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Pennsylvania REIT (PEI): 55% Upside to NAV

And Why Liquidating PREIT's Lowest Quality Malls Can Close the Discount

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I. Introduction

Land and Buildings Overview

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- **Firm Background**
  - SEC-registered investment advisor founded in 2008 and located in Stamford, CT
  - Invests in the publicly traded shares of global REITs and real estate related companies

- **Investment Strategy**
  - Long-term investment horizon
  - Invest primarily in companies with discounted valuations and high growth that is likely to come in above expectations; In addition, invest in select value opportunities with catalysts for change
  - Own a concentrated portfolio based on extensive fundamental research
  - Aim to maintain and nurture constructive relationships with portfolio companies

- **Investment Team**
  - **Jonathan Litt** is the Founder and CIO of Land and Buildings. Prior to Land and Buildings, Jonathan Litt was Managing Director and Senior Global Real Estate Strategist at Citigroup where he was responsible for Global Property Investment Strategy from 2000 to March 2008. Jonathan Litt led the #1 Institutional Investor All American Real Estate Research Team for 8 years and was top ranked for 13 years while at Citigroup, PaineWebber and Salomon Brothers. Columbia BA, NYU MBA.
  - **Craig Melcher**, Co-Founder and Principal at Land and Buildings, was a key member of the top-ranked Citigroup REIT research team and has worked together with Jonathan Litt for 12 years. Wharton BS, NYU MBA.
  - **Corey Lorinsky** is Senior Analyst and Principal at Land and Buildings. Wharton BS.

Company Overview

- **Pennsylvania REIT (NYSE: PEI):** Owner and operator of 33 regional malls and 7 other retail properties across 12 states in the eastern half of the United States with concentration in the Mid-Atlantic and Greater Philadelphia region.

Mall Portfolio Statistics[1]	
Regional Malls:	33
Occupancy:	93.3%
Occupancy Cost:	13.1%
Average Sales PSF:	$378

Current Market Information	
Last Price:	$19.46
52-Week Range:	$16.35 - $21.14
Market Cap:	$1.4B
Dividend/Yield:	$0.80 / 4.1%
Enterprise Value:	$3.3B

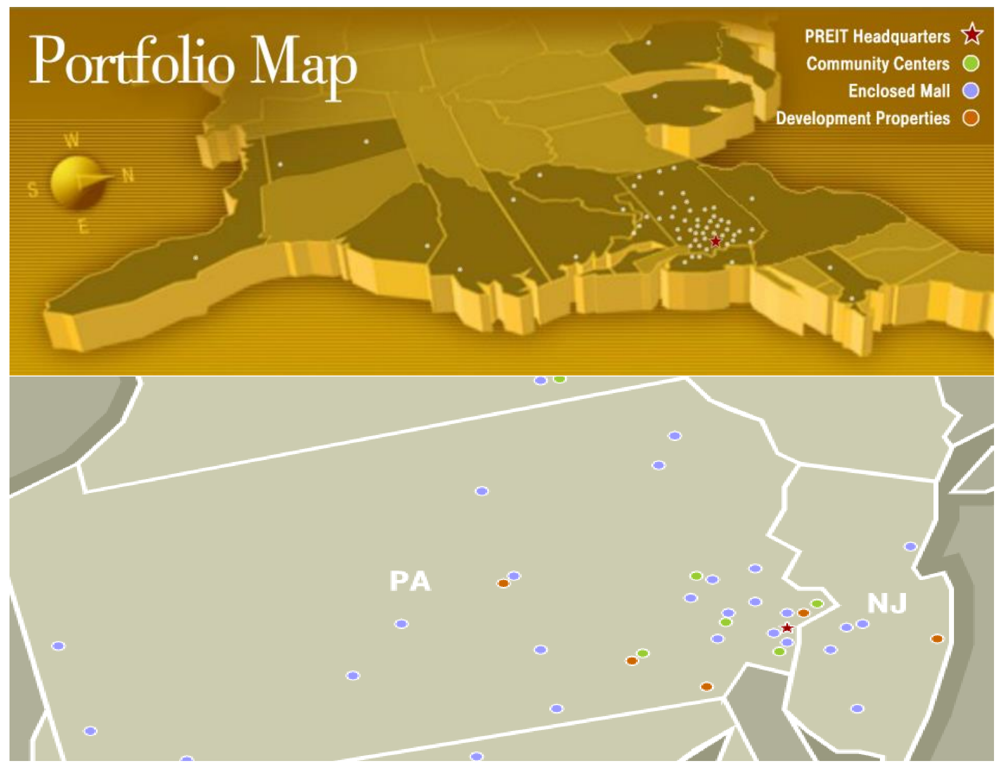

Image: http://www.preit.com
Source: Land and Buildings, Bloomberg, Company reports
Notes: Number of regional malls (33) includes Springfield Town Center and excludes malls sold subsequent to second quarter 2014; PEI share price as of October 16, 2014; PSF defined as "per square foot" throughout presentation

1. *Occupancy, occupancy cost, and average sales PSF as of second quarter 2014 as disclosed in Company reports*

II. Valuation and Liquidating Portfolio

Pennsylvania REIT (PEI): 55% Upside to NAV

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Net Asset Value[1]	$30/share
Current Price	$19.46/share
Upside to NAV	**55%**
Market Capitalization	$1.3B
Implied Cap Rate[2]	9.0%
Dividend Yield	4.1%

