PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form 8-K/A
September 26, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K/A NO. 2
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) April 28, 2003

Pennsylvania Real Estate Investment Trust
(Exact Name of Registrant as Specified in Charter)

Pennsylvania	1-6300	23-6216339
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

The Bellevue, 200 S. Broad Street, Philadelphia, Pennsylvania 19102
(Address of Principal Executive Offices) (Zip Code)

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

(Former Name or Former Address, if Changed Since Last Report)

EXPLANATORY NOTE: This Current Report on Form 8-K/A No. 2 is filed to correct a mathematical error in the Form 8-K/A dated April 28, 2003 and filed with the SEC on June 20, 2003 relating to the acquisition of certain malls from The Rouse Company. The mathematical error involved the presentation of amortization of debt premium as one of the pro forma adjustments to interest expense. For the year ended December 31, 2002 and the three months ended March 31, 2003, the amortization of debt premium pro forma adjustment to interest expense was negative $4.236 million and negative $1.063 million, respectively, instead of $4.236 million and $1.063 million, respectively. As a result of the mathematical error, pro forma interest expense was overstated by $8.472 million in the Pro Forma Combining Statement of Income For the Twelve Months Ended December 31, 2002 and by $2.126 million in the Pro Forma Combining Statement of Income For the Three Months Ended March 31, 2003. As a further result, minority interest in PREIT's operating partnership was understated by $0.939 million in the Pro Forma Combining Statement of Income For the Twelve Months Ended December 31, 2002 and was understated by $0.223 million in the Pro Forma Combining Statement of Income For the Three Months Ended March 31, 2003. As a net result of the overstatement of interest expense and the understatement of minority interest, pro forma income from continuing operations was understated by $7.533 million in the Pro Forma Combining Statement of Income For the Twelve Months Ended December 31, 2002 and by $1.903 million in the Pro Forma Combining Statement of Income For the Three Months Ended March 31, 2003.

PREIT recorded the debt premium because the interest rates of two of the mortgages that PREIT assumed in connection with the acquisition from The Rouse Company were above market. In these circumstances, generally accepted accounting principles require PREIT to record a debt premium that is amortized over the remaining term of the mortgage in order to reduce the interest expense on the above-market rate debt to a market rate. For purposes of the pro forma presentation, the amortization of this debt premium reduced the amount of the pro forma adjustment for interest expense related to the properties acquired from The Rouse Company.

Accordingly, this Current Report on Form 8-K/A No. 2 amends in its entirety Item 7 of the Current Report on Form 8-K/A dated April 28, 2003 and filed with the SEC on June 20, 2003.

The information contained in this Current Report on Form 8-K/A No. 2 has not been updated to reflect any developments since the filing of the Current Report on Form 8-K/A dated April 28, 2003 and filed with the SEC on June 20, 2003. In particular, the financial information in this Form 8-K/A No. 2 does not reflect the re-issuance of our 2002 year end financial information in a Form 8-K dated June 27, 2003 and filed on August 12, 2003 to reflect properties sold and/or classified as held for sale as discontinued operations in the statements of income for all periods presented in accordance with the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired:

The following financial statements are attached hereto:

(i) Combined Statements of Revenues and Certain Expenses of Subject Properties - First Close for the year ended December 31, 2002 and for the three-month period ended March 31, 2003 (unaudited)

(ii) Combined Statements of Revenues and Certain Expenses of Subject Properties - Second Close for the year ended December 31, 2002 and for the three-month period ended March 31, 2003 (unaudited)

(iii) Statements of Revenues and Certain Expenses of Cherry Hill Mall for the years ended December 31, 2002, 2001 and 2000 and for the three-month period ended March 31, 2003 (unaudited).

Material factors considered in assessing the acquisition of the malls described in this report include but were not limited to the opportunity to strengthen PREIT's retail presence in the metropolitan Philadelphia area, the opportunity for increased operational efficiencies, greater competitive advantages and cross-selling opportunities from strengthening PREIT's existing retail portfolio, historical and prospective financial performance of the malls, local and regional demographics, competition, sources of revenues and expenses of the properties, the nature of the tenants and terms of leases in place, opportunities for alternative and new tenancies, historical and expected cash flows, occupancy rates, current operating costs on the properties and anticipated changes therein under PREIT's ownership, the physical condition and location of the properties and the anticipated effect on PREIT's financial results. After reasonable inquiry, PREIT is not aware of any material factors relating to the mall properties, other than those described in the foregoing discussion, that would cause the financial information reported in Item 7(a) hereof not to be necessarily indicative of future operating results.

(b) Pro Forma Financial Information:

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
UNAUDITED PRO FORMA COMBINING BALANCE SHEET AND
COMBINING STATEMENTS OF INCOME

This unaudited pro forma information should be read in conjunction with the historical financial statements and notes of PREIT included in its annual report on Form 10-K for the year ended December 31, 2002 and its quarterly report filed on Form 10-Q for the three months ended March 31, 2003.

The following unaudited pro forma information sets forth the pro forma combining balance sheet of PREIT as of March 31, 2003 and the pro forma combining statements of income for the year ended December 31, 2002 and the three months ended March 31, 2003 to give effect to the acquisition of five malls and the investment in New Castle Associates and other financing events as described in Item 2.

The following unaudited pro forma combining balance sheet presents information as if the acquisition of the malls had taken place on March 31, 2003. The following unaudited pro forma statements of income for the year ended December 31, 2002 and for the three months ended March 31, 2003 present combined financial information as if the acquisition of the malls had taken place on January 1, 2002 and January 1, 2003, respectively.

The pro forma combining financial information is unaudited and prepared for informational purposes only and is not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the malls been consummated as of the dates noted in the prior paragraph.

