as traded on the composite exchanges during regular NYSE hours, must equal or exceed for each trading day of such pricing period (not adjusted for discounts, if any) in order for such

trading day to be considered a Purchase Date. Except as provided below, any trading day for which such volume weighted average price is less than the applicable threshold price will not be considered a Purchase Date, and no funds will be invested in Shares on that date. Funds that are not invested will be returned without interest, as described below.

The establishment of the threshold price and the potential return of a portion of investment funds apply only to investments made pursuant to Large Cash Purchase requests. Establishing a threshold price for a particular pricing period will not affect the establishment of a threshold price for any subsequent pricing period.

If we establish a threshold price for any pricing period, we may elect to extend that pricing period. If we do so, the initial pricing period may be extended by the number of trading days during the initial pricing period, up to three trading days, during which the threshold price is not satisfied or there are no trades of Shares on the composite exchanges.

Neither we nor the Plan Administrator are required to notify you that a threshold price has been established for any pricing period if your Large Cash Request has not been approved.

If we elect to grant a pricing period extension and the threshold price is satisfied for any additional trading day during an extension, that trading day will be included as a Purchase Date for the extended pricing period. For example, if the extension feature is in use, but the threshold price is not satisfied on 3 out of the 12 days, the pricing period may be extended by three trading days. If the threshold price is satisfied on any of the three trading days during the extension period, such trading days will be a Purchase Date for that pricing period.

We may, in our sole discretion, establish a discount from the market price otherwise applicable to Large Cash Purchases (including initial investments) made pursuant to a Request for Waiver, but we are not obligated to do so. Any discount (including any applicable brokerage fees paid by us) may be 0.0% to 5.0% of the composite volume weighted average price, rounded to four decimal places, of Shares, as traded on the composite exchanges during regular NYSE hours and may be varied by us in our sole discretion. We may establish any discount in our sole discretion after a review of, among other factors, current market conditions, the level of participation in the Plan, the attractiveness of obtaining financing through the sale of Shares as compared to other sources of funds, and our current and projected capital needs. Establishing a discount for a particular pricing period will not affect the establishment of a discount for any subsequent pricing period.

Any investor purchasing Shares pursuant to a request for a Large Cash Purchase will be treated as the beneficial owner of all Shares purchased on each Purchase Date in the applicable pricing period as of the close of business on such Purchase Date, although Shares will not be credited to such investor's account until the conclusion of the pricing period, unless we elect to use the "continuous settlement feature" described below for that pricing period.

If we elect to use the continuous settlement feature, Shares will be credited to the Plan accounts of investors purchasing Shares pursuant to requests for a Large Cash Purchase within three trading days after each Purchase Date. We may activate the continuous settlement feature for a particular investment at the time we determine other pricing terms in respect of Shares to be sold pursuant to a Large Cash Purchase request.

We will return, without interest, any amount to be invested pursuant to a Large Cash Purchase request that is not applied to the purchase of Shares because the threshold price is not met or Shares are not traded on the composite exchanges on any trading day during a pricing period or extension, as applicable. Any such uninvested funds will be returned within five trading days after the last day of the applicable pricing period, as it may be extended. The amount returned will be based on the number of days on which the threshold price was not satisfied or no trades were reported on the composite exchanges compared to the total number of days in the pricing period or extended pricing period, as applicable. For example, the amount returned for a 12-day pricing period will equal one-twelfth of the total amount of your proposed Large Cash Purchase investment for each trading day on which the threshold price is not satisfied or Shares are not traded on the composite exchanges.

We may grant Requests for Waiver to Participants that are financial intermediaries, including brokers and dealers, and other Participants in the future. Grants of Requests for Waiver will be made in our sole discretion based on a variety of factors, which may include: our current and projected capital needs, the alternatives available to us to meet those needs, prevailing market prices for Shares, general economic and capital market conditions, potential aberrations in the price or trading volume of the Shares, the potential disruption of the price of the Shares by a financial intermediary, the number of Shares held by the Participant submitting the waiver request, the past actions of a Participant under the Plan, the aggregate amount of optional cash payments for which such waivers have been submitted, and the administrative constraints associated with granting such waivers. If such Requests for Waiver are granted, a portion of the Shares available for issuance under the Plan will be purchased by Participants (including brokers or dealers) who, in connection with any resales of such Shares, may be deemed to be underwriters within the meaning of the Securities Act. To the extent that Requests for Waiver are granted, it is expected that a greater number of Shares will be issued under the optional cash payment feature of the Plan as opposed to the Distribution reinvestment feature of the Plan.

Financial intermediaries may purchase a significant portion of the Shares issued pursuant to the optional cash payment feature of the Plan. We do not have any formal or informal understanding with any such organizations with respect to such purchases and, therefore, the extent of such financial intermediaries' participation under the Plan cannot be estimated at this time. Participants that are financial intermediaries that acquire Shares under the Plan with a view to distribution of such Shares or that offer or sell Shares for us in connection with the Plan may be deemed to be underwriters within the meaning of the Securities Act.

From time to time, financial intermediaries, including brokers and dealers, and other persons may engage in positioning transactions in order to benefit from any waiver discounts applicable to investments made pursuant to Requests for Waiver for Large Cash Purchases under the Plan. Those transactions may cause fluctuations in the trading volume of our Shares. Financial intermediaries and such other persons who engage in positioning transactions may be deemed to be underwriters. We have no arrangements or understandings, formal or informal, with any person relating to the sale of Shares to be received under the Plan. We reserve the right to modify, suspend or terminate participation in the Plan by otherwise eligible persons to eliminate practices that are inconsistent with the purpose of the Plan.

We may alter, amend, supplement or waive, in our sole discretion, the time periods and/or other parameters relating to Large Cash Purchases made by one or more Participants in the Plan or New Investors, at any time and from time to time, prior to the granting of any Request for Waiver.

17. Does the Plan offer a safekeeping service for share certificates?

Yes. You can deposit share certificates registered in your name at any time. The Plan Administrator will provide safekeeping of your shares at no cost to you, including when you first enroll. To use this service, you must send your certificates to the Plan Administrator with a properly completed Transaction Request Form attached to your statement.

Certificated shares that you deposit with the Plan Administrator are credited to your Plan account and thereafter are treated as if they were acquired under the Plan. You are responsible for maintaining your own records of the cost basis of certificated shares deposited with the Plan Administrator. By using the share safekeeping feature, you no longer bear the risks associated with loss, theft or destruction of share certificates.

Instructions for mailing certificates

Regardless of the mailing method used, you bear the full risk of loss if the certificates are lost or stolen. Please do not endorse your certificates prior to mailing. Because the Participant bears the risk of loss in sending share certificate(s), it is recommended that the Participant sends them registered, insured for at least 2% of the current market value and request a return receipt.

Optional Mail Loss Insurance

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The Participant is advised that choosing registered, express or certified mail alone will not provide full protection, should the certificates become lost or stolen. Mail loss insurance provides the coverage needed to replace and reissue the shares should they become lost or stolen through the mail. The Plan Administrator can provide low-cost loss insurance for certificates being returned for conversion to book-entry form. Replacement transaction fees may also apply.

To take advantage of the optional mail loss insurance, simply include a check in the amount of \$10.00, made payable to 'WFSS Surety Program,' along with the certificate(s) and instructions. Choose an accountable mail delivery service such as Federal Express, United Parcel Service, DHL, Express Mail, Purolator, TNT, or United States Postal Service Registered Mail. Any single shipping

package may not contain certificates exceeding a total value of \$100,000. The value of certificated shares is based on the closing market price of the Shares on the trading day prior to the documented mail date.

Claims related to lost certificates under this service must be made within 60 days of the documented delivery service mail date. A copy of the certificate(s) mailed, along with proof that it was sent by trackable mail should be submitted with the claim. This is specific coverage for the purpose of converting shares to book-entry form and the surety is not intended to cover certificates being tendered for certificate breakdown or exchange for other certificates.

Certificate(s) will be issued to a Participant for Shares in the Participant's account upon written request to the Plan Administrator. No certificate for a fractional share will be issued.