- **Pennsylvania REIT has 55% upside to the private market value of its assets, based on Land and Buildings analysis, which we believe can be unlocked as follows:**

1) Land and Buildings recommends PREIT liquidate its lowest productivity retail assets in a timely manner, transforming the "Keeper" company into a high quality $480 sales PSF mall REIT[3]

"Keeper" Portfolio	$24/share
Liquidating Portfolio	$6/share

2) Management should communicate a strategic plan to narrow the discount to NAV, including a liquidation of lowest quality assets, and state that if the valuation gap is not closed within a finite timeframe that PREIT will explore strategic alternatives, including a sale of the entire company

Image: http://www.preit.com

1. *Land and Buildings estimated net asset value of portfolio. See slides 8 and 31 for additional details.*
2. *Land and Buildings annual normalized cash net operating income divided by enterprise value less non-income producing assets.*
3. *Total average sales per square foot for "Keeper" portfolio and Liquidating Portfolio calculated based on weighted average of L&B's estimated NOI per asset throughout presentation using PEI disclosures as of second quarter 2014 and based on reported sales by all comparable non-anchor tenants that lease individual spaces of 10,000 square feet or less*

PEI Net Asset Value: Potential 55% Upside

- **$30 NAV at 7.1% cap rate**
  - L&B conducted asset by asset valuation analysis in consultation with real estate brokers who specialize in regional malls
  - Private market mall transactions as well as management's own valuation corroborate L&B estimated NAV
  - Green Street Advisors, an industry leader in real estate and REIT research, calculates PEI trades at one of the largest discounts to NAV in the public REIT universe[1]
  - PEI's discount to NAV is not only large, but has been persistent over time, averaging over 30% the past two years and nearly 25% over the past 10 years according to L&B analysis of Green Street Advisors data
  - PEI trades below the undepreciated cost of its assets

L&B Estimated PEI NAV/share	**$30**
PEI Share Price	*$19.46*
Upside to NAV	**55%**
Annual Net Operating Income[2]	*$277,788*
Applied Cap Rate	*7.1%*
Private Market Value of Properties	**$3,913,072**
Cash[3]	$68,930
Construction in Progress/Land[4]	$561,441
Other Assets[5]	$253,798
Total Assets	**$4,797,240**
Debt[6]	($2,161,538)
Other Liabilities	($115,187)
Preferred Stock	($201,250)
Total Liabilities + Preferred Stock	**($2,477,975)**
Net Asset Value	**$2,319,265**
Common Shares/OP Units Outstanding[7]	77,128
L&B Estimated NAV/share	***$30***
Implied Cap Rate at Current Share Price	*9.0%*

Source: Land and Buildings, Company reports
Notes: Balance sheet data as of second quarter 2014 and pro-rata based on PEI ownership; All numbers in thousands except per share and percentage figures; NAV/share rounded to nearest dollar
1. *As defined by Green Street Advisors' coverage universe*
2. *Annualized second quarter 2014 NOI, including share of joint venture NOI, normalized, excluding NOI from North Hanover and Nittany malls*
3. *Includes $32.3 million for sale of North Hanover and Nittany malls*
4. *Includes $465 million Springfield Town Center acquisition at cost*
5. *Includes $18.9 million of "other real estate revenue" at a 10x multiple, rents and other receivables, and other estimated tangible assets*
6. *Includes $340 million for debt financing for Springfield Town Center*
7. *Includes 6.25 million of common shares issued at $20/share for Springfield Town Center*

L&B Recommends PREIT Sell/Spin off Lowest Productivity Retail Assets

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- **<u>L&B recommends PREIT keep all malls with sales per square foot over $350 and sell the remaining assets OR spin them into a C Corp that will be liquidated</u>**

PEI Portfolio	Mall Assets	Average Sales PSF[1]	L&B Cap Rate	% of Mall Value	L&B NAV/share
"Keeper" Portfolio	**16**	**$480**	**6.0%**	**80%**	**$24**
Liquidating Portfolio	17	$294	11.0%	20%	$6

- **A complete portfolio sale or a spin-off that liquidates PREIT's lowest quality assets optimizes value creation**
  - Immediate transformation of PREIT into a high-quality $480 sales PSF mall REIT ("Keeper" portfolio)
  - Realizes value for low quality portfolio that L&B believes is not reflected in current PEI share price
  - Avoids the multi-year dilution to earnings that would occur if these assets were sold piecemeal
  - Enhances the current and long-term growth rate of funds from operations (FFO), net operating income (NOI) and net asset value (NAV) at PREIT

Source: Land and Buildings, Company reports
Notes: NAV/share estimates for "Keeper" Portfolio and Liquidating Portfolio rounded to the nearest dollar

1. *Total average sales per square foot for "Keeper" portfolio and Liquidating Portfolio calculated based on weighted average of Land and Buildings' estimated NOI per asset throughout presentation*

The "Keeper" Portfolio is a High Quality, High Growth Regional Mall Company

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- **The "Keeper" Portfolio will likely be highly attractive to public investors**
  - Sales productivity of $480 per square foot will vault PEI into the top tier of publicly traded Mall REITs
  - Small asset base of 16 malls and ~$3.4 billion asset value allows for acquisitions and re/developments to more significantly drive NAV and earnings growth
  - Strong internal growth prospects
  - 60% of the "Keeper" malls are the most productive[1] in their market
  - Management focus will be solely placed on enhancing and maximizing growth at the most productive and high value malls
  - ***If the Liquidating Portfolio was sold at the $6/share NAV L&B calculates, the remaining "Keeper" portfolio would be trading at a more than a 40% discount to NAV***