Pennsylvania Real Estate Investment Trust
Pro Forma Combining Balance Sheet
As of March 31, 2003

(Unaudited)
(In thousands, except per share amounts)

	Company Historical	First Close Acquisition (A)	New Castle Acquisition (
Assets:			
Investments in real estate, at cost:			
Retail properties	$ 426,428	$ 267,778	$ 203,978
Construction in progress	19,232	--	--
Industrial properties	2,504	--	--
Total investments in real estate	448,164	267,778	203,978
Less accumulated depreciation	(44,036)	--	--
	404,128	267,778	203,978
Investments in and advances to partnerships and joint ventures, at equity	25,556	--	--
	429,684	267,778	203,978
Other assets:			
Assets held for sale	205,021	--	--
Cash and cash equivalents	8,115	(717)	(542)
Rents and sundry receivables (net of allowance for doubtful accounts of $1,084)	9,829	472	400
Deferred costs and other assets, net	46,598	7,404	5,140
	$ 699,247	$ 274,937	$ 208,976
Liabilities:			
Mortgage notes payable	$ 126,193	$ 146,189	$ 140,974
Bank loans payable	146,900	123,507	28,853
Liabilities related to assets held for sale	190,679	--	--
Tenants' deposits and deferred rents	1,633	1,165	1,453
Accrued expenses and other liabilities	16,172	4,076	2,708
Total liabilities	481,577	274,937	173,988
Minority interest	32,236	--	34,988
Shareholders' equity:			
Shares of beneficial interest, $1 par; 100,000 authorized; issued and outstanding 16,754 shares	16,754	--	--
Capital contributed in excess of par	218,158	--	--
Deferred compensation	(3,579)	--	--
Accumulated other comprehensive loss	(3,845)	--	--
Distributions in excess of net income	(42,054)	--	--
Total shareholders' equity	185,434	--	--
	$ 699,247	$ 274,937	$ 208,976

The accompanying notes are an integral part of the pro forma combining financ

Pennsylvania Real Estate Investment Trust
Pro Forma Combining Statement of Income
For the Twelve Months Ended December 31, 2002

(Unaudited)
(In thousands, except per share amounts)

	Company Historical	First Close Acquisition(A)	New Castle Acquisition(A)	Second Cl Acquisiti
Revenues:				
Real estate revenues				
Base rent	$ 94,636	$ 27,328	$ 18,169	$ 16,063
Expense reimbursements	13,068	14,297	11,011	11,828
Percentage rent	1,948	934	355	294
Lease termination revenue	1,034	1,886	10	742
Other real estate revenues	3,913	710	461	708
Total real estate revenues	114,599	45,155	30,006	29,635
Management company revenue	11,003	--	--	--
Interest and other income	711	--	--	--
Total revenues	126,313	45,155	30,006	29,635
Expenses:				
Property operating expenses	37,548	17,206	11,344	16,116
Depreciation and amortization	21,411	--	--	--
General and administrative expenses:				
Corporate payroll and benefits	14,138	--	--	--
Other general and administrative expenses	10,609	--	--	--
Total general and administrative expenses	24,747	--	--	--
Interest expense	28,000	--	--	--
Total expenses	111,706	17,206	11,344	16,116
	14,607	27,949	18,662	13,519
Equity in income of partnerships and joint ventures	7,449	--	--	--
Income before minority interest	22,056	27,949	18,662	13,519
Minority interest in operating partnership	(2,194)	--	--	--
Income from continuing operations	$ 19,862	$ 27,949	$ 18,662	$ 13,519
Basic income from continuing operations per share	$ 1.23			
Diluted income from continuing operations per share	$ 1.21			
Weighted average number of shares outstanding:				

Basic	16,162
Diluted	16,388

The accompanying notes are an integral part of the pro forma combining financ

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Pennsylvania Real Estate Investment Trust
Pro Forma Combining Statement of Income
For the Three Months Ended March 31, 2003

(Unaudited)
(In thousands, except per share amounts)

	Company Historical	First Close Acquisition(A)	New Castle Acquisition(A)	Second C Acquisit
Revenues:				
Real estate revenues				
Base rent	$ 11,924	$ 6,703	$ 4,573	$ 3,79
Expense reimbursements	3,902	3,910	3,089	3,11
Percentage rent	273	215	203	7
Lease termination revenue	259	84	--	--
Other real estate revenues	334	235	219	13
Total real estate revenue	16,692	11,147	8,084	7,12
Management company revenue	2,181	--	--	-
Interest and other income	142	--	--	-
Total revenues	19,015	11,147	8,084	7,12
Expenses:				
Property operating expenses	4,899	4,762	3,163	4,35
Depreciation and amortization	3,513	--	--	-
General and administrative expenses:				
Corporate payroll and benefits	3,636	--	--	-
Other general and administrative expenses	2,690	--	--	-
Total general and administrative expenses	6,326	--	--	-
Interest expense	4,046	--	--	-
Total expenses	18,784	4,762	3,163	4,35
	231	6,385	4,921	2,76
Equity in income of partnerships and joint ventures	1,593	--	--	-
Gains on sales of interests in real estate	1,191	--	--	-

Income before minority interest	3,015	6,385	4,921	2,76
Minority interest in operating partnership	(287)	--	--	-
Income from continuing operations	$ 2,728	$ 6,385	$ 4,921	$ 2,76
Basic income from continuing operations per share	$ 0.16			
Diluted income from continuing operations per share	$ 0.16			
Weighted average number of shares outstanding:				
Basic	16,545			
Diluted	16,818			

The accompanying notes are an integral part of the pro forma combining financ

Pennsylvania Real Estate Investment Trust
Notes to Management's Assumptions to
Unaudited Pro Forma Combining Financial Information

1. Basis of Presentation

Pennsylvania Real Estate Investment Trust, (collectively with its subsidiaries, the "Company") is a fully integrated, self-administered and self-managed real estate investment trust that acquires, develops, redevelops and operates retail, multifamily and industrial properties. The Company's interest in its properties is held through PREIT Associates, L.P.

