PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
Form S-3
October 21, 2003

As filed with the Securities and Exchange Commission on October 21, 2003
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST
(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania (State or Other Jurisdiction of Incorporation or Organization)	2 (I.R.S. Employe
The Bellevue, 200 S. Broad Street Philadelphia, Pennsylvania 19102 (215) 875-0700 (Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)	Br Executive Vice P and Ass The Bellevue Philadelphia (2 (Name, Address, Incl Number, Including Ar

Copy to:
Howard A. Blum, Esquire
Robert C. Juelke, Esquire
Drinker Biddle & Reath LLP
One Logan Square, 18th & Cherry Streets
Philadelphia, Pennsylvania 19103-6996
(215) 988-2700

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. |_|

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. |X|

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_| __________

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_| ___________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. |_|

CALCULATION OF REGISTRATION FEE

Title of Shares to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share (2)	Propos Ag Offeri
Shares of Beneficial Interest, par value $1.00 per share (and associated rights)	2,500,000	$34.38	$85,

(1) In the event of a share split, share dividend or similar transaction involving the Registrant's shares, in order to prevent dilution, the number of shares registered automatically shall be increased to cover the additional shares in accordance with Rule 416(a) under the Securities Act of 1933.
(2) Estimated pursuant to Rule 457(h) solely for the purpose of calculating the registration fee. The price and fee are based on the average of the highest and lowest selling prices of the Registrant's shares of beneficial interest on October 16, 2003 on the New York Stock Exchange.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 21, 2003

PROSPECTUS

PREIT
[GRAPHIC OMITTED]

Pennsylvania Real Estate Investment Trust

2,500,000 SHARES OF BENEFICIAL INTEREST

In recognition of the importance to our success of our non-employee trustees, officers and other key employees and of the officers and key employees of our subsidiaries, and pursuant to our obligations under our agreement to merge with Crown American Realty Trust, our Board of Trustees adopted the Pennsylvania Real Estate Investment Trust 2003 Equity Incentive Plan, as amended. The 2003 Plan allows us to:

- o issue incentive and nonqualified options to purchase shares of beneficial interest in us, as well as restricted shares, share appreciation rights, performance shares, contract shares, bonus shares and dividend equivalent rights to our non-employee trustees, officers and other key employees and to the officers and key employees of our subsidiaries; and

- issue options to purchase shares of beneficial interest in us to former trustees, officers and employees of Crown and its subsidiaries as replacement awards for awards issued under Crown equity plans (provided the merger with Crown is consummated), whether or not such individuals become our trustees, officers or employees or trustees, officers or employees of our subsidiaries.

We expect the 2003 Plan to help us to attract and retain key individuals with the training, experience and expertise we desire, and to furnish additional incentive to these key individuals to promote our financial success by providing them with an equity ownership interest in us and/or an equity-based incentive to further our interests. Subject to any future adjustments for share splits and similar events, the total number of shares that may be issued under the 2003 Plan is 2,500,000 if our merger with Crown occurs and 1,500,000 if the merger does not occur. In either case, the total number of shares that may be issued includes the shares that remained available under the Pennsylvania Real Estate Investment Trust 1999 Equity Incentive Plan when it was amended - subject to approval of the 2003 Plan by our shareholders - to suspend the issuance of awards.

On October 20, 2003, the closing price of our shares on the New York Stock Exchange was $34.35 per share. Our principal executive offices are located at The Bellevue, 200 S. Broad Street, Philadelphia, Pennsylvania 19102, and our telephone number is (215) 875-0700.

Consider carefully the Risk Factors beginning on page 2 before deciding to invest in our shares.

These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is __________, 2003.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

PREIT, which is organized as a business trust under Pennsylvania law, is a fully integrated, self-administered and self-managed real estate investment trust, founded in 1960, that acquires, develops, redevelops and operates retail properties. We conduct substantially all of our operations through PREIT Associates, L.P., and we have elected, and conduct our operations in a manner intended, to comply with the requirements for qualification as a real estate investment trust (a "REIT") under the Real Estate Investment Trust Act of 1960, Sections 856-60 of the Internal Revenue Code of 1986, as amended.

Our principal executive offices are located at The Bellevue, 200 S. Broad St., Philadelphia, Pennsylvania, 19102, and our telephone number is (215) 875-0700.

RISK FACTORS

Risks Related to Our Properties and Our Business

Our retail properties are concentrated in the Mid-Atlantic region of the United States and adverse market conditions in that region may impact the ability of our tenants to make lease payments and to renew leases, which may reduce the amount of income generated by our properties.