"Keeper" Portfolio	
Average Sales PSF	$480
Mall Assets	16
% of PEI Mall Value	80%
Estimated Asset Value (000s)	$3,400,000
L&B Cap Rate	6.0%
L&B NAV/share	$24.00
L&B Est. Annual NOI Growth	3%+
% of Market Dominant Malls[1]	60%

Source: Land and Buildings, Company reports

1. *"Market Dominant Mall" and "most productive" defined as the highest sales per square foot in the malls' respective markets. See slide 23 for further details.*

PEI: "Keeper" Portfolio Worth 23% More Than Entire Public Market Valuation

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PREIT "Keeper" Portfolio			L&B
Property	**State**	**Sales PSF**	**Cap Rate**
Cherry Hill Mall	NJ	$627	4.8%
Lehigh Valley Mall	PA	$536	5.4%
Woodland Mall	MI	$519	5.8%
Jacksonville Mall	NC	$463	6.0%
Willow Grove Park	PA	$430	5.8%
Dartmouth Mall	MA	$423	5.8%
The Mall at Prince Georges	MD	$417	6.6%
Wyoming Valley Mall	PA	$390	7.0%
Springfield Mall	PA	$388	6.8%
Patrick Henry Mall	VA	$383	6.8%
Viewmont Mall	PA	$382	7.8%
Capital City Mall	PA	$371	7.1%
Valley View Mall	WI	$370	6.9%
The Gallery at Market East	PA	$367	7.0%
Valley Mall	MD	$358	7.5%
Springfield Town Center [1]	*VA*	*$600*	*n/a*
Average		**$480**	
NAV/share		**$24.00**	
L&B Mall Cap Rate		**6.0%**	

"Keeper" Portfolio	$24
PEI Current Stock Price	$19.46
Underappreciated Value of "Keeper" Portfolio	**23%**

Source: Land and Buildings, Company reports
Image: http://www.preit.com
Notes: "Keeper" Portfolio NAV calculated by estimating PEI share of in-place annualized NOI by asset divided by Land and Buildings estimated cap rate by asset with property-specific debt deducted as well as a deduction

Notes (con't): pro rata for unsecured debt and preferred equity based on estimated percent of total PEI NOI for "Keeper" portfolio; NAV includes $304 million of other net assets including cash and other net assets/liabilities

1. Springfield Town Center sales PSF is L&B estimate and the asset is valued at cost

Liquidate 17 Lowest Productivity Malls: Sell Outright or Spin-off, Then Liquidate

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- **Seek portfolio sale for 17 lowest productivity malls or spin out assets in C Corp and immediately liquidate**
  - In the event of a spin-off, explicitly state a valuation range for the Liquidating Portfolio and a time period over which it will liquidate *(see Winthrop Realty Trust example on next slide)*
  - These malls are management and capital intensive and best suited for the private market

- **PEI's share price assigns *<u>less than zero</u>* value for the Liquidating Portfolio assuming fair value for "Keeper"**
  - L&B estimates the equity value of the Liquidating Portfolio is worth $6 per share
    - L&B ascribes an asset value 40%+ below undepreciated book value

Commitment to sell lowest quality assets should immediately help close discount

PREIT Liquidating Portfolio

Property	State	Sales PSF
Francis Scott Key Mall	MD	$349
Magnolia Mall	SC	$348
Moorestown Mall	NJ	$344
Crossroads Mall	WV	$330
Washington Crown Center	PA	$310
Plymouth Meeting Mall	PA	$307
Exton Square Mall	PA	$304
Cumberland Mall	NJ	$298
Palmer Park Mall	PA	$297
Logan Valley Mall	PA	$294
Gadsden Mall	AL	$288
Beaver Valley Mall	PA	$271
Uniontown Mall	PA	$266
New River Valley Mall	VA	$264
Wiregrass Commons Mall	AL	$260
Lycoming Mall	PA	$247
Voorhees Town Center	NJ	$206
Strip Centers		n/a
Average		**$294**
NAV/share		**$6.00**
L&B Mall Cap Rate		**11.0%**

Source: Land and Buildings, Company reports
Notes: Total average sales per square foot calculated based on weighted average of Land and Buildings' estimated NOI per asset;

Notes (cont'd): Liquidating Portfolio NAV calculated by estimating PEI share of in-place annualized NOI by asset divided by Land and Buildings estimated cap rate by asset with property-specific debt deducted as well as a deduction pro rata for unsecured debt and preferred equity based on estimated percent of total PEI NOI for Liquidating Portfolio

A Potential Model For Liquidating Portfolio: Winthrop Realty Trust (FUR)

- **On April 29, 2014, Winthrop Realty Trust (NYSE: FUR) announced it intended to liquidate the company at an amount at or above the low-end of FUR's public NAV estimate**
  - **Winthrop first evaluated an outright sale of the entire company and still may do so**
  - **The company cited several reasons for the decision, many of which apply to PEI's current situation, including:**
    1) "the relative continued disparity in Winthrop's common share price to Winthrop's estimated net asset value"
    2) "the inability to raise additional capital at prices that are accretive to existing shareholders"
    3) "the current strong market for real estate assets"