2. Adjustments to Pro Forma Combining Balance Sheet

(A) To record the acquisition of Moorestown Mall, The Gallery at Market East and Exton Square Mall (collectively, the "First Close Properties"), the Company's interest in New Castle Associates ("New Castle") and the acquisition of Echelon Mall and Plymouth Meeting Mall (collectively, the "Second Close Properties") based upon preliminary estimates of the fair value of the assets acquired as follows:

First Close Properties	
Land	$ 53,556
Building	214,222
Investment in real estate	$ 267,778
Accounts receivable	$ 472
Lease origination value	$ 3,815
Acquired above market value leases	2,433

Escrows and other credits received at settlement	1,156
Deferred costs, prepaid real estate taxes and expenses, net	$ 7,404
Mortgages assumed	$ (142,496)
Debt premium	(3,693)
Mortgage notes payable	$ (146,189)
Bank loan borrowing	$ (123,507)
Tenant's deposits and deferred rents	$ (1,165)
Accounts payable and accrued expenses	$ (1,788)
Acquired below market value leases	(2,288)
Accrued expenses and other liabilities	$ (4,076)
Cash payment	$ (717)

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New Castle	
Land	$ 40,795
Building	163,183
Investment in real estate	$ 203,978
Accounts receivable	$ 400
Lease origination value	$ 1,613
Acquired above market value leases	1,500
Cherry Hill intangible asset	1,170
Escrows and other credits received at settlement	857
Deferred costs, prepaid real estate and expenses, net	$ 5,140
Mortgages assumed	$ (134,092)
Debt premium	(6,882)
Mortgage notes payable	$ (140,974)
Minority interest (see note (B))	$ (34,988)
Bank loan borrowing	$ (28,853)
Tenant's deposits and deferred rents	$ (1,453)

Acquired below market value leases	$	(1,218)
Liabilities assumed		(1,490)
Accrued expenses and other liabilities	$	(2,708)
Cash payment	$	(542)
Second Close Properties		
Land	$	15,573
Building		62,293
Investment in real estate	$	77,866
Accounts receivable	$	101
Lease origination value	$	2,103
Acquired above market value leases		1,843
Escrows and other credits received at settlement		792
Deferred costs, prepaid real estate taxes and expenses, net	$	4,738
Bank loan borrowing	$	(80,437)
Tenants' deposits and deferred rents	$	(666)
Acquired below market value leases	$	(863)
Liabilities assumed		(739)
Accrued expenses and other liabilities	$	(1,602)

(B) To record (i) the issuance of 585,422 OP units at a price of $29.285 per OP Unit in connection with the Company's acquisition of its interest in New Castle Associates, and (ii) the value of the additional consideration that is expected to be paid in the future for the remaining minority interest in New Castle Associates.

3. Adjustments to Pro Forma Combining Statements of Income.

(A) To record the revenue and certain expenses associated with the operations of the First Close Properties, New Castle Associates and the Second Close Properties.

(B) To adjust straight-line rent and record amortization of market value of acquired leases over the remaining terms of the leases.

(C) To (i) record management fees for Cherry Hill Mall and (ii) remove historical management fees and leasing commissions totaling $1,293,000 for the year ended December 31, 2002 and $348,000 for the three months ended March 31, 2003 related to Christiana Mall, which the Company will no longer manage as a result of this transaction. The management agreement for Cherry Hill Mall provides for a management fee equal to 5.25% of revenues. Property operating expenses are impacted only by the management fees to be received on Cherry Hill Mall because Christiana Mall's operating expenses were not consolidated by the

Company as it had no ownership interest in that property.

(D) To record depreciation expense and amortization of acquired lease costs based on a real estate depreciable base of $439.7 million and an estimated useful life of 40 years.

(E) To record additional interest expense as follows:

	Year Ended December 31, 2002	Three Mo March
Mortgage borrowings (1)		
Moorestown Mall $42.0 million at 4.25%	$ 1,785	$
Exton Square Mall $100.5 million at 6.95%	6,947	
Cherry Hill Mall $73.7 million at 10.6%	7,447	
Cherry Hill Mall $60.4 million at 5.0%	3,000	
Total mortgage expense	19,179	
Bank borrowing of $232.8 million at 4.30%	10,010	
Amortization of debt premium	(4,236)	(
Amortization of deferred financing costs related to the borrowings noted above	1,550	
	$ 26,503	$

(1) Mortgage balances are as of the settlement date. The balances amortize over varying periods.

(F) To record (i) additional minority interest resulting from the issuance of OP Units to the New Castle Associates partners which caused an increase in the minority interest percentage to 12.8% and 12.4% for the year ended December 31, 2002 and the three months ended March 31, 2003, respectively, (ii) the minority interest impact of the acquired properties and the pro forma adjustments, resulting in additional minority interest expense, and (iii) the preferred distribution the partners of New Castle (other than PREIT) are entitled to.

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(c) Exhibits:

2.1 Agreement of Purchase and Sale among The Rouse Company of Nevada, LLC, The Rouse Company of New Jersey, LLC and PR Cherry Hill Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.1 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.

2.2 Agreement of Purchase and Sale among Echelon Mall Joint Venture, Echelon Acquisition, LLC and PR Echelon Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.2 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.

2.3 Agreement of Purchase and Sale between Gallery at Market East, LLC and PR Gallery I Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.3 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.

2.4 Agreement of Purchase and Sale among The Rouse Company of Nevada, LLC, The Rouse Company of New Jersey, LLC and PR Moorestown Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.4 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.