Our retail properties currently are concentrated in the Mid-Atlantic region of the United States. To the extent adverse conditions affecting retail properties - such as population trends and changing demographics, income, sales and property tax laws, availability and costs of financing, construction costs and weather conditions that may increase energy costs - are particularly adverse in Pennsylvania or in the Mid-Atlantic region, our results of operations will be more notably affected. If the sales of stores operating at our properties were to decline significantly due to economic conditions, the risk that our tenants will be unable to fulfill the terms of their leases or will enter into bankruptcy may increase. In particular, economic and market conditions in the Mid-Atlantic region have a substantial impact on the performance of our anchor and other tenants and may impact the ability of our tenants to make lease payments and to renew their leases. If, as a result of such tenant difficulties, our properties do not generate sufficient income to meet our operating expenses, including debt service, our results of operations would be adversely affected.

Our substantial debt, a significant portion of which is variable rate debt, may adversely affect our operating results and put us at a competitive disadvantage.

As a result of our substantial debt obligations, we may not have sufficient cash flow from operations to meet required payments of principal and interest on our debt or to pay distributions on our securities at historical or recently announced increased rates, which could affect our ability to qualify as a REIT or to make necessary investments in new business initiatives. In addition, increases in interest rates on our existing indebtedness, which includes a significant portion of variable rate debt, would increase our interest expense, which could harm our cash flow and our ability to pay distributions.

We also will assume significant indebtedness in connection with our proposed merger with Crown American Realty Trust. As of June 30, 2003, Crown had approximately $753.7 million in total debt outstanding, all of which was secured by its real estate assets. This excludes Crown's pro rata portion of $18.6 million of outstanding debt owed by Palmer Park Mall Venture, a joint venture between us and Crown that holds title to the Palmer Park Mall. We currently expect to repay a portion of Crown's outstanding debt with proceeds from additional debt financings that we currently are negotiating with prospective lenders, but we cannot assure you that we can obtain additional debt financings on favorable terms, if at all. Following the merger, we also will be obligated to pay a quarterly dividend of $1.375 per share to the holders of the 11% preferred shares that we will issue in connection with the merger.

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Our existing indebtedness, and our increased leverage as a result of the Crown merger, could have negative consequences to our shareholders, including:

o requiring us to use a significant portion of our cash flow from operations to make interest and principal payments on our debt rather than for other purposes such as working capital, capital expenditures or dividends;

o harming our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development activities or other general corporate purposes;

o limiting our flexibility to plan for or react to changes in business and economic conditions; and

o making us more vulnerable to a downturn in our business or the economy generally.

Further, our existing $200 million revolving credit facility expires on December 28, 2003 and may be extended for an additional year only with the approval of the lenders. We may be unable to extend the term of this credit facility or to replace this facility on favorable terms, if at all.

Our financial covenants may restrict our operating or acquisition activities, which may harm our financial condition and operating results.

Our existing $200 million credit facility currently requires our operating partnership, PREIT Associates, L.P., to maintain certain asset and income to debt ratios and minimum income and net worth levels. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow and may create a risk of default on our debt if we cannot continue to satisfy these covenants. If we default under this credit facility, the lenders could require us to repay the debt immediately and could take possession of the properties securing the credit facility. We rely on borrowings under this credit facility to finance acquisitions, construction of our development properties, renovations and capital improvements to our properties and for working capital. If we are unable to borrow under our credit facility or to refinance existing indebtedness, our financial condition and results of operations would be adversely impacted.

We may be unable to manage effectively our rapid growth and expansion in the retail sector, which may result in disruptions to our business.

We recently completed the acquisition of six shopping malls from The Rouse Company. In addition, we expect to make future acquisitions or investments in real properties, other assets and other companies, including our pending merger with Crown American Realty Trust. The merger involves the integration of two large and complex real estate businesses that currently operate independently. We have retained the services of Generative Leadership Group and PricewaterhouseCoopers, LLP to assist with the integration of the Crown assets and personnel. Following the merger and the related transactions, the gross leasable area of our owned, managed or leased retail properties will be approximately 115% higher than it was prior to the Rouse shopping mall acquisition. We also recently completed the sale of all 19 properties in our multifamily portfolio.