18. Does the Plan allow online or telephone privileges to Participants?

Yes. The Plan allows Participants to access their account information and perform certain transactions online and by telephone.

Online Privileges

Eligible Shareholders may activate an online account by going to the Plan Administrator's website at shareowneronline.com. Participants will need the 10-digit Plan account number (which is listed on all account statements), the Social Security number recorded on the account, an email address, and the name of the issuer.

Instructions on creating an account or accessing your account online are as follows:

Available 24 hours a day, 7 days a week for access to account information and answers to many common questions and general inquiries.

To enroll in the Plan:

If you are an existing registered shareowner:

1. Go to shareowneronline.com
2. Select Sign Up Now!
3. Enter your Authentication ID* and Account Number

*If you do not have your Authentication ID, select I do not have my Authentication ID. For security, this number is required for first time sign on.

If you are a new investor:

1. Go to shareowneronline.com
2. Under Invest in a Plan, select Direct Purchase Plan
3. Select Pennsylvania Real Estate Investment Trust
4. Under New Investors, select Invest Now
5. Follow the instructions on Buy Shares

Once an online account is activated, a Participant can perform the following transactions online:

- authorize, change the amount of, or discontinue automatic bank withdrawals;
- change the dividend reinvestment election (for example, from full to partial reinvestment); and
- sell all or a portion of his or her Plan Shares.

Certain restrictions may apply.

Telephone Privileges

If a Participant has established automated privileges on his or her account, the Participant can perform the following transactions by telephone:

- change the amount of, or discontinue, automatic bank withdrawals;

- change the dividend reinvestment election (for example, from full to partial reinvestment);
- sell all or a portion of his or her Plan Shares; and
- request a transfer from a book-entry Plan account of, or a certificate for, all or a portion of the full Shares credited to his or her Plan account.

Certain restrictions may apply.

To establish automated privileges, please call the Plan Administrator as directed in Question 34 and request an Automated Request Authorization Form.

19. Are there any expenses to Participants in connection with their participation under the Plan?

Participants will incur no brokerage commissions or service charges and, generally, we will pay all costs of administration of the Plan. Participants that request that the Plan Administrator sell all or any portion of their Shares (see Question 24), however, must pay a nominal fee per transaction and any related brokerage commissions to the Plan Administrator. The current fees associated with participation in the Plan are listed below.

Certificate Issuance	Paid by us
Certificate Deposit	Paid by us
Investment Fees	
Initial enrollment (new investors only)	\$15.00
Dividend reinvestment service fee	Paid by us
Optional cash investment service fee	Paid by us
One-time automatic investment	Paid by us
Automatic withdrawal service fee	Paid by us
Purchase commission	Paid by us
Sale Fees	
Batch Order	\$15.00 per transaction
Market Order	\$25.00 per transaction
Limit Order per transaction (Day/GTD/GTC)	\$30.00 per transaction
Stop Order	\$30.00 per transaction
Sale commission	\$0.12 per share
Electronic deposit of proceeds	\$5.00 per request
Fee for Returned Checks or Rejected Automatic Bank Withdrawals	\$35.00 per item
Prior Year Duplicate Statements	\$20.00 per year
Investment Summary	
Minimum optional cash payments	
Minimum one-time initial purchase for new investors	\$250.00
Minimum one-time optional cash purchase	\$50.00
Minimum recurring automatic investments	\$50.00
Maximum cash investments	
Maximum monthly investment	\$5,000.00
Dividend reinvestment options	
Reinvest options	Full, Partial, None

We can change the fee structure for the Plan at any time. Participants will be notified of any fee changes prior to the changes becoming effective. For sale transactions, service fees and brokerage commissions are deducted from the sale proceeds.

Reports to Participants

20. What kind of reports will be sent to Participants in the Plan?

Each Participant in the Plan will receive a statement of his or her account following each purchase of additional Shares. These statements are each Participant's continuing record of the cost of that Participant's purchases and should be retained for income tax purposes. In addition, Participants will receive copies of other communications sent to holders of the Shares, including our annual report to shareholders, the notice of annual meeting and proxy statement in connection with our annual meeting of shareholders and Internal Revenue Service information for reporting Distributions paid. You may elect to have your statements and other information sent to you automatically by initiating eDelivery through shareowneronline.com.

Certificates for Shares

21. Will certificates be issued for Shares purchased?

No. Shares purchased for Participants will be held in the name of the Plan Administrator or its nominee. In general, no certificates will be issued to Participants for Shares in the Plan unless a Participant submits a written or telephone request to the Plan Administrator. At any time, a Participant may request that the Plan Administrator send a certificate for some or all of the whole Shares credited to a Participant's account. Written requests should be mailed to the Plan Administrator at the address set forth in the answer to Question 34. Telephone requests should be directed to the toll-free number set forth in the answer to Question 34. Any remaining whole Shares and any fractions of Shares will remain credited to the Plan account. Certificates for fractional Shares will not be issued under any circumstances.

22. In whose name will book-entry Shares be listed or will certificates be registered when issued?

Each Plan account is maintained in the name in which the related Participant's book-entry Shares were listed or certificates were registered at the time of enrollment in the Plan. Share certificates for whole Shares purchased under the Plan will be registered similarly when issued upon a Participant's request. If a Participant is a Beneficial Owner, such request should be placed through such Participant's bank, broker or other nominee. See Question 6. A Participant who wishes to pledge Shares credited to such Participant's Plan account must first withdraw such Shares from the account.

Withdrawals and Termination

23. When and how may Participants withdraw from the Plan?

A Participant may withdraw from the Plan with respect to all or a portion of the Shares held in his or her account in the Plan at any time. If the request to withdraw is received prior to a Distribution record date set by the board of trustees for determining shareholders of record entitled to receive a Distribution, the request will be processed as soon as administratively possible following receipt of the request by the Plan Administrator.

A Participant's withdrawal request should specify whether to (1) convert all whole Shares to book-entry (DRS) or issue physical certificate(s) for all whole Shares and sell the remaining fraction, (2) sell all Plan Shares, or (3) convert a specified number of whole Shares to book-entry (DRS) or issue physical certificate(s) for a specified number of whole Shares and sell the remaining Shares. Participants will receive a check or direct deposit less any brokerage commission and service fees in respect of any whole or fractional Shares sold. If no election is made in the request for withdrawal, whole Plan Shares will be converted to book-entry (DRS) and a check issued for net proceeds of the fractional Share. Future dividends will be paid in cash.

If the request to withdraw is received by the Plan Administrator on or after a Distribution Record Date, but before the Distribution payment date, the withdrawal will be processed as soon as administratively possible, and a separate dividend check will be mailed to the Participant. All Distributions subsequent to such Distribution payment date will be paid in cash unless a shareholder re-enrolls in the Plan, which may be done at any time.

If a Participant requests to transfer all Shares in his or her Plan account between a Distribution Record Date and Distribution payment date, the transfer request will be processed; however, the Participant's Plan account will not be

terminated. The Participant may receive additional Plan Shares, which will require the Participant to submit a written request to transfer the additional Shares. Any pending optional cash payments that have been sent to the Plan Administrator prior to a request for withdrawal will be returned to you, if such request is received at least three trading days prior to the investment date.

24. How does a Participant sell all or a portion of the Shares held in a Plan account?

Sales are usually made through an affiliated broker of the Plan Administrator, who will receive brokerage commissions. Typically, the Shares are sold through the exchange on which the Shares are traded. Depending on the number shares to be sold and current trading volume, sale transactions may be completed in multiple transactions and over the course of more than one day. All sales are subject to market conditions, system availability, restrictions and other factors. The actual sale date, time or price received for any shares sold through the Plan cannot be guaranteed.

Participants may instruct the Plan Administrator to sell shares under the Plan through a Batch Order, Market Order, Day Limit Order, Good-‘Til-Date/Canceled Limit Order or Stop Order.