2.5 Agreement of Purchase and Sale between Plymouth Meeting Property, LLC and PR Plymouth Meeting Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.5 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.

2.6 Agreement of Purchase and Sale between The Rouse Company, L.P. and PR Exton Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.6 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.

2.7 First Amendment to Agreement of Purchase and Sale Plymouth Meeting Mall, dated as of April 28, 2003, by and between Plymouth Meeting Property, LLC and PR Plymouth Meeting Limited Partnership, filed as Exhibit 2.7 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

2.8 First Amendment to Agreement of Purchase and Sale Echelon Mall, dated as of April 28, 2003, by and between Echelon Mall Joint Venture, Echelon Acquisition, LLC and PR Echelon Limited Partnership, filed as Exhibit 2.8 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

2.9+ Contribution Agreement, dated as of April 22, 2003, among Pennsylvania Real Estate Investment Trust, PREIT Associates, L.P. and the persons and entities named therein and the joinder to the contribution agreement, filed as Exhibit 2.9 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

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2.10+ Call and Put Option Agreement, dated as of April 28, 2003, among PREIT Associates, L.P., PR New Castle LLC, Pan American Associates and Ivyridge Investment Corp, filed as Exhibit 2.10 to PREIT's Current Report

	on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.1	Agreement of Purchase and Sale between New Castle Associates and Christiana Mall, LLC, dated as of March 7, 2003, filed as Exhibit 10.72 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
10.2	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of The Rouse Company, L.P. and its affiliates (relating to Cherry Hill Mall), filed as Exhibit 10.2 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.3	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of Gallery at Market East, LLC and its affiliates, including The Rouse Company, L.P. (relating to The Gallery at Market East), filed as Exhibit 10.3 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.4	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of The Rouse Company, L.P. and its affiliates (relating to Moorestown Mall), filed as Exhibit 10.4 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.5	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of The Rouse Company, L.P. and its affiliates (relating to Exton Square Mall), filed as Exhibit 10.5 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.6	Security Agreement, dated as of April 28, 2003, by Pan American Associates and Ivyridge Investment Corp. in favor of PREIT Associates, L.P, filed as Exhibit 10.6 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.7	Amended and Restated Agreement of Limited Partnership of New Castle Associates, dated as of April 28, 2003, among PR New Castle LLC, as general partner, and PREIT Associates, L.P., Pan American Associates and Ivyridge Investment Corp., as limited partners, filed as Exhibit 10.7 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.8	Registration Rights Agreement, dated as of April 28, 2003, between Pennsylvania Real Estate Investment Trust and Pan American Associates, filed as Exhibit 10.8 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

10.9	Registration Rights Agreement, dated as of April 28, 2003, among Pennsylvania Real Estate Investment Trust, The Albert H. Marta Revocable Inter Vivos Trust, Marta Holdings I, L.P. and Ivyridge Investment Corp, filed as Exhibit 10.9 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.10	Termination of Management and Leasing Agreement, dated as of April 28, 2003, between New Castle Associates and PREIT-RUBIN, Inc, filed as Exhibit 10.10 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.11	Leasing and Management Agreement, dated as of April 28, 2003, between New Castle Associates and PREIT-RUBIN, Inc, filed as Exhibit 10.11 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.12+	Credit Agreement dated as of April 23, 2003 by and among PREIT Associates, L.P., Pennsylvania Real Estate Investment Trust and Wells Fargo Bank, National Association, as agent, filed as Exhibit 10.12 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.13+	Revolving Note, dated April 23, 2003, in the principal amount of $25,000,000 issued by PREIT Associates, L.P. in favor of Wells Fargo Bank, National Association, filed as Exhibit 10.13 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.14+	Term Note, dated April 23, 2003, in the principal amount of $175,000,000 issued by PREIT Associates, L.P. in favor of Wells Fargo Bank, National Association, filed as Exhibit 10.14 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.15+	Guaranty Agreement, dated as of April 23, 2003, by PREIT Associates, L.P. in favor of Wells Fargo Bank, National Association, filed as Exhibit 10.15 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.16+	Second Amendment to that certain Credit Agreement dated as of December 28, 2000 as further amended as of April 23, 2003, by Pennsylvania Real Estate Investment Trust, each of the Guarantors thereto and

Wells Fargo Bank, National Association, as agent, filed as Exhibit 10.16 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

10.17 Letter agreement between Lehman Brothers Bank, FSB and Moorestown Mall LLC dated June 3, 2003 filed as Exhibit 10.17 PREIT's Current Report on Form 8-K/A dated April 28, 2003 and filed June 20, 2003 is incorporated herein by reference.

10.18 Promissory Note, dated June 3, 2003, in the principal amount of $64,250,000 issued by Moorestown Mall LLC in favor of Lehman Brothers Bank, FSB filed as Exhibit 10.18 to PREIT's Current Report on Form 8-K/A dated April 28, 2003 and filed June 20, 2003 is incorporated herein by reference.

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10.19 Promissory Note, dated May 30, 2003, in the principal amount of $70,000,000 issued by PR North Dartmouth LLC in favor of Lehman Brothers Holdings, Inc. filed as Exhibit 10.19 to PREIT's Current Report on Form 8-K/A dated April 28, 2003 and filed June 20, 2003 is incorporated herein by reference.

23* Consent of KPMG LLP.

*Filed herewith.

+ Pursuant to Item 601(b)(2) of Regulation S-K, certain exhibits and schedules have been omitted, copies of which will be furnished to the SEC upon request.