WINTHROP

- **FUR's stock was up 20% the day following the announcement to $13.78, within 2 pennies of the low-end of the company's NAV range ($13.80 - $15.83)**
  - The stock currently trades toward the high-end of the stated NAV range at $15.08[1], 31% above the pre-announcement price

Image: http://www.winthropreit.com
Source: Company reports (Winthrop Realty Trust, "Winthrop Realty Trust to Seek Shareholder Approval to a Plan of Liquidation", April 29, 2014)
As of October 16, 2014 close

Mall Transaction Market is Liquid and Robust

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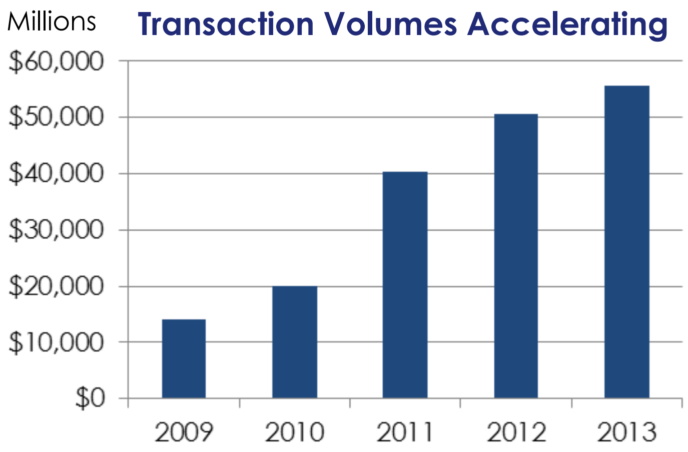
- **Buyer appetite is strong and increasing, cap rates are compressing, interest rates remain at historical lows and capital markets are wide open**
  - *"There's definitely* ***more buyers today than a year ago, there's more buyers today than three months ago and their appetites I believe are much bigger*** *than they were three months ago or a year ago…I think the market is only going to warm-up over the next year"*
    - Art Coppola, Chief Executive Officer, Macerich (NYSE: MAC), First Quarter 2014 Earnings Conference Call
  - *"…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."*
    - David Simon, Chief Executive Officer, Simon Property Group (NYSE: SPG), First Quarter 2014 Earnings Conference Call
  - *"With* ***the transaction market for B malls recently accelerating,*** *we're optimistic about the potential for success."*
    - Michael Glimcher, Chief Executive Officer, Glimcher Realty Trust (NYSE: GRT), First Quarter 2014 Earnings Conference Call

Total US Commercial Real Estate Retail Transaction Volumes Accelerating



Source: Real Capital Analytics, Company reports, Bloomberg

Recent PEI Asset Sales Supportive of L&B Valuation and Well Received by Market

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- **Recent PEI asset sales saw favorable pricing and timing**
  - June 20th, 2014: PEI announced the completed sale of South Mall and the execution of agreements to sell Nittany and North Hanover Malls
  - South Mall sold for an estimated 11% cap rate despite a 2013 sales productivity of only $236 PSF
    - Green Street Advisors wrote, "The sale price of South Mall is materially higher than the value we ascribe to the property in our NAV estimate and may be a promising indicator of buyer demand at the low end of the mall quality spectrum – good news for the REITs attempting to sell 'C' malls."[1]
  - On September 8th, 2014 PEI completed the sales of Nittany ($238 sales PSF) and North Hanover ($269 sales PSF) for $32.3 million at estimated low double-digit cap rates
  - ***This strong execution received a positive market reception, with the stock rising nearly 3% the day of the South Mall sale announcement***
  - ***<u>Further asset sales should continue to close steep discount to NAV</u>***

Images: http://www.angelfire.com/pa2/rstrohl/images/entrance2010.JPG; http://img.groundspeak.com/waymarking/display/71ea3356-54b1-46a2-abfc-3b03d42eccd9.JPG; http://www.statecollege.com/assets/news/images/596852_4106.jpg

Source: Company reports, Green Street Advisors

1. Green Street Advisors, "Penn REIT Sells South Mall", June 22, 2014

Private Market Transactions Highlight Value

- **Institutional quality malls have generally traded in a cap rate range of approximately 5% to 8%**
  - Highly productive malls trade well below 6% cap rates
  - An estimated 80% of PEI's Mall NOI derives from malls with \$300 or greater sales PSF productivity, further justifying the 7.1% blended cap rate Land and Buildings applies to the PREIT portfolio
  - Malls with less than \$300 sales PSF are likely to sell for cap rates in excess of the cap rate ranges below and Land and Buildings ascribes less than 10% of the gross asset value of the Company to such malls

Private Market Mall Transactions Since 2011		
Sales Per Sqft	**Average Cap Rate**	**Total Transactions**
>\$500	5.4%	17
\$400-\$500	7.4%	15
\$300-\$400	6.8%	17
TOTAL	**6.5%**	**49**

Source: Land and Buildings, Real Capital Analytics, Green Street Advisors
Notes: Data through April 2014; Only malls with publicly and readily available sales per square foot data were included in the table above

PEI Management Views Consistent with L&B Valuation

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- **Management suggested the private market cap rates ranges for their portfolio are:**
  - "Premier" malls: 5.0% – 6.0%
  - "Core Growth" malls: 6.5% – 8.0%
  - "Opportunistic" malls: 8.5% – 10.0%
  - "Non-Core" malls: 10%+
  - Other Retail/Other: 6.5% – 7.0%