Batch Order (online, telephone, mail) – The Plan Administrator will combine each request to sell shares in the Plan with other Participant sale requests for a Batch Order. Shares are then periodically submitted in bulk to a broker for sale on the open market. Shares will be sold no later than five trading days (except where deferral is necessary under state or federal regulations). Bulk sales may be executed in multiple transactions and over more than one day depending on the number of shares being sold and current trading volumes. Once entered, a Batch Order request cannot be canceled.

Market Order (online or telephone) – The Participant’s request to sell shares in a Market Order will be at the prevailing market price when the trade is executed. If such an order is placed during market hours, the Plan Administrator will promptly submit the shares to a broker for sale on the open market. Once entered, a Market Order request cannot be canceled. Sales requests submitted near the close of the market may be executed on the next trading day, along with other requests received after market close.

Day Limit Order (online or telephone) – The Participant’s request to sell shares in a Day Limit Order will be promptly submitted by the Plan Administrator to a broker. The broker will execute as a Market Order when and if the stock reaches or exceeds the specified price on the day the order was placed (for orders placed outside of market hours, the next trading day). The order is automatically canceled if the price is not met by the end of that trading day. Depending on the number of shares being sold and current trading volumes, the order may only be partially filled and the remainder of the order canceled. Once entered, a Day Limit Order request cannot be canceled by the Participant.

Good-‘Til-Date/Canceled (GTD/GTC) Limit Order (online or telephone) – A GTD/GTC Limit Order request will be promptly submitted by the Plan Administrator to a broker. The broker will execute as a Market Order when and if the stock reaches or exceeds the specified price at any time while the order remains open (up to the date requested or 90 days for GTC). Depending on the number of shares being sold and current trading volumes, sales may be executed in multiple transactions and may be traded on more than one day. The order or any unexecuted portion will be automatically canceled if the price is not met by the end of the order period. The order may also be canceled by the applicable stock exchange or the Participant.

Stop Order (online or telephone) – The Plan Administrator will promptly submit a Participant’s request to sell shares in a Stop Order to a broker. A sale will be executed when the stock reaches a specified price, at which time the Stop Order becomes a Market Order and the sale will be at the prevailing market price when the trade is executed. The price specified in the order must be below the current market price (generally used to limit a market loss).

Sales proceeds will be net of any fees to be paid by the Participant. The Plan Administrator will deduct any fees or applicable tax withholding from the sale proceeds. Sales processed on accounts without a valid Form W-9 for U.S. citizens or Form W-8BEN or W-8BEN-E, as appropriate, for non-U.S. citizens will be subject to Federal Backup Withholding. This tax can be avoided by furnishing the appropriate and valid form prior to the sale. Forms are

available online at shareowneronline.com.

A check for the proceeds of the sale of shares (in U.S. dollars), less applicable taxes and fees, will generally be mailed by first class mail four trading days after the trade date. If a Participant submits a request to sell all or part of the Plan shares, and the Participant requests net proceeds to be automatically deposited to a checking or savings account, the Participant must provide a voided blank check for a checking account or blank savings deposit slip for a savings account. If the Participant is unable to provide a voided check or deposit slip, the Participant's written request must have the Participant's signature(s) medallion guaranteed by an eligible financial institution for direct deposit. Requests for automatic deposit of sale proceeds that do not provide the required documentation will not be processed and a check for the net proceeds will be issued.

A Participant who wishes to sell shares currently held in certificate form may send them in for deposit to the Plan Administrator and then proceed with the sale. To sell shares through a broker of their choice, a Participant may request the Plan Administrator to

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transfer shares electronically from the Plan account to the Participant's designated brokerage account. Forms are available online at shareowneronline.com. Alternatively, a stock certificate can be requested that the Participant can deliver to his or her broker.

PREIT's share price may fluctuate between the time the sale request is received and the time the sale is completed on the open market. The Plan Administrator shall not be liable for any claim arising out of failure to sell on a certain date or at a specific price. Neither the Plan Administrator nor any of its affiliates will provide any investment recommendations or investment advice with respect to transactions made through the Plan. This risk should be evaluated by the Participant and is a risk that is borne solely by the Participant.

The Insider Trading Policy provides that the Participant may not trade in PREIT's Shares if in possession of material, non-public information about the Company. Share sales by employees, affiliates and Section 16 officers must be made in compliance with PREIT's Insider Trading Policy.

25. Are there any automatic termination provisions?

Participation in the Plan will be terminated if the Plan Administrator receives written notice of the death or adjudicated incompetence of a Participant, together with a Stock Power Form supporting the appointment of a legal representative, at least five trading days before the next Record Date for purchases made through the reinvestment of Distributions or the investment date for optional cash payments, as applicable. In the event written notice of death or adjudicated incompetence and such supporting documentation is received by the Plan Administrator less than five trading days before the next Record Date for purchases made through the reinvestment of Distributions or the investment date for optional cash payments, as applicable, Shares will be purchased for the eligible Participant with the related cash Distribution or optional cash payment and participation in the Plan will not terminate until after such Distribution or payment has been reinvested. Thereafter, no additional purchase of Shares will be made for the Participant's account and the Participant's Shares and any cash Distributions paid thereon will be forwarded to the Participant's legal representative.

The Plan Administrator reserves the right to terminate a Participant's participation in the Plan if the Participant does not maintain at least one whole Share registered in the Participant's name or held in the Participant's Plan account. **WE RESERVE THE RIGHT TO MODIFY, SUSPEND OR TERMINATE PARTICIPATION IN THE PLAN BY OTHERWISE ELIGIBLE PARTICIPANTS IN ORDER TO ELIMINATE PRACTICES THAT ARE, AS DETERMINED IN OUR SOLE DISCRETION, INCONSISTENT WITH THE PURPOSES OR OPERATION OF THE PLAN OR THAT AFFECT ADVERSELY THE PRICE OF THE SHARES.**

Other Information

26. What happens if a Participant sells or transfers all of the Shares registered in the Participant's name?

If a Participant disposes of all Shares registered in his or her name, and is not shown as a Record Owner on a Distribution Record Date, the Participant may be terminated from the Plan at our discretion as of such date and such termination treated as though a withdrawal notice had been received prior to the Record Date.

27. What happens if the Company declares a Distribution payable in Shares or declares a share split?

Any Distribution payable in Shares and any additional Shares distributed by us in connection with a share split in respect of Shares credited to a Participant's Plan account will be added to that account. Share Distributions or split Shares that are attributable to Shares registered in a Participant's own name and not in his or her Plan account will be mailed directly to the Participant, just as in the case of Shareholders not participating in the Plan.

28. How will Shares held by the Plan Administrator be voted at meetings of shareholders?

If the Participant is a Record Owner, the Participant will receive a proxy card covering both Shares held directly and Shares held in the Plan. If the Participant is a Beneficial Owner, the Participant will receive a proxy covering Shares held in the Plan through his or her broker, bank or other nominee. If a proxy is returned properly signed and marked for voting, all the Shares covered by the proxy will be voted as marked. If a proxy is returned properly signed, but no voting instructions are given, all of the Participant's Shares will be voted in accordance with recommendations of our

board of trustees, unless applicable laws or regulations require otherwise. If the proxy is not returned or if it is returned unexecuted or improperly executed, Shares registered in a Participant's name may be voted only by the Participant in person.

29. What are the responsibilities of the Company and the Plan Administrator under the Plan?

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In administering the Plan, neither we, the Plan Administrator nor any broker/dealer selected by the Plan Administrator to execute purchases and sales on behalf of Plan Participants is liable for any good faith act or omission to act, including but not limited to any claim of liability (i) arising out of the failure to terminate a Participant's account upon such Participant's death prior to receipt of a notice in writing of such death, (ii) with respect to the prices or times at which Shares are purchased or sold, or (iii) as to the value of the Shares acquired for Participants.

The Plan Administrator is acting solely as our agent and owes no duties, fiduciary or otherwise, to any other person by reason of this Plan, and no implied duties, fiduciary or otherwise, shall be read into this Plan. The Plan Administrator undertakes to perform such duties and only such duties as are expressly set forth herein, to be performed by it, and no implied covenants or obligations shall be read into this Plan against the Plan Administrator or us.