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

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Date: September 26, 2003

By: Jonathan B. Weller

Jonathan B. Weller
President and Chief Operating Officer

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Exhibit Index

Number	Description
2.1	Agreement of Purchase and Sale among The Rouse Company of Nevada, LLC, The Rouse Company of New Jersey, LLC and PR Cherry Hill Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.1 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
2.2	Agreement of Purchase and Sale among Echelon Mall Joint Venture, Echelon Acquisition, LLC and PR Echelon Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.2 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
2.3	Agreement of Purchase and Sale between Gallery at Market East, LLC and PR Gallery I Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.3 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
2.4	Agreement of Purchase and Sale among The Rouse Company of Nevada, LLC, The Rouse Company of New Jersey, LLC and PR Moorestown Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.4 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
2.5	Agreement of Purchase and Sale between Plymouth Meeting Property, LLC and PR Plymouth Meeting Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.5 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
2.6	Agreement of Purchase and Sale between The Rouse Company, L.P. and PR Exton Limited Partnership, dated as of March 7, 2003, filed as Exhibit 2.6 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
2.7	First Amendment to Agreement of Purchase and Sale Plymouth Meeting Mall, dated as of April 28, 2003, by and between Plymouth Meeting Property, LLC and PR Plymouth Meeting Limited Partnership, filed as Exhibit 2.7 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
2.8	First Amendment to Agreement of Purchase and Sale Echelon Mall, dated as of April 28, 2003, by and between Echelon Mall Joint Venture, Echelon

Acquisition, LLC and PR Echelon Limited Partnership, filed as Exhibit 2.8 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

2.9+	Contribution Agreement, dated as of April 22, 2003, among Pennsylvania Real Estate Investment Trust, PREIT Associates, L.P. and the persons and entities named therein and the joinder to the contribution agreement, filed as Exhibit 2.9 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

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2.10+	Call and Put Option Agreement, dated as of April 28, 2003, among PREIT Associates, L.P., PR New Castle LLC, Pan American Associates and Ivyridge Investment Corp, filed as Exhibit 2.10 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.1	Agreement of Purchase and Sale between New Castle Associates and Christiana Mall, LLC, dated as of March 7, 2003, filed as Exhibit 10.72 to PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference.
10.2	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of The Rouse Company, L.P. and its affiliates (relating to Cherry Hill Mall), filed as Exhibit 10.2 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.3	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of Gallery at Market East, LLC and its affiliates, including The Rouse Company, L.P. (relating to The Gallery at Market East), filed as Exhibit 10.3 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.4	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of The Rouse Company, L.P. and its affiliates (relating to Moorestown Mall), filed as Exhibit 10.4 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.5	Guaranty Agreement, dated as of April 24, 2003, by PREIT Associates, L.P. in favor of The Rouse Company, L.P. and its affiliates (relating to Exton Square Mall), filed as Exhibit 10.5 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.6	Security Agreement, dated as of April 28, 2003, by Pan American Associates and Ivyridge Investment Corp.

	in favor of PREIT Associates, L.P, filed as Exhibit 10.6 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.7	Amended and Restated Agreement of Limited Partnership of New Castle Associates, dated as of April 28, 2003, among PR New Castle LLC, as general partner, and PREIT Associates, L.P., Pan American Associates and Ivyridge Investment Corp., as limited partners, filed as Exhibit 10.7 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.8	Registration Rights Agreement, dated as of April 28, 2003, between Pennsylvania Real Estate Investment Trust and Pan American Associates, filed as Exhibit 10.8 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

10.9	Registration Rights Agreement, dated as of April 28, 2003, among Pennsylvania Real Estate Investment Trust, The Albert H. Marta Revocable Inter Vivos Trust, Marta Holdings I, L.P. and Ivyridge Investment Corp, filed as Exhibit 10.9 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.10	Termination of Management and Leasing Agreement, dated as of April 28, 2003, between New Castle Associates and PREIT-RUBIN, Inc, filed as Exhibit 10.10 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.11	Leasing and Management Agreement, dated as of April 28, 2003, between New Castle Associates and PREIT-RUBIN, Inc, filed as Exhibit 10.11 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.12+	Credit Agreement dated as of April 23, 2003 by and among PREIT Associates, L.P., Pennsylvania Real Estate Investment Trust and Wells Fargo Bank, National Association, as agent, filed as Exhibit 10.12 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.
10.13+	Revolving Note, dated April 23, 2003, in the principal amount of $25,000,000 issued by PREIT Associates, L.P. in favor of Wells Fargo Bank, National Association, filed as Exhibit 10.13 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by

reference.

10.14+ Term Note, dated April 23, 2003, in the principal amount of $175,000,000 issued by PREIT Associates, L.P. in favor of Wells Fargo Bank, National Association, filed as Exhibit 10.14 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

10.15+ Guaranty Agreement, dated as of April 23, 2003, by PREIT Associates, L.P. in favor of Wells Fargo Bank, National Association, filed as Exhibit 10.15 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

10.16+ Second Amendment to that certain Credit Agreement dated as of December 28, 2000 as further amended as of April 23, 2003, by Pennsylvania Real Estate Investment Trust, each of the Guarantors thereto and Wells Fargo Bank, National Association, as agent, filed as Exhibit 10.16 to PREIT's Current Report on Form 8-K dated April 28, 2003 and filed May 13, 2003 is incorporated herein by reference.

10.17 Letter agreement between Lehman Brothers Bank, FSB and Moorestown Mall LLC dated June 3, 2003 filed as Exhibit 10.17 to PREIT's Current Report on Form 8-K/A dated April 28, 2003 and filed June 20, 2003 is incorporated herein by reference.

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10.18 Promissory Note, dated June 3, 2003, in the principal amount of $64,250,000 issued by Moorestown Mall LLC in favor of Lehman Brothers Bank, FSB filed as Exhibit 10.18 to PREIT's Current Report on Form 8-K/A dated April 28, 2003 and filed June 20, 2003 is incorporated herein by reference.

