

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form 10-Q
November 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2005**

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

Commission File Number 1-6300

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

Pennsylvania
(State or other jurisdiction of incorporation or
organization)

23-6216339
(I.R.S. Employer Identification No.)

**200 South Broad Street, Third Floor,
Philadelphia, PA**

(Address of principal executive offices)

19102-3803

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days.

Yes No

Indicate by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Shares of beneficial interest outstanding at November 1, 2005: 36,721,437

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

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Part I **Financial Information**
Item 1. Financial Statements

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars, except per share amounts)
(Unaudited)

	September 30, 2005	December 31, 2004
	<hr/>	<hr/>
ASSETS:		
INVESTMENTS IN REAL ESTATE, at cost:		
Retail properties	\$ 2,629,837	\$ 2,510,256
Construction in progress	58,534	10,952
Land held for development	6,100	9,863
	<hr/>	<hr/>
Total investments in real estate	2,694,471	2,531,071
Less: accumulated depreciation	(203,953)	(148,759)
	<hr/>	<hr/>
Net investments in real estate	2,490,518	2,382,312
	<hr/>	<hr/>
INVESTMENTS IN PARTNERSHIPS, at equity	35,182	27,244
	<hr/>	<hr/>
	2,525,700	2,409,556
OTHER ASSETS:		
Cash and cash equivalents	28,954	40,044
Rents and other receivables (net of allowance for doubtful accounts of \$10,386 and \$9,394, at September 30, 2005 and December 31, 2004, respectively)	33,352	31,982
Intangible assets (net of accumulated amortization of \$62,326 and \$38,333 at September 30, 2005 and December 31, 2004, respectively)	165,746	171,850
Deferred costs and other assets	68,442	62,650
Assets held for sale	17,248	15,321
	<hr/>	<hr/>
Total assets	\$ 2,839,442	\$ 2,731,403
LIABILITIES:		
Mortgage notes payable	\$ 1,284,304	\$ 1,145,079
Debt premium on mortgage notes payable	44,311	56,135
Credit Facility	276,000	271,000
Liabilities related to assets held for sale	18,611	18,564
Tenants' deposits and deferred rents	16,485	13,457
Investments in partnerships, deficit balances	13,531	13,758
Accrued expenses and other liabilities	68,114	76,975
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Total liabilities	1,721,356	1,594,968
MINORITY INTEREST:		
Minority interest in Operating Partnership	127,932	128,384

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Minority interest in properties	3,159	3,585
	<u> </u>	<u> </u>
Total minority interest	131,091	131,969
	<u> </u>	<u> </u>
COMMITMENTS AND CONTINGENCIES (note 9)		
SHAREHOLDERS' EQUITY:		
Shares of beneficial interest, \$1.00 par value per share; 100,000,000 shares authorized; issued and outstanding 36,714,000 shares at September 30, 2005 and 36,272,000 shares at		
December 31, 2004, respectively	36,714	36,272
Non-convertible senior preferred shares, 11% cumulative, \$.01 par value per share; 2,475,000 shares authorized, issued and outstanding at September 30, 2005 and December 31, 2004, respectively		
	25	25
Capital contributed in excess of par	916,937	899,506
Deferred compensation	(14,284)	(7,737)
Accumulated other comprehensive income (loss)	2,770	(1,821)
Retained earnings	44,833	78,221
	<u> </u>	<u> </u>
Total shareholders' equity	986,995	1,004,466
	<u> </u>	<u> </u>
Total liabilities, minority interest and shareholders' equity	\$ 2,839,442	\$ 2,731,403
	<u> </u>	<u> </u>

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME
(in thousands of dollars)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
REVENUE:				
Real estate revenues:				
Base rent	\$ 67,403	\$ 62,188	\$ 199,880	\$ 185,391
Expense reimbursements	32,045	29,857	92,735	86,371
Percentage rent	1,437	1,647	5,926	5,131
Lease termination revenues	176	1,691	2,198	2,678
Other real estate revenues	2,322	2,063	6,612	6,065
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Total real estate revenues	103,383	97,446	307,351	285,636
Management company revenues	1,136	1,831	3,887	5,630
Interest and other income	293	180	737	865
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	104,812	99,457	311,975	292,131
EXPENSES:				
Property operating expenses:				
CAM and real estate tax	(28,483)	(25,168)	(84,236)	(74,407)
Utilities	(6,421)	(5,523)	(16,823)	(14,602)
Other operating expenses	(5,749)	(5,104)	(15,885)	(16,708)
	<hr/>	<hr/>	<hr/>	<hr/>
Total property operating expenses	(40,653)	(35,795)	(116,944)	(105,717)
Depreciation and amortization	(27,729)	(22,912)	(81,312)	(72,438)
Other expenses:				
General and administrative expenses	(8,412)	(11,294)	(27,833)	(33,479)
Taxes	(78)	□	(519)	□
	<hr/>	<hr/>	<hr/>	<hr/>
Total other expenses	(8,490)	(11,294)	(28,352)	(33,479)
Interest Expense:				
Interest expense excluding prepayment penalty	(20,745)	(18,294)	(60,187)	(53,858)
Prepayment penalty	(803)	□	(803)	□
	<hr/>	<hr/>	<hr/>	<hr/>
Total interest expense	(21,548)	(18,294)	(60,990)	(53,858)
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Total expenses	(98,420)	(88,295)	(287,598)	(265,492)
Income before equity in income of partnerships, gains on sales of interests in real estate, minority interest and discontinued operations	6,392	11,162	24,377	26,639
Equity in income of partnerships	1,808	1,496	5,426	4,909

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Gains on sales of interests in real estate	8,024	1,529	8,721	1,529
Income before minority interest and discontinued operations	16,224	14,187	38,524	33,077
Minority interest in properties	(42)	(48)	(127)	(545)
Minority interest in Operating Partnership	(1,782)	(1,517)	(4,316)	(3,340)
Income from continuing operations	14,400	12,622	34,081	29,192
Discontinued operations:				
Operating results from discontinued operations	200	1,856	893	6,622
Gains (adjustments to gains) on sales of real estate	3,736	□	3,736	(550)
Minority interest in Operating Partnership	(441)	(205)	(520)	(621)
Minority interest in properties	□	(5)	□	(20)
Income from discontinued operations	3,495	1,646	4,109	5,431
Net income	17,895	14,268	38,190	34,623
Dividends on preferred shares	(3,403)	(3,403)	(10,209)	(10,209)
Net income available to common shareholders	\$ 14,492	\$ 10,865	\$ 27,981	\$ 24,414

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
EARNINGS PER SHARE

(in thousands of dollars, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
Income from continuing operations	\$ 14,400	\$ 12,622	\$ 34,081	\$ 29,192
Dividends on preferred shares	(3,403)	(3,403)	(10,209)	(10,209)
Income from continuing operations available to common shareholders	10,997	9,219	23,872	18,983
Dividends on unvested restricted shares	(265)	(196)	(770)	(548)
Income from continuing operations used to calculate earnings per share	10,732	9,023	23,102	18,435
Minority interest in properties □ continuing operations	42	48		