In the absence of negligence or willful misconduct on its part, the Plan Administrator, whether acting directly or through agents or attorneys, will not be liable for any action taken, suffered, or omitted, or for any error of judgment made by it in the reasonable performance of its duties hereunder. In no event will the Plan Administrator be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profit), even if the Plan Administrator has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Plan Administrator will not be: (i) required to and will make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own; and (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with reasonable indemnity.

The Plan Administrator will not be responsible or liable for any failure or delay in the performance of its obligations under this Plan arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities; computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that the Plan Administrator will use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as administratively possible under the circumstances. Notwithstanding the foregoing, nothing contained in the Plan limits our liability with respect to alleged violations of federal securities laws.

The Plan Administrator is authorized to choose a broker/dealer, including an affiliated broker/dealer, at its sole discretion to facilitate purchases and sales of Shares by Participants. The Plan Administrator will furnish the name of the registered broker/dealer, including any affiliated broker/dealer, utilized in share transactions within a reasonable time upon written request from a Participant.

30. May the Plan be changed or discontinued?

Yes. We may suspend, terminate or amend the Plan at any time. Notice will be sent to Participants of any suspension or termination, or of any amendment that alters the Plan terms and conditions, as soon as administratively possible after such action by us. We may substitute another administrator or agent in place of the Plan Administrator at any time. Participants will be promptly informed of any such substitution. Any questions of interpretation arising under the Plan will be determined by us, in our sole discretion, and any such determination will be final.

31. What are the federal income tax consequences of participation in the Plan?

The following summarizes certain federal income tax considerations applicable to current shareholders who participate in the Plan. New investors and current shareholders should consult the discussion herein under the caption "Material U.S. Federal Income Tax Consequences" for a summary of federal income tax considerations related to the ownership of Shares generally.

The following summary is based upon an interpretation of current federal tax law. Participants should consult their own tax advisors to determine particular tax consequences, including state income tax (and non-income tax) consequences, which vary from state to state and which may result from participation in the Plan and the subsequent disposition of Shares acquired pursuant to the Plan. Income tax consequences to Participants residing outside the United States will vary from jurisdiction to jurisdiction.

This Plan assumes that each participant will use the first-in, first-out (FIFO) method when determining the tax basis of any shares sold. Participants may designate their preference for a different method of determining the tax basis of shares by identifying this preference in writing to the Plan Administrator. Participants may designate their preference for specific identification cost basis at any time.

Current Shareholders

In the case of Shares purchased by the Plan Administrator pursuant to the reinvestment feature of the Plan, whether purchased from us or in the open market, Participants will be treated for federal income tax purposes as having received, on the Distribution payment date, a Distribution in an amount equal to the amount of the cash Distribution that was reinvested.

Such Distribution will be taxable as a Distribution to the extent of our current or accumulated earnings and profits. To the extent the Distribution is in excess of our current or accumulated earnings and profits, the Distribution will be treated first as a tax-free return of capital, reducing the tax basis in a Participant's Shares, and the Distribution in excess of a Participant's tax basis will be taxable as gain realized from the sale of his or her Shares.

Both Shares purchased pursuant to the reinvestment feature and Shares purchased pursuant to the optional cash payment feature of the Plan may be purchased at a discount. Although it is not entirely clear under current law, we currently intend to take the position for tax reporting purposes that no distribution from us occurs by reason of that discount.

In the case of Shares purchased by the Plan Administrator on the open market pursuant to the optional cash payment feature of the Plan, Participants should not be treated for federal income tax purposes as having received a distribution from us.

General

A Participant's holding period for Shares acquired pursuant to the Plan will begin on the day following the investment date. A Participant will have a tax basis in the Shares equal to the amount of cash used to purchase his or her Shares. A Participant will not realize any taxable income upon receipt of whole Shares in book-entry (DRS) or physical certificate form credited to the Participant's account, either upon the Participant's request for certain of those Shares or upon termination of participation in the Plan. A Participant will recognize gain or loss upon the sale or exchange of Shares acquired under the Plan. A Participant will also recognize gain or loss upon receipt, following termination of participation in the Plan, of a cash payment for any fractional share equivalent credited to the Participant's account. The amount of any such gain or loss will be the difference between the amount that the Participant received for the Shares or fractional share equivalent and the tax basis thereof.

32. How are income tax withholding provisions applied to Participants in the Plan?

If a Participant fails to provide certain federal income tax certifications in the manner required by law, distributions on Shares, proceeds from the sale of fractional Shares and proceeds from the sale of Shares held for a Participant's account will be subject to federal income tax withholding at the rate of 28%. If withholding is required for any reason, the appropriate amount of tax will be withheld. Certain shareholders (including most corporations) are, however, exempt from the above withholding requirements.

If a Participant is a foreign shareholder whose distributions are subject to federal tax withholding, the appropriate amount will be withheld and the balance will be credited to such Participant's account in Shares.

In addition, if a Participant is a foreign entity that does not meet specified information reporting requirements under the Foreign Account Tax Compliance Act, we will be required to withhold a 30% tax on distributions to that Participant.

33. Who bears the risk of market fluctuations in the Shares?

A Participant's investment in Shares held in the Plan account is no different from his or her investment in Shares held directly. The Participant bears the risk of any loss and enjoys the benefits of any gain from market price changes with respect to such Shares.

34. Who should be contacted with questions about the Plan?

All correspondence regarding the Plan should be directed to:

Email

Go to shareowneronline.com and select Contact Us.

Telephone

1-800-468-9716 Toll-Free

651-450-4064 outside the United States

Shareowner Relations Specialists are available Monday through Friday, from 7:00 a.m. to 7:00 p.m. Central Time.

You may also access your account information 24 hours a day, 7 days a week using our automated voice response system.

Written correspondence and deposit of certificated shares*

Wells Fargo Shareowner Services

P.O. Box 64856

St. Paul, MN 55164-0856

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Certified and overnight delivery
Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

* If sending in a certificate for deposit, see Certificate Deposit and Withdrawal Information.
Please mention Pennsylvania Real Estate Investment Trust and this Plan in all correspondence.

35. How is the Plan interpreted?

Any question of interpretation arising under the Plan will be determined by us in our sole discretion and any such determination will be final. The provisions of the Plan and its operation will be governed by the laws of the Commonwealth of Pennsylvania.

36. What are some of the Participant responsibilities under the Plan?

Plan Shares are subject to escheat to the state in which the Participant resides in the event that such Shares are deemed, under such state's laws, to have been abandoned by the Participant. Participants, therefore, should notify the Plan administrator promptly in writing of any change of address. Account statements and other communications to Participants will be addressed to them at the last address of record provided by Participants to the Plan Administrator. Participants will have no right to draw checks or drafts against their Plan accounts or to instruct the Plan Administrator with respect to any Shares or cash held by the Plan Administrator except as expressly provided herein.

Distributions

The Company has paid Distributions since its formation. In order to accommodate the provisions of this Plan, we anticipate that Distributions will be payable on or about the fifteenth day of March, June, September and December. The future payment of Distributions will be at the discretion of our board of trustees and will depend on numerous factors, including our cash flow, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors that the board of trustees deems relevant.

USE OF PROCEEDS

We do not currently know either the number of Shares that will be ultimately sold pursuant to the Plan or the prices at which such Shares will be sold. However, we propose to use the net proceeds from the sale of newly issued Shares for the acquisition, development and improvement of properties, repayment of indebtedness, capital expenditures, working capital, and other general corporate purposes. Pending such use, we may temporarily invest the net proceeds of any such sales.

RECENT DEVELOPMENTS

Springfield Town Center

On March 2, 2014, we entered into a Contribution Agreement (the "Contribution Agreement") relating to the acquisition of Springfield Town Center in Springfield, Virginia (the "Property") for total consideration of \$465.0 million. The total consideration is expected to be funded using \$125.0 million of common and preferred Operating Partnership units, with the remaining balance to be paid in cash. We expect to provide the remaining cash balance by borrowing from the amounts available under our existing credit agreements. In addition, the seller of the Property may be entitled to certain additional consideration based on the value of the Property three years after the closing date. The closing is subject to the substantial completion of the redevelopment of the Property in accordance with plans and specifications for such redevelopment, as well as certain other customary closing conditions.