10.19 Promissory Note, dated May 30, 2003, in the principal amount of $70,000,000 issued by PR North Dartmouth LLC in favor of Lehman Brothers Holdings, Inc. filed as Exhibit 10.19 to PREIT's Current Report on Form 8-K/A dated April 28, 2003 and filed June 20, 2003 is incorporated herein by reference.

23* Consent of KPMG LLP.

*Filed herewith.

+ Pursuant to Item 601(b)(2) of Regulation S-K, certain exhibits and schedules have been omitted, copies of which will be furnished to the SEC upon request.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

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Independent Auditors' Report

The Board of Directors
Pennsylvania Real Estate Investment Trust

We have audited the accompanying combined statement of revenues and certain expenses of the Subject Properties - First Close, as defined in note 1, for the year ended December 31, 2002. This combined financial statement is the responsibility of management of the Subject Properties - First Close. Our responsibility is to express an opinion on this combined financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined statement of revenues and certain expenses. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2, the accompanying combined statement of revenues and certain expenses excludes certain expenses that would not be comparable with those resulting from the proposed future operations of the Subject Properties - First Close. The accompanying combined statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission Rule 3-14 of Regulation S-X and is not intended to be a complete presentation of the Subject Properties - First Close revenues and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the combined revenues and certain expenses (described in note 2) of the Subject Properties - First Close for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying combined statement of revenues and certain expenses for the three-month period ended March 31, 2003 was not audited by us and, accordingly, we do not express an opinion on it.

/s/ KPMG LLP

Baltimore, Maryland
April 29, 2003

SUBJECT PROPERTIES - FIRST CLOSE

Combined Statements of Revenues and Certain Expenses

Three-Month Period Ended March 31, 2003 (unaudited) and
Year Ended December 31, 2002

(in thousands)

	Three-Month Period Ended March 31, 2003 (Unaudited)	Year Ended December 31, 2
Revenues:		
Minimum rents	$ 6,355	$25,293
Percentage rents	215	934

Temporary tenant rents	348	2,035
Charges for common facilities	2,325	7,520
Charges for heating, ventilating and air conditioning	175	963
Charges for light and power	492	2,081
Charges for real estate taxes	597	2,605
Charges for other recoverable expenses	321	1,128
Lease terminations	84	1,886
Other	235	710
	11,147	45,155
Certain expenses:		
On-site and other management costs	117	627
Other general and administrative expenses	293	1,239
Temporary tenant expenses	159	739
Marketing expenses	63	279
Common facilities expenses	2,251	6,932
Heating, ventilating and air conditioning expenses	119	554
Tenant light and power expenses	399	1,866
Real estate taxes	853	3,311
Other recoverable expenses	295	1,303
Building maintenance expenses	25	54
Ground rent expenses	188	302
	4,762	17,206
Revenues in excess of certain expenses	$ 6,385	$27,949

The accompanying notes are an integral part of these statements.

SUBJECT PROPERTIES - FIRST CLOSE

Notes to Combined Statements of Revenues and Certain Expenses

Three-Month Period Ended March 31, 2003 (unaudited) and
Year Ended December 31, 2002

(1) Background

In March 2003, Pennsylvania Real Estate Investment Trust ("PREIT") agreed to purchase six shopping malls owned by The Rouse Company ("Rouse"). Five of the properties were acquired directly from Rouse in two closings. The first closing included Exton Square in Exton, Pennsylvania, The Gallery at Market East in Philadelphia, Pennsylvania and Moorestown Mall in Moorestown, New Jersey. These properties are collectively referred to as the Subject Properties - First Close. The second closing included

Plymouth Meeting in Plymouth Meeting, Pennsylvania and Echelon Mall in Voorhees, New Jersey. PREIT acquired its interest in Cherry Hill Mall in Cherry Hill, New Jersey indirectly, through New Castle Associates, a related party of PREIT that acquired the property from Rouse.

(2) Summary of Significant Accounting Policies and Other Matters

(a) Basis of Presentation

The accompanying combined statements of revenues and certain expenses relate to the Subject Properties - First Close and have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, it is not representative of the actual operations for the periods presented as certain expenses, which may not be comparable to the expenses expected to be incurred by PREIT in the proposed future operations of the Subject Properties - First Close, have been excluded. Expenses excluded consist of management fees, mortgage interest and depreciation and amortization.

The combined statement of revenue and certain expenses for the three-month period ended March 31, 2003 is unaudited; however, in the opinion of management of the Subject Properties - First Close, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of the combined statement of revenue and certain expenses for the interim period have been included. The results of the interim period are not necessarily indicative of the results for the full year.

(b) Minimum Rents

The straight-line basis is used to recognize minimum rent revenues under leases, which provide for varying rents over their terms.

(2) Summary of Significant Accounting Policies and Other Matters, Continued

(c) Percentage Rents

Percentage rent revenues are considered earned when a tenant's sales exceed the minimum annual sales volume required for percentage rent under the terms of the lease agreement.

(d) Management Costs

Management expense includes administrative costs incurred by Rouse which are allocated to subsidiaries and affiliates based primarily on their respective revenues and certain other expenses incurred in the operation of the retail center. These expenses include on-site management costs, leasing costs and certain off-site accounting and other services.

Management and other costs allocated from Rouse aggregated approximately $267,000 for the three-month period ended March 31, 2003 and $1,228,000 for the year ended December 31, 2002. Substantially all of these costs were recorded in other management costs and common facilities expenses.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(3) Tenant Leases

Space in the Subject Properties - First Close is leased to approximately 310 tenants. In addition to minimum rents, the majority of the leases provide for percentage rents when the tenants' sales volumes exceed stated amounts as well as other rents which reimburse the Subject Properties - First Close for certain of their operating expenses.