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The integration efforts required in connection with the merger and the Rouse shopping mall acquisition, together with our continuing efforts to transform our strategic focus to ownership of retail properties, are substantial and may cause disruptions in our operations and divert management's attention away from day-to-day operations, which could impair our relationships with our current tenants and employees. In addition, the Rouse shopping mall acquisition and the Crown merger pose specific risks for our ongoing operations, including that:

- we may not achieve the expected operating efficiencies, value-creation potential, economies of scale or other benefits of those transactions;

- we may not have adequate personnel and financial and other resources to successfully handle our substantially increased operations;

- we may not be successful in leasing space in properties acquired from Rouse or to be acquired from Crown in the merger;

- we may not be able to successfully take advantage of or maintain Crown's relationships with tenants, particularly if key personnel of Crown with longstanding relationships with Crown tenants terminate their employment or are terminated in connection with the merger;

- the combined portfolio may not perform at the level we anticipate;

- we may experience difficulties and incur unforeseen expenses in connection with assimilating and retaining Crown employees, assimilating Crown's business and assimilating the properties acquired from Rouse and Crown; and

- we may experience problems and incur unforeseen expenses in connection with upgrading and expanding our systems and processes required as a result of the Rouse shopping mall acquisition and the Crown merger.

If we fail to integrate successfully these properties and/or fail to realize the intended benefits of these transactions, our operating results and financial condition may be materially harmed.

Competition may impede our ability to renew leases or re-let space as leases expire and require us to undertake unbudgeted capital improvements, which could harm our operating results.

We face competition from similar retail centers that are near our retail properties with respect to the renewal of leases and re-letting of space as leases expire. Any new competitive properties that are developed close to our existing properties also may impact our ability to lease space to creditworthy tenants. Increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make. Any unbudgeted capital improvements could adversely affect our results of operations. Also, to the extent we are unable to renew leases or re-let space as leases expire, it would result in decreased cash flow from tenants and adversely affect our results of operations.

Rising operating expenses could reduce our cash flow and funds available for future distributions.

Our properties and any properties we acquire in the future are and will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, then we could be required to expend funds for that property's operating expenses. The properties will be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repair and maintenance costs and administrative expenses.

Although some of our properties are leased on terms that require tenants to pay a portion of the expenses associated with the property, renewals of leases or future leases may not be negotiated on that basis, in which event we will have to pay those costs. If we are unable to lease properties on a basis requiring the tenants to pay all or some of the expenses associated with the property, or if tenants fail to pay required tax, utility and other impositions, we could be required to pay those costs, which could adversely affect our operating results.

Any tenant bankruptcies or leasing delays we encounter, particularly with respect to our anchor tenants, could adversely affect our operating results and financial condition.

We receive a substantial portion of our income as rent under long term leases. At any time, any of our tenants may experience a downturn in its business that may weaken its financial condition. Our tenants may delay lease commencement, fail to make rental payments when due, or declare bankruptcy. Any leasing delays, tenant failures to make rental payments when due or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a key anchor tenant, material losses to us and harm to our results of operations. Some of our tenants occupy stores at multiple locations in our portfolio, and so the impact of any bankruptcy of those tenants may be more significant on us than others. If tenants are unable to comply with the terms of our leases, we may modify lease terms in ways that are unfavorable to us. In addition, under many of our leases, our tenants pay rent based on a percentage of their sales or other operating results. Accordingly, declines in these tenants' performance directly impacts our operating results.

In addition to the loss of rental payments from an anchor tenant, a lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants of the same shopping center whose leases permit cancellation or rent reduction if an anchor tenant's lease is terminated. In that event, we may be unable to re-lease the vacated space. In addition, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease, which could reduce the income generated by that retail center. A transfer of a lease to a new anchor tenant also could allow other tenants to make reduced rental payments or to terminate their leases at the retail center, which could adversely affect our results of operations.

We depend upon income generated by PREIT-RUBIN's management of properties owned by third parties, and the loss, interruption or termination of one or more management contracts could harm our operating results.

Risks associated with PREIT-RUBIN's management of properties owned by third parties include:

- o the property owner's termination of the management contract;
- o loss of the management contract in connection with a property sale;
- o non-renewal of the management contract after expiration;
- o renewal of the management contract on terms less favorable than current terms;
- o decline in management fees as a result of general real estate market conditions or local market factors; and
- o claims of losses due to allegations of mismanagement.

The occurrence of one or more of these events could adversely affect our results of operations.

We may not be successful in identifying suitable acquisitions that meet our criteria, which may impede our growth.