Pursuant to the Contribution Agreement, closing will occur after all of the conditions to closing have been satisfied or waived, on the date that is the earlier of (i) fifteen days after the later of the date on which Regal Cinemas, Dick's Sporting Goods and at least seventy-five percent (75%) of the aggregate square footage of the in-line space of the Property are occupied, certificates of occupancy have been issued with respect to all of the common areas of the Property and the "grand opening" of the Property has occurred, and (ii) March 31, 2015 (which date may be extended in

certain circumstances). The “grand opening” took place on October 17, 2014.

Despite the significance of the acquisition of the Property, we have not included separate financial statements related to the Property in this registration statement because the Property has been undergoing a multi-year redevelopment, during which the entire mall was demolished and rebuilt, with the exception of certain anchor stores. Accordingly, the financial statements for the Property during the period of renovation

are not reflective of the Property's historical or expected future performance. The anchor stores at the Property generated rental income of \$1.8 million for the fiscal year ended December 31, 2013, and \$1.5 million for the nine months ended September 30, 2014.

DESCRIPTION OF COMMON SHARES

The following summary of the material terms of our Shares does not include all of the terms of the shares and should be read together with our Trust Agreement and By-laws and with applicable Pennsylvania law. Our Trust Agreement and By-laws are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. See "Where To Find Additional Information."

Authorized Common and Preferred Shares

Under our Trust Agreement, as amended, we have the authority to issue up to 200,000,000 common shares, \$1.00 par value per share, and up to 25,000,000 preferred shares. In April 2012, we issued 4,600,000 8.25% Series A Cumulative Redeemable Perpetual Preferred Shares (the "Series A Preferred Shares") in a public offering at \$25.00 per share. In October 2012, we issued 3,450,000 7.375% Series B Cumulative Redeemable Perpetual Preferred Shares (the "Series B Preferred Shares") in a public offering at \$25.00 per share. We may not redeem the Series A Preferred Shares or the Series B Preferred Shares before April 20, 2017 and October 11, 2017, respectively, except to preserve our status as a REIT or upon the occurrence of a change of control, as defined in the Trust Agreement addendums designating the Series A Preferred Shares and Series B Preferred Shares, respectively. On and after April 20, 2017 and October 11, 2017, we may redeem any or all of the Series A Preferred Shares or the Series B Preferred Shares, respectively, at \$25.00 per share plus any accrued and unpaid dividends. The Series A Preferred Shares and the Series B Preferred Shares have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless we redeem or otherwise repurchase them or they are converted.

Common Shares

Voting, Dividend and Other Rights. Subject to the provisions of our Trust Agreement regarding excess shares, (1) the holders of our common shares are entitled to one vote per share on all matters voted on by shareholders, including elections of trustees, and (2) subject to the rights of holders of any preferred shares, the holders of our common shares are entitled to a pro rata portion of any distributions declared from time to time by our board of trustees from funds available for those distributions, and upon liquidation are entitled to receive pro rata all of the assets available for distribution to those holders. We generally must be current in our dividend payments on our currently outstanding Series A Preferred Shares and Series B Preferred Shares in order to pay dividends on our common shares. The majority of common shares voting on a matter at a meeting at which at least a majority of the outstanding shares are present in person or by proxy constitutes the act of the shareholders, except with respect to the election of trustees (see below). Our Trust Agreement permits the holders of securities of our affiliates to vote with our shareholders on specified matters, and the partnership agreement of our operating partnership grants that right to certain holders of currently outstanding partnership units of our operating partnership, with respect to fundamental changes in us (i.e., mergers, consolidations and sales of substantially all of our assets). Shareholders do not have any pre-emptive rights to purchase our securities.

Our Trust Agreement provides that our board of trustees may authorize the issuance of multiple classes and series of common shares and classes and series of preferred shares having preferences to the existing shares in any matter, including rights in liquidation or to dividends and conversion rights (including shareholder rights plans), and other securities having conversion rights, and may authorize the creation and issuance by our subsidiaries and affiliates of securities having conversion rights in respect of our shares. Accordingly, the rights of holders of our existing common shares are subject and junior to preferred rights of our existing and outstanding preferred shares, as to dividends and in liquidation (and other such matters) and will be subject and junior to any subsequently authorized preferred shares or class of preferred shares to the extent set forth in the designating amendment with respect to such preferred shares.

Board of Trustees. Our board of trustees has nine members. Trustees are elected at our annual meeting of shareholders and serve until the subsequent annual meeting of shareholders and until their respective successors have been duly

elected and have qualified. Our Trust Agreement does not provide for cumulative voting in the election of trustees, and the candidates receiving the highest number of votes are elected to the office of trustee, subject to the majority voting provisions contained in our corporate governance guidelines.

Trustee Nomination Process. Our Trust Agreement provides that nominations for election to the office of trustee at any annual or special meeting of shareholders shall be made by the trustees or by shareholders. Shareholder notice of a nomination of a trustee candidate for election at an annual meeting must generally be delivered not less than 90 days nor more than 120 days prior to the anniversary date of the prior year's meeting, and for election at an annual meeting that is not within 30 days of such anniversary date or for a special meeting, not later than 10 days following the date on which notice of the meeting is mailed or disclosed publicly, whichever comes first. Shareholders making nominations of trustee candidates must hold at least two percent (2%) of the outstanding Shares. Nominations not made in accordance with the procedures in the Trust Agreement will not be considered.

Limited Liability of Shareholders

Our Trust Agreement provides that shareholders, to the fullest extent permitted by applicable law, are not liable for any act, omission or liability of a trustee and that the trustees have no power to bind shareholders personally. Nevertheless, there may be liability in some jurisdictions that may decline to recognize a business trust as a valid organization. With respect to all types of claims in any such jurisdiction, and with respect to tort claims, certain contract claims and possible tax claims in jurisdictions where the business trust is treated as a

partnership for certain purposes, shareholders may be personally liable for such obligations to the extent that we do not satisfy those claims. In jurisdictions other than the Commonwealth of Pennsylvania, we conduct substantially all of our business through entities recognized in the relevant jurisdiction to limit the liability of equity owners. We carry insurance in amounts that we deem adequate to cover foreseeable tort claims.

Restrictions on Ownership

Among the requirements for qualification as a REIT under the Internal Revenue Code, or the Code, are (1) not more than 50% in value of our outstanding shares, including the Shares (after taking into account options to acquire shares), may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year, (2) the shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year, and (3) certain percentages of our gross income must be from particular activities. In order to continue to qualify as a REIT under the Code, our board of trustees has adopted, and our shareholders have approved, provisions of our Trust Agreement that restrict the ownership and transfer of shares, or the Ownership Limit Provisions.

The Ownership Limit Provisions provide that no person may beneficially own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.9% of any separate class of our shares. The trustees may exempt a person from the Ownership Limit Provisions with a ruling from the Internal Revenue Service or an opinion of counsel or our tax accountants to the effect that such ownership will not jeopardize our status as a REIT.

Issuance or transfers of shares in violation of the Ownership Limit Provisions or which would cause us to be beneficially owned by fewer than 100 persons are void ab initio and the intended transferee acquires no rights to the shares.

In the event of a purported transfer or other event that would, if effective, result in the ownership of shares in violation of the Ownership Limit Provisions, such transfer or other event with respect to that number of shares that would be owned by the transferee in excess of the Ownership Limit Provisions are automatically exchanged for an equal number of excess shares, or the Excess Shares, authorized by our Trust Agreement, according to the rules set forth therein, to the extent necessary to insure that the purported transfer or other event does not result in the ownership of shares in violation of the Ownership Limit Provisions. Any purported transferee or other purported holder of Excess Shares is required to give written notice to us of a purported transfer or other event that would result in the issuance of Excess Shares.