- **Land and Buildings' own independent assessment is more conservative than the 6.70% cap rate implied by Management using the above ranges for PEI's portfolio**

PEI Asset Type	Cap Rate[1]	L&B Est. % of Total NOI
"Premier" Malls	5.50%	33.0%
"Core Growth" Malls	7.25%	49.3%
"Opportunistic" Malls	9.25%	11.9%
"Non-Core" Malls	12.00%	1.3%
Other Retail/Other	6.75%	4.5%
TOTAL	**6.70%**	**100.0%**

Source: Land and Buildings, Company reports and conversations with senior management

1. *Represents midpoint of PEI management's private market cap rate estimates by segment as disclosed above and sourced through direct conversations with Company management*

Wall Street "Consensus": 25% Upside to NAV

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- **Sell-side equity research analysts see value in Penn's real estate**
  - $24.23 average net asset value per share provides 25% upside to PEI's current $19.46 share price
  - Wall Street NAVs likely biased downward due to implicit discount for history of perceived poor capital allocation and poor stock performance

Wall Street Published NAVs

Research Analyst	Estimated NAV
Barclays	$22.31
Citigroup	$23.16
Green Street Advisors	$27.82
JP Morgan	$22.59
Stifel	$25.26
Average Street NAV	**$24.23**
PEI Share Price	$19.46
Upside to Average Street NAV	**25%**

Source: Wall Street research
Notes: Includes most recent Wall Street NAVs as of October 17, 2014 readily available

If Discount to NAV Is Not Closed, Sale of Company is Highly Viable

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- **PREIT's 55% upside to estimated NAV and small size make it an attractive M&A Target; If PREIT is not successful closing the gap to NAV, a sale could be the best way to maximize value**
  - **Washington Prime Group (NYSE: WPG): peer and a potential acquirer**
    - Among stated objectives is to consolidate the B-mall space
    - Acquired Glimcher Realty Trust (NYSE: GRT), in conjunction with Simon Property Group, at an estimated sub 6%[1] cap rate, below the 6.0% cap rate we assign to the PEI "Keeper" portfolio despite comparable sales productivity
  - **Rouse Properties (NYSE: RSE): peer and a potential acquirer**
    - Also interested in consolidating the B-mall space
    - Attractive cost of capital and relative valuation would likely allow a PEI acquisition to be both FFO and NAV accretive
    - PEI portfolio would be an upgrade to RSE portfolio ($378 sales PSF vs. $309[2])
  - **Private equity increasingly interested in B malls**
    - Starwood Retail Partners has been an active acquirer of high quality B malls
    - High cap rates, stable cash flow and historically low interest rates allow for attractive levered IRRs

WPG

SIMON PROPERTY GROUP

ROUSE PROPERTIES

STARWOOD RETAIL PARTNERS

Source: Land and Buildings, Wall Street research, Company reports

1. *Wall Street Research*
2. *Trailing twelve month tenant sales through second quarter 2014 for mall and freestanding stores less than 10,000 square feet for tenants reporting*

Investors Want Management to Explore a Sale of the Company

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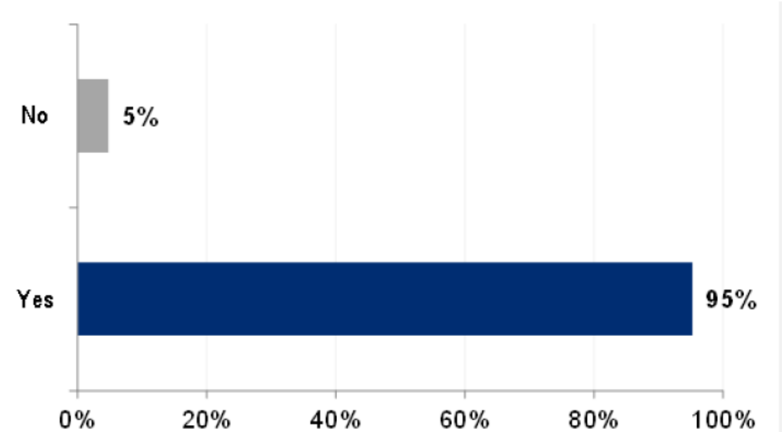
- **Following a two-day property tour in July with PREIT, Citi Investment Research surveyed over 20 participants and *<u>95% believe PEI should explore a sale of the Company</u>***
  - While investor frustration is understandable, L&B believes there are significant opportunities for the current management team to realize value as a going concern, including through quickly divesting the Company's lowest quality assets

Question 7 – Should management explore a sale of the whole company?

Summary – An overwhelming majority, 95%, of investors stated that they thought management should explore a sale of the whole company.

Figure 7. Should management explore a sale of the whole company?



