LANDandBUILDINGS

Land and Buildings Reiterates Call for Pennsylvania REIT to Take Steps to Unlock $700 Million in Shareholder Value

- *Land and Buildings believes there can be a 50%+ uplift in the value of PEI by liquidating the 17 low productivity malls –*

- *Land and Buildings believes there is substantial buyer appetite to execute this strategy in a timely manner at the 11% cap rate valuation applied to these 17 malls –*

Stamford, CT— (October 29, 2014) – 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") (NYSE: PEI), sent a letter to the CEO of PREIT.

The letter reiterates Land and Building's proposal that selling the Company's 17 low productivity malls could result in a $700 million boost to valuation, or over $9 per share. Land and Buildings also noted that this move would reduce overhead costs, leave the company with over $600 million in excess cash and improved credit metrics.

The full text of the letter can be found below, and Land and Buildings' previously-released presentation on PREIT can be accessed at www.landandbuildings.com.

Full text of the letter follows:

October 29, 2014

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

Dear Joe:

Thank you for the response ("PREIT Comments on Land & Buildings' Press Release", October 20, 2014) to our proposal on how to maximize shareholder value and unlock the estimated 50%+ upside to the private market value of PREIT's assets. We both agree that the Pennsylvania REIT (NYSE: PEI) regional mall portfolio is likely misunderstood by the investment community, given that 16 of your malls are highly productive, generating an estimated $480 in annual sales per square foot, likely driving strong net operating income growth and comprising ~80% of PEI asset value[1].

We strenuously disagree with your assertion that there would be no "valuation uplift" if you sold the 17 lower productivity malls and other non-core assets in your portfolio. Numerous PEI shareholders share our view that the plan we outlined would unlock substantial value for shareholders. We estimate there would be about a $700 million valuation uplift or over $9 per share as the company would go from an approximately 9% implied cap rate today to likely a 6% implied cap rate. Value would be monetized at low quality assets that, in our view, is not currently reflected in PEI share price and the remaining "Keeper" portfolio of 16 high quality mall assets should trade toward NAV.

You cite execution as a risk; however, as recently as last month Michael Glimcher, CEO of Glimcher Realty Trust (NYSE: GRT) declared victory in achieving his goal of selling 13 lower productivity malls through the sale to Washington Prime Group (NYSE: WPG) of his entire company. David Simon, CEO of Simon Property (NYSE: SPG), the largest owner of regional malls, stated earlier this year, "…there are buyers for everything right now in any assets…our partner is selling a mall and the cap rate is blowing me away in terms of what – in terms of how low it is. So, there is a lot of capital for retail real estate in every bucket…I expect a lot of trades to happen."[2] Given the significant amount of capital seeking regional mall assets as well as yield, a larger scale disposition program seems appropriate.

In your response to Land and Buildings, you brought up several additional points which we disagree with and we believe may be the result of your not fully understanding our proposal[3].

Specifically, we believe the following:

- Leverage implications – The liquidation of 17 malls would produce an estimated $1 billion of gross proceeds and over $600 million of net proceeds after repaying mortgage debt. Net debt plus preferred stock to gross asset value would likely decline from 48% today to 34%[4].

- Liquidity implications – PREIT would retain nearly $600 million of excess cash from the sales after the repayment of mortgage debt on the 17 malls sold to fund future investment activity and buy back shares.

- Operating implications – Selling 17 malls would likely allow for the company to reduce overhead costs by exiting certain markets, creating an increased focus on the "Keeper" portfolio assets and driving even superior net operating income growth.

- Credit implications – With reduced secured debt and an improved portfolio quality, credit metrics should improve, not deteriorate.

- Transaction costs – Transaction costs would be minimal relative to the $700 million of shareholder value creation that could be realized by closing the discount to estimated net asset value.

In addition, in your letter you state a "strategy to dispose of selected assets in a deliberate and orderly manner", yet you have only two malls as of the end of the third quarter that are denoted as "non core" and otherwise have no stated plan to "dispose of selected assets in a deliberate and orderly manner". We believe an announcement of a plan to liquidate the 17 least productive malls in a deliberate and orderly manner over the next several quarters would meaningfully maximize shareholder value. Further, should the discount to net asset value not close, part of the stated strategy should include evaluating strategic options.

We look forward to continuing to work with you and your team in a constructive and friendly manner to maximize shareholder value.

All the best,

Jonathan Litt

Founder & CIO

Land and Buildings

cc:
Robert McCadden
Bruce Goldman
Heather Crowell

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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.

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[1] Please see Land and Buildings' presentation titled, "Pennsylvania REIT (PEI): 55% Upside to NAV" published October 20, 2014 for our detailed valuation assumptions and fundamental analysis, based on second quarter 2014 financials.
[2] Simon Property Group first quarter 2014 earnings conference call
[3] The proposal referenced in this letter refers to a portfolio sale of PREIT's 17 malls with sales productivity below $350 per square and other non-core assets, as described in Land and Buildings' presentation cited above. An alternative strategy to maximize shareholder value, a spin-off of those same low productivity assets into a C corp that liquidates, could achieve similar outcomes with limited leverage, liquidity and credit complications if structured properly.
[4]Balance sheet data as of the end of second quarter 2014 and assumes all gross proceeds from dispositions are used to pay down net debt.