Excess Shares are not treasury shares but rather continue as issued and outstanding shares of beneficial interest. While outstanding, Excess Shares will be held in trust. The trustee of such trust will be our Company. The beneficiary of such trust will be designated by the purported holder of the Excess Shares. Excess Shares are not entitled to any dividends or distributions. If, after the purported transfer or other event resulting in an exchange of shares of beneficial interest for Excess Shares and prior to our discovery of such exchange, dividends or distributions are paid with respect to the shares that were exchanged for Excess Shares, then such dividends or distributions are to be repaid to us upon demand. Excess Shares participate ratably (based on the total number of shares and Excess Shares) in any liquidation, dissolution or winding up of our Company. Except as required by law, holders of Excess Shares are not entitled to vote such shares on any matter. While Excess Shares are held in trust, any interest in that trust may be transferred by the trustee only to a person whose ownership of shares will not violate the Ownership Limit Provisions, at which time the Excess Shares will be automatically exchanged for the same number of shares of the same type and class as the shares for which the Excess Shares were originally exchanged. Prior to any transfer of any interest in the Excess Shares held in trust, the purported transferee or other purported holder, as the case may be, must give advance notice to us of the intended transfer and we must waive in writing our purchase rights. Our Trust Agreement contains provisions that are designed to insure that the purported transferee or other purported holder of Excess Shares does not receive in return for such a transfer an amount that reflects any appreciation in the shares for which Excess Shares were exchanged during the period that such Excess Shares were outstanding. Any amount received by a purported transferee or other purported holder in excess of the amount permitted to be received must be paid to our Company. If the foregoing restrictions are determined to be invalid by any court of competent jurisdiction, then the intended

transferee or holder of any Excess Shares may be deemed, at our option, to have acted as an agent on our behalf in acquiring such Excess Shares and to hold such Excess Shares on our behalf.

Our Trust Agreement further provides that Excess Shares will be deemed to have been offered for sale to our Company at the lesser of (1) the price paid for the shares by the purported transferee or, in the case of a gift, devise or other transaction, the market price for such shares at the time of such gift, devise or other transaction or (2) the market price for the shares on the date we or our designee exercises its option to purchase the Excess Shares. We may purchase such Excess Shares during a 90-day period, beginning on the date of the violative transfer if the original transferee-shareholder gives notice to us of the transfer or, if no notice is given, the date the board of trustees determines that a violative transfer or other event resulting in an exchange of shares for the Excess Shares has occurred.

Each shareholder, upon demand, is required to disclose to us in writing such information with respect to the direct, indirect and constructive ownership of shares as the board of trustees deems necessary to comply with the provisions of our Trust Agreement or the Code applicable to a REIT or to comply with the requirements of any taxing authority or governmental agency. Certificates or recorded book entries representing shares of any class or series issued after September 29, 1997 will bear a legend or have a notation referring to the restrictions described above.

Registrar and Transfer Agent

The registrar and transfer agent for our Shares is Wells Fargo Shareowner Services, a division of Wells Fargo Bank, N.A.

CERTAIN PROVISIONS OF OUR TRUST AGREEMENT AND BY-LAWS

The following summary of certain provisions of our Trust Agreement and By-laws is subject to and qualified in its entirety by reference to our Trust Agreement and By-laws, which are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. See “Where To Find Additional Information.”

Ownership Limits and Restrictions on Transferability

In order to protect our status as a REIT, no more than 50% of the value of our outstanding shares (after taking into account options to acquire shares) may be owned, directly or constructively, by five or fewer individuals and the shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. To assist us in satisfying these tests, subject to some exceptions, our Trust Agreement prohibits any shareholder from owning more than 9.9% of our outstanding Shares (exclusive of preferred shares) or more than 9.9% of any class or series of preferred shares. Our trust agreement also prohibits transfers of shares that would cause a shareholder to exceed the 9.9% limit or cause us to be beneficially owned by fewer than 100 persons. Our board of trustees may exempt a person from the 9.9% ownership limit if our board receives a ruling from the Internal Revenue Service or an opinion of counsel or tax accountants that exceeding the 9.9% ownership limit as to that person would not jeopardize our status as a REIT. Absent an exemption, this restriction may discourage a tender offer or other transaction or change in management or control that might involve a premium price for our shares or otherwise be in the best interests of our shareholders.

Term of Office of Members of the Board of Trustees

We do not have a classified board. Trustees are elected at our annual meeting of shareholders and serve until the subsequent annual meeting of shareholders and until their respective successors have been duly elected and have qualified.

Multiple Classes and Series of Shares of Beneficial Interest

Our trust agreement permits our board of trustees to create and issue multiple classes and series of shares, including classes and series of preferred shares having preferences to the existing shares on any matter, including rights in liquidation or to dividends and conversion rights (including shareholder rights plans), and other securities having conversion rights, and may authorize the creation and issuance by our subsidiaries and affiliates of securities having conversion rights in respect of our shares. Our trust agreement further provides that the terms of such rights or other securities may provide for disparate treatment of certain holders or groups of holders of such rights or other securities. Our issuance of such rights or preferred shares could delay or prevent someone from acquiring control of us, even if a change in control were in the best interests of our shareholders.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of material United States federal income tax consequences relating to our qualification and taxation as a REIT and the acquisition, ownership and disposition of our Shares. The statements in this summary, to the extent they constitute matters of law, summaries of legal matters, or legal conclusions, and subject to the limitations expressed herein, represent the opinion of Drinker Biddle & Reath LLP. For purposes of the following discussion, references to the “Company,” “we” and “us” mean Pennsylvania Real Estate Investment Trust and not our subsidiaries or affiliates, and the “operating partnership” refers to PREIT Associates, L.P. Because this is a summary that is intended to address only the federal income tax consequences relating to the acquisition, ownership and disposition of our Shares, it may not contain all the information that may be important in your specific circumstances.

As you review this discussion, you should keep in mind that:

- (1) The tax consequences to you may vary depending on your particular tax situation;

(2) Special rules that are not discussed below may apply to you if, for example, you are a tax-exempt organization, a broker-dealer, a partnership, a trust, an estate, a regulated investment company, a financial institution, an insurance company, a real estate investment trust, or otherwise subject to special tax treatment under the Code;

(3) This summary does not address state, local or non-U.S. tax consequences;

(4) This summary deals only with Shares owned as “capital assets,” within the meaning of Section 1221 of the Code; and

(5) This discussion is not intended to be, and should not be construed as, tax advice.

You are urged both to review the following discussion and to consult with your tax advisor to determine the effect of acquiring, owning and disposing of our Shares in your individual tax situation, including any state, local or non-U.S. tax consequences.

The information in this section is based on the Code, current, temporary and proposed regulations promulgated by the U.S. Treasury Department, the legislative history of the Code, current administrative interpretations and practices of the Internal Revenue Service, or the IRS, and court decisions. The reference to IRS interpretations and practices includes IRS practices and policies as endorsed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that receives the ruling. In each case, these sources are relied upon as they exist on the date of this registration statement.

Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. Moreover, even if there is no change in the applicable law, no assurance can be provided that the statements made in the following discussion, which do not bind the IRS or the courts, will not be challenged by the IRS or will be sustained by a court if so challenged.

Taxation of the Company as a REIT

General. Our Company has elected to be taxed as a REIT under the Code. A REIT generally is not subject to federal income tax on the net income that it distributes to shareholders if it meets the applicable REIT distribution requirements and other requirements for REIT qualification under the Code. We believe that we have been and are organized and have operated, and we intend to continue to operate, in a manner so as to qualify as a REIT, but there can be no assurance that we qualify or will remain qualified as a REIT. Qualification and taxation as a REIT depend upon our ability to meet, through actual annual (or in some cases quarterly) operating results, requirements relating to income, asset ownership, distribution levels and diversity of share ownership, and the various other REIT qualification requirements imposed under the Code. Given the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future changes in our circumstances, we cannot provide assurance that our actual operating results will satisfy the requirements for taxation as a REIT under the Code for any particular taxable year.