Source: Citi Investment Research, "PEI: Investor Survey Shows More Bullishness Post Proprietary Tour", July 20, 2014

III. Fundamentals

PEI: A Tale of Two Companies

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- **Vast majority of Penn REIT malls are growing at a healthy pace**
  - The malls over $350 sales PSF are projected by the Company to show solid single-digit NOI growth in 2014 even as poor weather significantly depressed NOI in the first quarter due to higher costs
- **Value is highly concentrated at the most productive mall assets**
  - Top 6 malls alone are over 40% of the gross asset value (GAV)
  - Top 16 most productive malls (the "Keeper" portfolio) are over 80% of GAV
- **Land and Buildings ascribes little value to the low quality, low growth malls**
  - Low productivity malls are weighing down the share price despite their low percentage of GAV

PEI Asset Type	L&B Est. % of NOI	2014 Est. NOI Growth	Total Malls	Sales PSF	L&B Est. Cap Rate	% of GAV[1]
"Premier" Malls	33.0%	3%	6	$520	5.3%	44.4%
"Core Growth" Malls	49.3%	3%	18	$351	7.9%	44.6%
"Opportunistic" Malls	11.9%	0%	7	$258	14.1%	6.0%
"Non-Core" Malls	1.3%	-6%	1	$268	12.5%	0.7%
Other Retail/Other	4.5%	2%	n/a	n/a	7.3%	4.3%
Total/Average	**100.0%**	**2.5%**	**32**	**$378**	**7.1%**	**100.0%**

Source: Land and Buildings, Company reports, Conversations with Company senior management
Notes: Springfield Town Center excluded from the above table; Sales PSF as disclosed by Company

1. *"GAV" defined as gross property value before debt considerations*

PEI: Majority of Mall NOI and Value From Most Productive Malls In Market

- **Majority of Penn REIT value and NOI derived from market dominant malls**
  - Over half of estimated Mall NOI and estimated Mall value derive from PEI malls that have the highest sales per square foot in their respective markets
  - ~90% of estimated Mall NOI and estimated Mall value derive from PEI malls that are ranked in the top 3 sales per square foot in the market

- **Contrary to popular belief, Penn REIT's portfolio is largely high quality malls in markets without significant high quality competition**

Sales PSF Rank in Market[1]	Number of Malls in Rank	Percent of Total Malls	Percent of Estimated PEI Mall NOI	Percent of Estimated Mall Value
1	**14**	**44%**	**55%**	**53%**
2	6	19%	18%	17%
3	8	25%	16%	21%
4	1	3%	2%	2%
5	2	6%	6%	5%
6	1	3%	3%	4%
Total	32	100%	100%	100%

Source: Land and Buildings, Company reports, Green Street Advisors
Notes: Springfield Town Center and asset sales subsequent to second quarter 2014 excluded from the above analysis

1. *"Market" as defined by Company in leasing reports for each mall and is a 10 to 40 mile radius from the mall depending on population density and other factors; Sales per square foot ranks enclosed malls in the "Market" with readily available sales per square foot data*

PREIT is NOT a Dying or Declining Company

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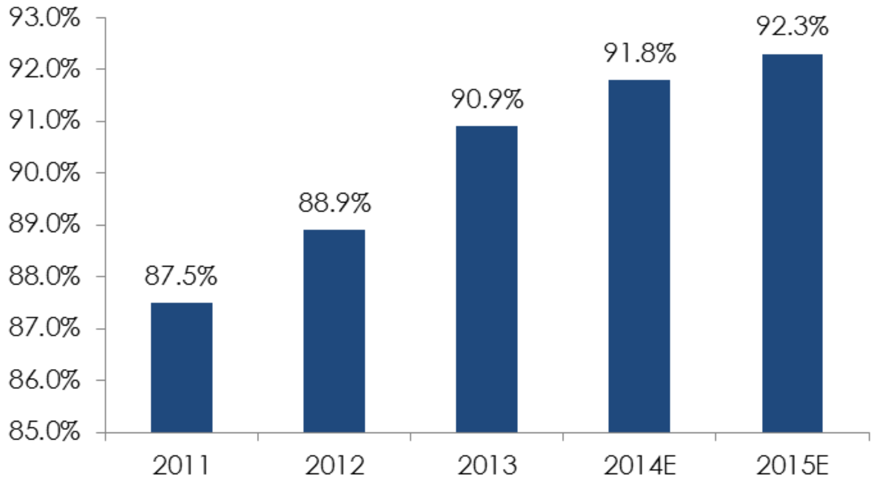
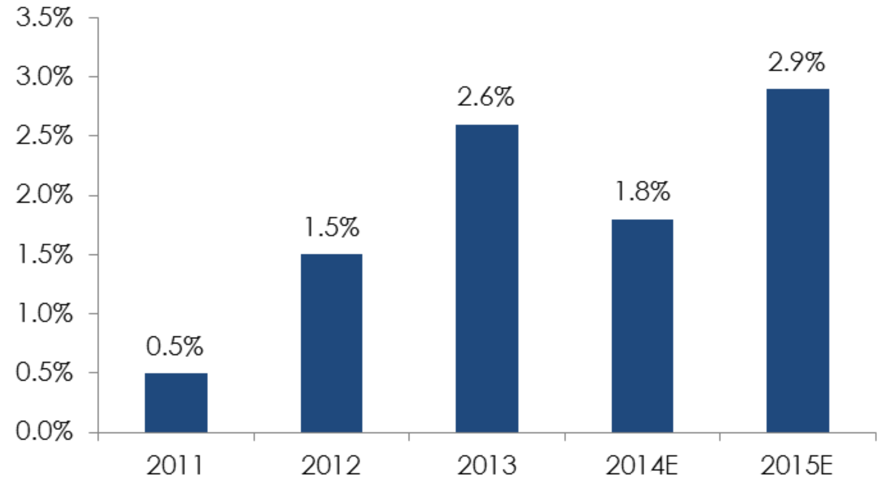
- **PREIT is a growing company**
  - Same-store NOI growth has been accelerating annually for the past 5 years and Green Street Advisors projects ~2% annual growth over the next 5 years
    - L&B believes growth could significantly outpace expectations *(see next slide)*
  - Occupancy has increased nearly 700bps since 2009 and Green Street forecasts further occupancy gains of over 250bps over the next five years