The total minimum rents to be received from tenants under noncancellable operating leases in effect at December 31, 2002, relating to the Subject Properties - First Close, are as follows (in thousands):

2003	$ 24,359
2004	22,331
2005	20,667
2006	17,460
2007	15,996
Subsequent to 2007	41,194
Total	$142,007

Independent Auditors' Report

The Board of Directors
Pennsylvania Real Estate Investment Trust

We have audited the accompanying combined statement of revenues and certain expenses of the Subject Properties - Second Close, as defined in note 1, for the year ended December 31, 2002. This combined financial statement is the responsibility of management of the Subject Properties - Second Close. Our responsibility is to express an opinion on this combined financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined statement of revenues and certain expenses. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2, the accompanying combined statement of revenues and certain expenses excludes certain expenses that would not be comparable with those resulting from the proposed future operations of the Subject Properties - Second Close. The accompanying combined statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission Rule 3-14 of Regulation S-X and is not intended to be a complete presentation of the Subject Properties - Second Close revenues and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the combined revenues and certain expenses (described in note 2) of the Subject Properties - Second Close for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying combined statement of revenues and certain expenses for the three-month period ended March 31, 2003 was not audited by us and, accordingly, we do not express an opinion on it.

/s/ KPMG LLP

Baltimore, Maryland
April 29, 2003

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SUBJECT PROPERTIES - SECOND CLOSE

Combined Statements of Revenues and Certain Expenses

Three-Month Period Ended March 31, 2003 (unaudited) and
Year Ended December 31, 2002

(in thousands)

	Three-Month Period Ended March 31, 2003 (Unaudited)
Revenues:	
Minimum rents	$ 3,660
Percentage rents	79
Temporary tenant rents	133
Charges for common facilities	1,597
Charges for heating, ventilating and air conditioning	323
Charges for light and power	498
Charges for real estate taxes	538
Charges for other recoverable expenses	158

Lease terminations	-
Other	134
	7,120
Certain expenses:	
On-site and other management costs	100
Other general and administrative expenses	139
Temporary tenant expenses	62
Marketing expenses	48
Common facilities expenses	1,920
Heating, ventilating and air conditioning expenses	302
Tenant light and power expenses	439
Real estate taxes	867
Other recoverable expenses	182
Building maintenance expenses	79
Ground rent expenses	215
	4,353
Revenues in excess of certain expenses	$ 2,767

The accompanying notes are an integral part of these statements.

SUBJECT PROPERTIES - SECOND CLOSE

Notes to Combined Statements of Revenues and Certain Expenses

Three-Month Period Ended March 31, 2003 (unaudited) and
Year Ended December 31, 2002

(1) Background

In March 2003, Pennsylvania Real Estate Investment Trust ("PREIT") agreed to purchase six shopping malls owned by The Rouse Company ("Rouse"). Five of the properties were acquired directly from Rouse in two closings. The first closing included Exton Square in Exton, Pennsylvania, The Gallery at Market East in Philadelphia, Pennsylvania and Moorestown Mall in Moorestown, New Jersey. The second closing included Plymouth Meeting in Plymouth Meeting, Pennsylvania and Echelon Mall in Voorhees, New Jersey. Plymouth Meeting and Echelon Mall are collectively referred to as the Subject Properties - Second Close. PREIT acquired its interest in Cherry Hill Mall in Cherry Hill, New Jersey indirectly, through New Castle Associates, a related party of PREIT that acquired the property from Rouse.

(2) Summary of Significant Accounting Policies and Other Matters

(a) Basis of Presentation

The accompanying combined statements of revenues and certain expenses relate to the Subject Properties - Second Close and have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, it is not representative of the actual operations for the periods presented as certain expenses, which may not be comparable to the expenses expected to be incurred by PREIT in the proposed future operations of the Subject Properties - Second Close, have been excluded. Expenses excluded consist of management fees, mortgage interest, depreciation and amortization, and provision for impairment loss.

The combined statement of revenue and certain expenses for the three-month period ended March 31, 2003 is unaudited; however, in the opinion of management of the Subject Properties - Second Close, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of the combined statement of revenue and certain expenses for the interim period have been included. The results of the interim period are not necessarily indicative of the results for the full year.

(b) Minimum Rents

The straight-line basis is used to recognize minimum rent revenues under leases which provide for varying rents over their terms.

(2) Summary of Significant Accounting Policies and Other Matters, Continued

(c) Percentage Rents

Percentage rent revenues are considered earned when a tenant's sales exceed the minimum annual sales volume required for percentage rent under the terms of the lease agreement.

(d) Management Costs

Management expense includes administrative costs incurred by Rouse which are allocated to subsidiaries and affiliates based primarily on their respective revenues and certain other expenses incurred in the operation of the retail center. These expenses include on-site management costs, leasing costs and certain off-site accounting and other services.

Management and other costs allocated from Rouse aggregated approximately $194,000 for the three-month period ended March 31, 2003 and $885,000 for the year ended December 31, 2002. Substantially all of these costs were recorded in other management costs and common facilities expenses.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(3) Tenant Leases

Space in the Subject Properties - Second Close is leased to approximately 230 tenants. In addition to minimum rents, the majority of the leases provide for percentage rents when the tenants' sales volumes exceed stated amounts as well as other rents which reimburse the Subject Properties - Second Close for certain of their operating expenses.