The sections of the Code that relate to our qualification and operation as a REIT are highly technical and complex. This discussion sets forth the material aspects of the sections of the Code that govern the federal income tax treatment of a REIT and its shareholders. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and Treasury regulations, and related administrative and judicial interpretations.

Taxation. For each taxable year in which we qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax on our net income that is distributed currently to our shareholders. U.S. Shareholders (as defined below) generally will be subject to taxation on dividends (other than dividends designated capital gain dividends and “qualified dividend income”) at rates applicable to ordinary income, instead of at lower capital gain rates.

Qualification for taxation as a REIT enables the REIT and its shareholders to substantially eliminate the “double taxation” (that is, taxation at both the corporate and shareholder levels) that generally results from an investment in a regular corporation. Regular corporations (non-REIT “C” corporations) generally are subject to federal corporate income taxation on their income, and shareholders of regular corporations are subject to tax on any dividends that are received. Currently, however, shareholders who are taxed at individual rates generally are taxed on dividends from regular corporations at capital gains rates, which are lower for individuals than ordinary income rates; and shareholders who are taxed at regular corporate rates receive the benefit of a dividends-received deduction that substantially reduces the effective rate that they pay on such dividends. Income earned by a REIT and distributed currently to its shareholders generally will be subject to lower aggregate rates of federal income taxation than if the income were earned by a regular corporation, subjected to corporate income tax, and then distributed to shareholders and subjected to tax either at capital gain rates or the effective rate paid by a corporate recipient entitled to the benefit of the dividends-received deduction.

Although we generally will not be subject to corporate income taxes on income that we distribute currently to shareholders, we will be subject to federal income tax as follows:

(1) We will be taxed at regular corporate rates on any undistributed “REIT taxable income.” REIT taxable income is the taxable income of the REIT subject to specified adjustments, including a deduction for dividends paid.

- (2) We may be subject to the “alternative minimum tax” on our undistributed items of tax preference, if any.
- (3) If we have (a) net income from the sale or other disposition of “foreclosure property” that is held primarily for sale to customers in the ordinary course of business, or (b) other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on this income.
- (4) Our net income from “prohibited transactions” will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.
- (5) If we fail to satisfy either the 75% gross income test or the 95% gross income test discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a tax equal to the gross income attributable to the greater of the amount by which we fail either the 75% or 95% gross income test, multiplied in either case by a fraction intended to reflect our profitability.

(6) We will be subject to a 4% nondeductible excise tax on the excess, if any, of the required distribution over the sum of amounts actually distributed, excess distributions from the preceding tax year and amounts retained for which federal income tax was imposed if we fail to make the required distributions by the end of a calendar year. The required distribution for each calendar year is equal to the sum of:

- 85% of our REIT ordinary income for the year;
- 95% of our REIT capital gain net income for the year; and
- any undistributed taxable income from prior taxable years.

(7) We will be subject to a 100% penalty tax on some payments we receive (or on certain expenses deducted by a taxable REIT subsidiary) if arrangements among us, our tenants, and our taxable REIT subsidiaries are not comparable to similar arrangements among unrelated parties.

(8) If we acquire any assets from a non-REIT “C” corporation in a carry-over basis transaction, we will be liable for corporate income tax, at the highest applicable corporate rate for the “built-in gain” with respect to those assets if we dispose of those assets within 10 years after they were acquired. For such dispositions in 2009 through 2013, shorter recognition periods applied. Built-in gain is the amount by which an asset’s fair market value exceeds its adjusted tax basis at the time we acquire the asset. To the extent that assets are transferred to us in a carry-over basis transaction by a partnership in which a non-REIT “C” corporation owns an interest, we will be subject to this tax in proportion to the corporation’s interest in the partnership. However, if we are subject to taxation on our REIT taxable income or subject to tax due to the sale of a built-in gain asset that was acquired in a carry-over basis transaction from a non-REIT “C” corporation, some of the dividends we pay to our shareholders during the following year may be subject to tax at the reduced capital gains rates, rather than taxed at ordinary income rates. See “—Taxation of U.S. Shareholders—Qualified Dividend Income.”

(9) If we fail to satisfy one of the REIT asset tests (other than certain de minimis failures), but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a tax equal to the greater of \$50,000 or the amount determined by multiplying the net income generated by the non-qualifying assets during the period of time that the assets were held as non-qualifying assets by the highest rate of tax applicable to corporations.

(10) If we fail to satisfy certain of the requirements under the Code the failure of which would result in the loss of our REIT status, and the failure is due to reasonable cause and not willful neglect, we may be required to pay a penalty of \$50,000 for each such failure in order to maintain our qualification as a REIT.

(11) If we fail to comply with the requirements to send annual letters to certain of our shareholders requesting information regarding the actual ownership of our shares and the failure was not due to reasonable cause or was due to willful neglect, we will be subject to a \$25,000 penalty or, if the failure is intentional, a \$50,000 penalty.

Furthermore, notwithstanding our status as a REIT, we also may have to pay certain state and local income taxes, because not all states and localities treat REITs the same as they are treated for federal income tax purposes.

Moreover, each of our taxable REIT subsidiaries (as further described below) is subject to federal, state and local corporate income taxes on its net income.

Requirements for Qualification as a REIT. A REIT is a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;
- (3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;
- (4) that is neither a financial institution nor an insurance company within the meaning of certain provisions of the Code;
- (5) that is beneficially owned by 100 or more persons;
- (6) not more than 50% in value of the outstanding shares or other beneficial interest of which is owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities and as determined by

applying certain attribution rules) during the last half of each taxable year;

(7) that makes an election to be a REIT for the current taxable year, or has made such an election for a previous taxable year that has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;

(8) that uses a calendar year for federal income tax purposes and complies with the recordkeeping requirements of the Code and the Treasury regulations promulgated thereunder;

- (9) that does not have at the end of any taxable year any undistributed earnings and profits that are attributable to a non-REIT taxable year; and
- (10) that meets other applicable tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1), (2), (3) and (4) above must be met during the entire taxable year and condition (5) above must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply during the first taxable year for which an election is made to be taxed as a REIT. For purposes of determining share ownership under condition (6) above, a supplemental unemployment compensation benefits plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes generally is considered an individual. However, a trust that is a qualified trust under Code Section 401(a) generally is not considered an individual, and beneficiaries of a qualified trust are treated as holding shares of a REIT in proportion to their actuarial interests in the trust for purposes of condition (6) above.

We believe that we have been organized, have operated and have issued sufficient shares of beneficial ownership with sufficient diversity of ownership to allow us to satisfy the above conditions. In addition, our trust agreement contains restrictions regarding the transfer of shares of beneficial interest that are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. These restrictions, however, may not ensure that we will be able to satisfy these share ownership requirements. If we fail to satisfy these share ownership requirements, we will fail to qualify as a REIT.

To monitor compliance with condition (6) above, a REIT is required to send annual letters to certain of its shareholders requesting information regarding the actual ownership of its shares. If we comply with the annual letters requirement and do not know, or exercising reasonable diligence, would not have known, of a failure to meet condition (6) above, then we will be treated as having met condition (6) above.

Qualified REIT Subsidiaries. We may acquire 100% of the stock of one or more corporations that are qualified REIT subsidiaries. A corporation will qualify as a qualified REIT subsidiary if we own 100% of its stock and it is not a taxable REIT subsidiary. A qualified REIT subsidiary will not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a qualified REIT subsidiary will be treated as our assets, liabilities and such items (as the case may be) for all purposes of the Code, including the REIT qualification tests. For this reason, references in this discussion to our income and assets should be understood to include the income and assets of any qualified REIT subsidiary we own. Income of a qualified REIT subsidiary will not be subject to federal income tax, although it may be subject to state and local taxation in some jurisdictions. Our ownership of the voting stock of a qualified REIT subsidiary will not violate the asset test restrictions against ownership of securities of any one issuer which constitute more than 10% of the voting power or value of such issuer's securities or more than five percent of the value of our total assets, as described below in "—Asset Tests Applicable to REITs."