PEI Occupancy Increasing



PEI SS YoY NOI Growth Accelerating



Source: Land and Buildings, Green Street Advisors, Citigroup, Bloomberg
Notes: PREIT estimates for 2014 and 2015 are Green Street Advisors

Significant Incremental NOI in 2015

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- **Wall Street estimates for 2015 same-store NOI in the +2% range appear too low**
- **PREIT same-store NOI growth should accelerate in 2015**
  - Leases signed at Voorhees Town Center and commencing during 2015 could contribute an estimated ~$6 million to annualized NOI, while also transforming the mall from a $219 sales PSF mall to $300+
  - A significant leasing effort at the Moorestown Mall, particularly on the restaurant front, should increase the total NOI at the mall in 2015 and raise this mid-$300s sales PSF mall to $400+
  - Cherry Hill Mall, PREIT's most valuable asset, should see positive roll-up activity in 2015, including a 60,000 sf lease renewal that will contribute meaningfully to same-store NOI growth in 2015
  - The Gallery at Market East is in the early stages of significant redevelopment effort and is likely to be additive to same-store NOI as signed tenants such as Century 21 begin paying rent
  - An improving retail sales environment, rent bumps and an inflection point in releasing spreads are all additional tailwinds to organic growth

Source: Land and Buildings, Company reports, conversations with Company senior management

Capital Allocation Improving

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- **Springfield Town Center acquisition hurt investor sentiment surrounding Management's capital allocation strategy…**
  - After PEI agreed to acquire Vornado Realty Trust's (NYSE: VNO) high quality Springfield, VA mall redevelopment for $465 million on March 2, 2014, the stock declined 10% over the next two months

- **…but recent capital allocation decisions subsequent to Springfield have improved**
  - PREIT has been successfully disposing of low quality assets, as evidenced by the South, North Hanover and Nittany mall sales
  - Joint venturing the Gallery with Macerich (NYSE: MAC)[1] partially monetized an undervalued asset and helped address leverage and funding concerns

Images: retail.vno.com; http://www.labelscar.com/pennsylvania/gallery-at-market-east
Source: Company reports, Bloomberg

1. *"PREIT and The Macerich Company Form Joint Venture to Redevelop The Gallery in Philadelphia", July 29, 2014*

Mall Retail Real Estate in High Demand

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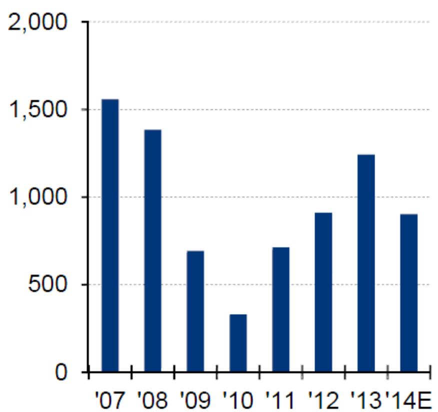
- **Mall vacancy continues to tighten nationally with positive absorption driving vacancy to 7.9% in the third quarter of 2014, down 150bps from the third quarter 2011 peak**
  - Regional mall rents rose 1.8% year-over-year in the third quarter as demand continues to outstrip available supply, particularly at the highest quality malls
- **Bank of America projects over 900 net new US retail store openings in 2014**
  - While store closure announcements have been making headlines, new store openings are continuing at a healthy pace, including among high-rent paying mall specialty tenants

Total Net New Stores By Year



Mall Specialty: Net New Stores By Year

		'06	'07	'08	'09	'10	'11	'12	'13	'14E
1	American Eagle	23	42	76	28	-21	0	-44	-5	-10
2	Abercrombie & Fitch	98	92	77	-42	-54	-70	-34	-69	-70
3	Ann Taylor	45	60	7	-29	-11	57	31	41	20
4	Buckle	12	18	19	14	19	11	9	10	6
5	Coach	25	41	38	33	12	3	9	-3	-20
6	GAP	52	18	-30	-66	-52	-65	7	14	35
7	H&M	23	31	24	20	19	25	36	36	35
8	Michael Kors Holdings	13	25	26	32	60	71	67	98	75
9	Pacific Sunwear	83	-250	-8	-38	-42	-119	-89	-26	-20
10	Urban Outfitters	30	37	38	28	36	47	34	50	32
11	Uniqlo	3	-3	0	0	0	0	2	14	8
12	Zumiez	61	50	58	34	23	34	37	40	40
	Mall Specialty	**468**	**161**	**325**	**14**	**-11**	**-6**	**65**	**200**	**131**