The total minimum rents to be received from tenants under noncancellable operating leases in effect at December 31, 2002, relating to the Subject Properties - Second Close, are as follows (in thousands):

2003	$13,459
2004	12,218
2005	10,540
2006	8,602
2007	7,319
Subsequent to 2007	14,689
Total	$66,827

Independent Auditors' Report

The Board of Directors
Pennsylvania Real Estate Investment Trust

We have audited the accompanying statements of revenues and certain expenses of Cherry Hill Mall for the years ended December 31, 2002, 2001 and 2000. These financial statements are the responsibility of management of Cherry Hill Mall. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of revenues and certain expenses are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of revenues and certain expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of revenues and certain expenses. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2, the accompanying statements of revenues and certain expenses exclude certain expenses that would not be comparable with those resulting from the proposed future operations of Cherry Hill Mall. The accompanying statements of revenues and certain expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission Rule 3-14 of Regulation S-X and are not intended to be a complete presentation of Cherry Hill Mall's revenues and expenses.

In our opinion, the statements referred to above present fairly, in all material respects, the revenues and certain expenses (described in note 2) of Cherry Hill Mall for the years ended December 31, 2002, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America.

The accompanying statement of revenues and certain expenses for the three-month period ended March 31, 2003 was not audited by us and, accordingly, we do not express an opinion on it.

/s/ KPMG LLP

Baltimore, Maryland
April 29, 2003

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CHERRY HILL MALL

Statements of Revenues and Certain Expenses

Three-Month Period Ended March 31, 2003 (unaudited) and Years Ended December 31, 2002, 2001 and 2000

(in thousands)

	Three-Month Period ended March 31, 2003	Year ended Dece	
	(Unaudited)	2002	2001
Revenues:			
Minimum rents	$ 4,358	$16,862	$15,057
Percentage rents	203	355	465
Temporary tenant rents	215	1,307	1,122
Charges for common facilities	1,426	4,294	3,677
Charges for heating, ventilating and air conditioning	213	1,071	1,268
Charges for light and power	250	1,183	1,070
Charges for real estate taxes	1,032	3,963	3,482
Charges for other recoverable expenses	168	500	295
Lease terminations	-	10	445
Other	219	461	631
	8,084	30,006	27,512

Certain expenses:			
On-site and other management costs	45	233	377
Other general and administrative expenses	155	316	265
Temporary tenant expenses	51	193	173
Marketing expenses	55	177	211
Common facilities expenses	1,106	3,625	3,137
Heating, ventilating and air conditioning expenses	108	581	840
Tenant light and power expenses	209	1,094	926
Real estate taxes	1,270	4,524	4,202
Other recoverable expenses	151	512	279
Building maintenance expenses	13	89	75
	3,163	11,344	10,485
Revenues in excess of certain expenses	$ 4,921	$18,662	$17,027

The accompanying notes are an integral part of these statements.

CHERRY HILL MALL

Notes to Statements of Revenues and Certain Expenses

Three-Month Period Ended March 31, 2003 (unaudited) and

Years Ended December 31, 2002, 2001 and 2000

(1) Background

In March 2003, Pennsylvania Real Estate Investment Trust ("PREIT") agreed to purchase six shopping malls owned by The Rouse Company ("Rouse"). Five of the properties were acquired directly from Rouse in two closings. The first closing included Exton Square in Exton, Pennsylvania, The Gallery at Market East in Philadelphia, Pennsylvania and Moorestown Mall in Moorestown, New Jersey. The second closing included Plymouth Meeting in Plymouth Meeting, Pennsylvania and Echelon Mall in Voorhees, New Jersey. PREIT acquired its interest in Cherry Hill Mall in Cherry Hill, New Jersey indirectly, through New Castle Associates, a related party of PREIT that acquired the property from Rouse.

(2) Summary of Significant Accounting Policies and Other Matters

(a) Basis of Presentation

The accompanying combined statements of revenues and certain expenses relate to Cherry Hill Mall and have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they are not representative of the actual operations for the periods presented as certain expenses, which may not be comparable to the expenses expected to be incurred by PREIT in the proposed future operations of Cherry Hill Mall, have been excluded. Expenses excluded consist of management fees, mortgage interest and depreciation and amortization.

The combined statement of revenue and certain expenses for the three-month period ended March 31, 2003 is unaudited; however, in the opinion of management of Cherry Hill Mall, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of the combined statement of revenue and certain expenses for the interim period have been included. The results of the interim period are not necessarily indicative of the results for the full year.

(b) Minimum Rents

The straight-line basis is used to recognize minimum rent revenues under leases which provide for varying rents over their terms.

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CHERRY HILL MALL

Notes to Statements of Revenues and Certain Expenses

(2) Summary of Significant Accounting Policies and Other Matters, Continued

(c) Percentage Rents

Percentage rent revenues are considered earned when a tenant's sales exceed the minimum annual sales volume required for percentage rent under the terms of the lease agreement.

(d) Management Costs

Management expense includes administrative costs incurred by Rouse which are allocated to subsidiaries and affiliates based primarily on their respective revenues and certain other expenses incurred in the operation of the retail center. These expenses include on-site management costs, leasing costs and certain off-site accounting and other services.

Management and other costs allocated from Rouse aggregated approximately $90,000 for the three-month period ended March 31, 2003 and $422,000, $459,000 and $404,000 for the years ended December 31, 2002, 2001 and 2000, respectively. Substantially all of these costs were recorded in other management costs and common facilities expenses.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(3) Tenant Leases

Space in Cherry Hill Mall is leased to approximately 160 tenants. In addition to minimum rents, the majority of the leases provide for percentage rents when the tenants' sales volumes exceed stated amounts as well as other rents which reimburse Cherry Hill Mall for certain of their operating expenses.

The minimum rents to be received from tenants under noncancellable operating leases in effect at December 31, 2002, are as follows (in thousands):

2003	$17,610
2004	15,575
2005	13,669
2006	12,095
2007	10,411
Subsequent to 2007	25,730
Total	$95,090

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