Integral to our business strategy has been our strategic acquisitions of retail properties. Our ability to expand through acquisitions requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We analyze potential acquisitions on a property-by-property and market-by-market basis. We may not be successful in identifying suitable real estate properties or other assets in our existing geographic markets or that otherwise meet our acquisition criteria or in consummating acquisitions or investments on satisfactory terms. Failures in identifying or consummating acquisitions could reduce the number of acquisitions we complete and slow our growth, which could adversely affect our results of operations.

We face increasing competition for the acquisition of real estate properties and other assets, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.

We compete with many other entities engaged in real estate investment activities for acquisitions of retail shopping centers, including institutional pension funds, other REITs and other owner-operators of retail properties. These competitors may drive up the price we must pay for real estate properties, other assets or other companies we seek to acquire or may succeed in acquiring those properties, assets or companies themselves. In addition, our potential acquisition targets may find our competitors to be more attractive suitors because they may have greater resources, may be willing to pay more, or may have more compatible operating philosophy. In particular, larger REITs may enjoy

significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This would result in increased demand for these assets and therefore increased prices paid for them. If we pay higher prices for properties, our profitability will be reduced, and shareholders may experience a lower return on their investment.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements, and if we cannot do so, we may not be able to sell the property, or may be required to sell the property on unfavorable terms. In acquiring a property, we may agree to provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as limitations on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could significantly harm our financial condition and operating results.

We have entered into tax protection agreements for the benefit of some limited partners of PREIT Associates, L.P. that may limit our ability to sell some of our properties that we may otherwise want to sell, which could harm our financial condition.

As the general partner of PREIT Associates, L.P. we have agreed to indemnify certain former property owners who have become limited partners of PREIT Associates, L.P. against tax liability that they may incur if we sell these properties within a certain number of years in a taxable transaction. In particular, we have provided tax protection of up to approximately $5.0 million related to the August 1998 acquisition of the Woods Apartments for a period of eight years ending in August 2006. Because the Woods Apartments were sold in connection with the disposition of the multifamily portfolio and because that transaction was treated as a tax-free exchange in connection with the acquisition of Exton Square Mall, The Gallery at Market East and Moorestown Mall from The Rouse Company, we now are obligated to provide tax protection to the former owner of the Woods Apartments if we sell any of Exton Square Mall, The Gallery at Market East or Moorestown Mall prior to August 2006. In addition, we have agreed to provide substantial tax protection to Mark E. Pasquerilla and entities affiliated with him in connection with our proposed merger with Crown. In some cases, these agreements may make it uneconomical for us to sell these properties, even in circumstances in which it otherwise would be advantageous to do so, which could harm our ability to address liquidity needs in the future or otherwise harm our financial condition.

Our investments in development properties may not yield anticipated returns, which would harm our operating results and reduce the amount of funds available for distributions.

A key component of our growth strategy is exploring our rights in development properties, including our current projects at Christiana Power Center Phase II, Newark, Delaware and New Garden, New Garden Township, Pennsylvania. Christiana Power Center Phase II was to be completed by September 30, 2002 but has experienced significant delays and has not been completed. These delays have led to higher than anticipated costs and we currently do not expect the development of Christiana Power Center Phase II to be completed until the first quarter of 2005, if at all. The development of New Garden is expected to be completed in the fourth quarter of 2004. To the extent we continue these development projects or enter into new development projects, they will be subject to a number of risks, including, among others:

- inability to obtain required zoning, occupancy and other governmental approvals;
- expenditure of money and time on projects that may never be completed;
- higher than estimated construction costs;
- cost overruns and timing delays due to lack of availability of materials and labor, delays in receipt of zoning and other regulatory approvals, weather conditions and other factors outside our control; and
- inability to obtain permanent financing upon completion of development activities.

Unanticipated delays or expenses associated with our development properties could adversely affect the investment returns from these projects and adversely affect our financial condition and results of operations.

Some of our properties are in need of maintenance and/or renovation, which could harm our operating results.

Some of our retail properties, including two of the six retail properties acquired as part of the Rouse shopping mall acquisition and some of the malls that we expect to acquire in our merger with Crown, were constructed or last renovated more than 10 years ago. Older properties may generate lower rentals or may require significant expense for maintenance and/or renovations, which could harm our results of operations.

Our business and, in particular, our acquisition integration efforts could be harmed if Ronald Rubin, our chairman and chief executive officer, and other members of our senior management team terminate their employment with us.