Mall Supply: Essentially No New Construction

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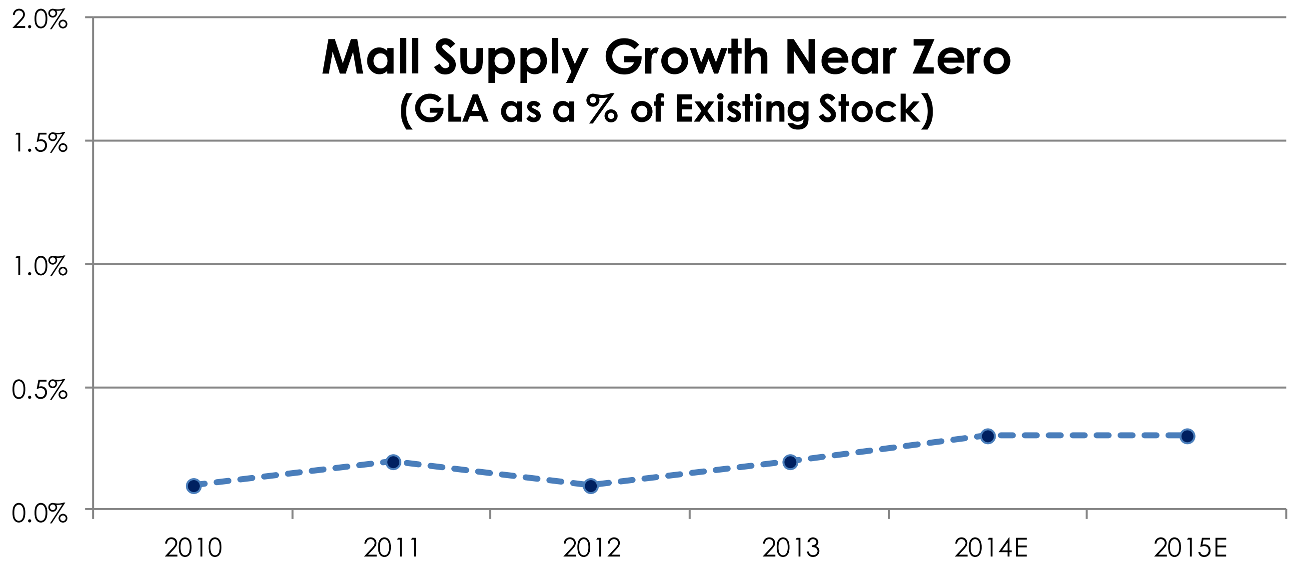
- **Supply growth of new regional malls remains close to zero**
  - From 2010 through 2013, mall gross leasable area (GLA) as a percent of existing stock grew less than 0.2% annually
  - Supply growth forecasts show little change from the current trend, with de minimis construction ongoing or planned
  - Obsolescence will further constrain mall supply



 Source: Land and Buildings, Green Street Advisors

Reports of the Mall's Death Have Been Greatly Exaggerated…Again

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- **We've heard this story before…**
  - In April 1994, Land and Buildings CIO, Jonathan Litt, published a comparative analysis of public regional mall owners titled, "The Mall is Dead? Not!"
    - Since publication, Mall REITs[1] are up ~1,140% on a total return basis, outperforming an Equity REIT total return of ~640%[2]

- **E-commerce poses both threats and opportunities**
  - In 1995, catalog and direct mail accounted for ~10% of total sales while in 2013 e-commerce accounted for less than 9%[3]
  - Omnichannel strategies create a symbiotic relationship between "clicks" and "bricks", increasing store needs; Only 5 percent of retailers believe they are "advanced" when it comes to omnichannel capabilities[4]
  - Many "online-only" retailers, such as Warby Parker, Bonobos and even Amazon are increasing their offline presence
  - Physical stores have irreplaceable characteristics, allowing for instant gratification, brand building and showrooming

Image: http://nreionline.com/development/return-mall
Source: Land and Buildings, Company reports, General Growth Properties, Salomon Brothers

1. FTSE NAREIT Equity Regional Malls Total Return Index through Sept. 2014
2. FTSE NAREIT Equity REITs Total Return Index through September 2014
3. General Growth Properties First Quarter 2014 Earnings Conference Call, April 29, 2014
4. SPS Commerce, Inc. 2015I Retail Insight industry benchmark report

JCPenney/Sears Exposure is Manageable and Likely an Opportunity for "Keeper" Portfolio

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- **"Keeper" portfolio JCPenney/Sears boxes likely more valuable in another anchors' hands**
  - Losing a low quality anchor in a high quality mall likely represent an opportunity, not a threat; Redevelopments should lead to value creation in A and B malls
    - *"…we actually think if we got these boxes back, they would be an advantage. Please appreciate I think at Sears pays $2 a square foot in our portfolio, and I think JCPenney pays $3 a square foot in our portfolio…So you could see how when you own an A or a B+ mall, or even a B mall for that matter, that* ***recapturing these would be a complete bonanza for the mall owners…the uses are tremendous. The demand is tremendous.*** *We have no place to put the bigger box users, the H&Ms, the ZARAs of the world, the Anthropologies, the Urban Outfitters, anyone which is larger format, Dick's Sporting Goods...this could be a tremendous homerun for the mall industry. But we don't anticipate getting any of them back to speak of."*
      - Sandeep Mathrani, Chief Executive Officer, General Growth Properties (NYSE: GGP), Fourth Quarter 2013 Earnings Conference Call
  - Restrictive lease clauses make it very difficult for in-line tenants to break existing leases even if an anchor leaves

- **JCPenney and Sears are primarily closing stores in malls with sales productivity below $350 PSF, limiting near-term impact on the "Keeper" portfolio, which is ~80% of total est. NAV**
  - JCPenney: 2.6% of annualized total PEI gross rent
  - Sears: 2.0% of annualized total PEI gross rent

jcp

sears

Source: Land and Buildings estimates, Company reports, Bank of America Merrill Lynch

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