

# LAND and BUILDINGS

## **Land and Buildings Calls Pennsylvania REIT’s Announcement to Sell Five Malls a “Baby Step” and Urges Company to Run an Auction to Sell the 17 Lowest Productivity Malls**

- *Given substantial interest from multiple qualified buyers, Land and Buildings believes it is time for Pennsylvania REIT to “rip the Band-Aid off” and dispose of least productive malls –*
- *Land and Buildings believes this action could close gap between current share price and estimated \$30 per share net asset value –*

**Stamford, CT— (January 6, 2015)** – Today Land and Buildings, an investment firm specializing in publicly traded real estate and real estate related securities, and a shareholder of Pennsylvania Real Estate Investment Trust (“PREIT”, “PEI”, the “Company”) (NYSE: PEI), sent a letter to the CEO of PREIT.

The letter states that Pennsylvania REIT’s announcement to market for sale five malls is unfortunately only a “baby step” and urges the company to run an auction to sell the 17 lowest productivity malls given substantial interest from multiple qualified buyers. Land and Buildings believes such a sale would likely further close the gap between the current \$24 share price and Land and Buildings’ estimated \$30 per share net asset value.

The full text of the letter can be found below, and Land and Buildings’ previously-released October 2014 detailed presentation on PREIT can be accessed at [www.landandbuildings.com](http://www.landandbuildings.com).

Full text of the letter follows:

January 6, 2015

Joseph F. Coradino  
Chief Executive Officer  
Pennsylvania Real Estate Investment Trust  
200 South Broad Street  
Philadelphia, PA 19102-3803

Dear Joe:

Land and Buildings is pleased to see that you have announced PREIT is marketing for sale five regional malls, but we believe it is unfortunately only a baby step towards maximizing value for shareholders. Time and time again we have seen real estate companies bleed out their lowest productivity assets over multiple years, only to see their shares languish during this process as earnings are diluted and the overhang persists. Premier mall REITs Simon Property Group (NYSE: SPG) and General Growth Properties (NYSE: GGP) “ripped the Band-Aid off” and disposed of their lower quality malls in one fell swoop and in our view enjoy a premium valuation today to pre-sale valuation as a result.

Land and Buildings estimates that the malls PREIT is marketing for sale (excluding Springfield Park Mall, a joint venture with Simon Property Group) account for just 10% of the gross value of the 17 lower productivity malls and other non-core assets that we believe should be sold in an auction. As we have discussed in detail previously, we believe the sale of these 17 lower quality assets would materially close the gap between your share price and our estimated \$30 per share net asset value.

As you indicated when we spoke last month, you have been contacted by multiple qualified buyers who are interested in acquiring your lower productivity malls, presumably the 17 we highlighted in our public presentation released on October 20, 2014. The buyers you mentioned are deep pocketed and clearly have the ability to acquire all 17, not just the five you are officially marketing.

Pricing for the 17 lowest productivity malls appears to be in the low double digit cap rates, consistent with the valuation work we outlined in our presentation. Further, Land and Buildings has been contacted (also unsolicited) by multiple qualified buyers interested in acquiring the remaining 16 malls (the "Keeper" portfolio) as well as the entire company.

I have genuinely enjoyed working with you this year as we discussed strategies on how to drive your share price closer to NAV. We are encouraged by the Company's progress on its strategic plan, but we continue to believe bolder, swifter action is necessary. We believe selling the 17 lower productivity mall assets is an important first step to maximizing value for shareholders. If the value of the "Keeper" portfolio remains at a discount after the sale of these malls, we would then encourage you to evaluate a sale of the remaining portfolio.

All the best,



Jonathan Litt

Land and Buildings

###

#### **About Land and Buildings:**

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

#### **For Media Inquiries Contact:**

Sloane & Company

Elliot Sloane or Dan Zacchei

212-486-9500

[Esloane@sloanep.com](mailto:Esloane@sloanep.com) or

[Dzacchei@sloanep.com](mailto:Dzacchei@sloanep.com)

### **Cautionary Statement Regarding Forward-Looking Statements**

This communication contains "forward-looking statements" that involve numerous risks and uncertainties. The statements contained in this communication that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements included in this document are based on information available to Land and Buildings on the date hereof. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "seek," "should," "could," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Such statements are not guarantees of future performance or activities. Due to various risks, uncertainties and assumptions, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. The opinions of Land and Buildings are for general informational purposes only and do not have regard to the specific investment objective, financial situation, suitability or particular need of any specific person, and should not be taken as advice on the merits of any investment decision. This material does not recommend the purchase or sale of any security. Land and Buildings reserves the right to change any of its opinions expressed herein at any time as it deems appropriate. Land and Buildings disclaims any obligation to update the information contained herein. Land and Buildings and/or one or more of the investment funds it manages may purchase additional Pennsylvania REIT shares or sell all or a portion of their shares or trade in securities relating to such shares.