Taxable REIT Subsidiaries. A taxable REIT subsidiary is a corporation (other than a REIT) in which we directly or indirectly hold stock, which has made a joint election with us to be treated as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any such corporation in which a taxable REIT subsidiary of ours owns, directly or indirectly, securities (other than certain "straight debt" securities) that represent more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to our tenants, without causing us to receive impermissible tenant service income under the REIT gross income tests. The Company owns several taxable REIT subsidiaries, including PREIT-RUBIN. A taxable REIT subsidiary is required to pay regular federal income tax, and state and local income tax where applicable, as a non-REIT "C" corporation. In addition, if dividends are paid to us by our taxable REIT subsidiary, then a portion of the dividends we distribute to shareholders who are taxed at individual rates will generally be eligible for taxation at lower capital gains rates, rather than at ordinary income rates. See "Taxation of United States Shareholders—Qualified Dividend Income."

Generally, a taxable REIT subsidiary can perform impermissible tenant services without causing us to receive impermissible tenant services income under the REIT income tests. However, several provisions applicable to the arrangements between a REIT and its taxable REIT subsidiaries are intended to ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary may be limited in its ability to deduct interest payments made directly or indirectly to us. In addition, a REIT will be obligated to pay a 100% penalty tax on some payments that it receives or on certain expenses deducted by the taxable REIT subsidiary if the economic arrangements between the REIT, the REIT's tenants and the taxable REIT subsidiary are not comparable to similar arrangements among unrelated parties. Our taxable REIT subsidiaries may make interest and other payments to us and to third parties in connection with activities related to our properties. There can be no assurance that our taxable REIT subsidiaries will not be limited in their ability to deduct certain interest payments made to us, and there can be no assurance that the IRS might not seek to impose the 100% excise tax on a portion of payments received by us from, or expenses deducted by, our taxable REIT subsidiaries.

Ownership of Partnership Interests by a REIT. A REIT that owns an equity interest in an entity treated as a partnership for federal income tax purposes is deemed to own its share (based upon its proportionate share of the capital of the partnership) of the assets of the partnership and is deemed to earn its proportionate share of the partnership's income. The assets and gross income of the partnership retain the same character in the hands of the REIT for purposes of the gross income and asset tests applicable to REITs as described below. Thus, our proportionate share

of assets and items of income of the operating partnership, including the operating partnership's share of assets and items of income of any subsidiaries that are treated as partnerships or disregarded entities for federal income tax purposes, are treated as assets and items of income of our Company for purposes of applying the REIT asset and income tests. For these purposes, under current Treasury regulations, our interest in each of the partnerships must be determined in accordance with our "capital interest" in each entity, as applicable. We have control over the operating partnership and substantially all of the partnership and limited liability company subsidiaries of the operating partnership, and intend to operate them in a manner that is consistent with the requirements for continued qualification of our Company as a REIT.

We believe that the operating partnership and each of the partnerships and limited liability companies in which we own an interest, directly or through another partnership or limited liability company, will be treated as partnerships or disregarded for federal income tax purposes and will not be taxable as corporations. If any of these entities were instead properly treated as a corporation, it would be subject to an entity-level tax on its income and we might fail to meet the REIT income and asset tests. See "—Taxation of the Company as a REIT—Income Tests Applicable to REITs" and "—Taxation of the Company as a REIT—Asset Tests Applicable to REITs" below.

Income Tests Applicable to REITs. To qualify as a REIT, we must satisfy two gross income tests that are applied on an annual basis. First, in each taxable year, we must derive directly or indirectly at least 75% of our gross income, excluding gross income from prohibited transactions, from investments relating to real property or mortgages on real property or from some types of temporary investments. Income from investments relating to real property or mortgages on related property includes "rent from real property," gains on the disposition of real estate, dividends paid by another REIT and interest on obligations secured by mortgages on real property or on interests in real property. Second, in each taxable year we must derive at least 95% of our gross income, excluding gross income from prohibited transactions, from any combination of income qualifying under the 75% test and dividends, interest, and gain from the sale or other disposition of stock or securities.

Rent we receive will qualify as "rent from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if several conditions are met:

- The amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term "rent from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales.

- Neither we nor any actual or constructive owner of 10% or more of our shares may actually or constructively own 10% or more of the equity interests in a tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Any such tenant is referred to as a "related party tenant." Rent received from a related party tenant that is a taxable REIT subsidiary, however, will not be excluded from the definition of "rent from real property" as a result of this condition if either (i) at least 90% of the space at the property to which the rent relates is leased to third parties, and the rent paid by the taxable REIT subsidiary are comparable to rent paid by our other tenants for comparable space, or (ii) the property is a qualified lodging property or a qualified health care property and is operated on behalf of the taxable REIT subsidiary by a person who is an independent contractor and certain other requirements are met.

- Rent attributable to personal property, leased in connection with a lease of real property, does not exceed 15% of the total rent received under the lease. If this requirement is not met, then the portion of rent attributable to personal property will not qualify as "rent from real property."
- We generally must not provide directly impermissible tenant services to the tenants of a property, subject to a 1% de minimis exception, other than through an independent contractor from whom we derive no income

or a taxable REIT subsidiary. We may, however, directly perform certain services that are “usually or customarily rendered” in connection with the rental of space for occupancy only and are not otherwise considered “rendered primarily for the convenience of the tenant” of the property. Examples of such services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may provide through an independent contractor or a taxable REIT subsidiary, which may be wholly or partially owned by us, both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as “rent from real property.” If the total amount of income we receive from providing impermissible tenant services at a property exceeds 1% of our total income from that property, then all of the income from that property will fail to qualify as “rent from real property.” Impermissible tenant service income is deemed to be at least 150% of our direct cost in providing the service.

In light of these requirements, we do not intend to take any of the actions listed below, unless we determine that the resulting nonqualifying income, taken together with all other nonqualifying income that we earn in the taxable year, will not jeopardize our status as a REIT:

- (1) charge rent for any property that is based in whole or in part on the income or profits of any person (unless based on a fixed percentage or percentages of gross receipts or sales, as permitted and described above);
- (2) rent any property to a related party tenant, including a taxable REIT subsidiary, unless the rent from the lease to the taxable REIT subsidiary would qualify for the special exception from the related party tenant rule applicable to certain leases with a taxable REIT subsidiary;

(3) derive rental income attributable to personal property except rent attributable to personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease; or

(4) directly perform services considered to be noncustomary or “rendered to the occupant” of the property.

We provide services and access to third party service providers at some or all of our properties. However, based on our experience in the rental markets where the properties are located, we believe that all access to service providers and services provided to tenants by our Company either are usually or customarily rendered in connection with the rental of real property and not otherwise considered rendered to the occupant, or, if considered impermissible services, will not result in an amount of impermissible tenant service income that will cause us to fail to meet the income test requirements.

Although PREIT-RUBIN (which, together with PREIT Services, LLC, comprise our commercial property development and management business) renders services with respect to rental properties of the operating partnership and the partnership subsidiaries, and PREIT-RUBIN does not constitute an “independent contractor” for this purpose, we believe that the services being provided by PREIT-RUBIN with respect to these properties in past years have been usual or customary and should not otherwise be considered “rendered to the occupant.” Moreover, since 2001, the Company and PREIT-RUBIN have elected for PREIT-RUBIN to be treated as a taxable REIT subsidiary. We believe that the aggregate amount of any nonqualifying income in any taxable year earned by the operating partnership and the partnership subsidiaries has not caused, and will not cause, the Company to exceed the limits on nonqualifying income under the 75% and 95% gross income tests.

However, we cannot provide any assurance that the IRS will agree with these positions. We monitor the activities at our properties and believe that we have not provided services that will cause us to fail to meet the income tests. We intend to continue to monitor the services provided at, and the nonqualifying income arising from, each of our properties. We have earned and expect to continue to earn a small amount of nonqualifying income relative to our total gross income in any relevant taxable year. We believe that the amount of nonqualifying income gene