Our future success depends, to a significant extent, upon the continued services of Ronald Rubin - our chairman and chief executive officer - and of our corporate management team. We are critically dependent upon our corporate management team and other key employees to lead our integration efforts for acquisitions. Although we have entered into employment agreements with Mr. Rubin and certain other members of our corporate management team, they could elect to terminate those agreements at any time. In addition, although we have purchased a key man life insurance policy in the amount of $5 million to cover Mr. Rubin, we cannot assure you that this would compensate us for the loss of his services. Further, under the terms of his employment agreement with us, Edward A. Glickman, our chief financial officer, is entitled to terminate his employment with us for good reason upon completion of our proposed merger with Crown unless he is offered a three year employment agreement following the merger providing him with the same title and responsibilities and the same or greater compensation and benefits as in effect immediately before the merger. If Mr. Glickman were to so terminate his employment, he would be entitled to, among other things, three times the sum of his current salary plus the average of his annual bonus over the three years before the merger. The loss of services of one or more members of our corporate management team could harm our business and our prospects.

We hold substantial investments in unconsolidated partnerships and joint ventures, which we may not be able to successfully manage.

Many of our retail properties are owned by partnerships in which we are a general partner or by joint ventures in which we have substantially the same powers as a general partner. Under the terms of the partnership and joint venture agreements, major decisions, such as a sale, lease, refinancing, expansion or rehabilitation of a property, or a change of property manager, require the consent of all partners or co-venturers. Accordingly, necessary actions may be delayed significantly because decisions must be unanimous and it may be difficult or even impossible to remove a partner or co-venturer that is serving as the property manager.

Business disagreements with partners may arise. We may incur substantial expenses in resolving these disputes. To preserve our investment, we may be required to make commitments to or on behalf of a partnership or joint venture during a dispute. Moreover, we cannot assure you that our resolution of a dispute with a partner will be on terms that are favorable to us.

Other risks of investments in partnerships and joint ventures include:

- partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions;

- partners or co-venturers might have business interests or goals that are inconsistent with our business interests or goals;

- partners or co-venturers may be in a position to take action contrary to our policies or objectives; and

- we may incur liability for the actions of our partners or co-venturers.

We may be unable to obtain long term financing required to finance our partnerships and joint ventures, which could harm our operating results.

The profitability of each partnership or joint venture in which we are a partner or co-venturer that has short-term financing or debt requiring a balloon payment is dependent on the availability of long-term financing on satisfactory terms. If satisfactory long-term financing is not available, we may have to rely on other sources of short-term financing, equity contributions or the proceeds of refinancing other properties to satisfy debt obligations which may not be as favorable to us. Although we do not own the entire interest in connection with many of the properties held by these partnerships and joint ventures, we may be required to pay the full amount of any obligation of the partnership or joint venture that we have guaranteed in whole or in part or we may elect to pay a partnership's or joint venture's obligation to protect our equity interest in its properties and assets, which could cause us to use a substantial portion of our funds from operations, reducing amounts available for distribution.

The costs of compliance with environmental laws may harm our operating results.

Under various federal, state and local laws, ordinances and regulations, an owner, former owner or operator of real estate may be liable for the costs of removal or remediation of hazardous or toxic substances present at, on, under, in or released from its property. They also may be liable to the government or to third parties for substantial property damage, investigation costs or clean up costs. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination may affect adversely the owner's ability to sell or lease real estate or borrow with real estate as collateral.

From time to time, we respond to inquiries from environmental authorities with respect to properties both currently and formerly owned by us. We are aware of certain environmental matters at some of our properties, including ground water contamination, and the presence of asbestos containing materials. We have, in the past, performed remediation of such environmental matters, but we may be required in the future to perform testing relating to these matters and further remediation may be required. As of the date of this prospectus, we have reserved $0.1 million for future remediation of these matters, but we may incur costs associated with such remediation that exceed such amount.

In addition, at five of the properties in which we currently have an interest, and at two properties in which we formerly had an interest, environmental conditions have been or continue to be investigated and have not been fully remediated. Groundwater contamination has been found at five of these properties. While the former owners of two of the properties with groundwater contamination presently are remediating such contamination, any failure of such former owners to properly remediate such contamination could result in liability to us for such contamination. Dry cleaning operations were performed at three of the properties. Soil contamination has been identified at two of the properties having dry cleaning operations and groundwater contamination was found at the third property having dry cleaning operations. Although these properties may be eligible under state law for remediation with state funds, we cannot assure you that sufficient funds will be available under state legislation to pay the full costs of any such remediation and we may incur costs in connection with such remediation.

Asbestos-containing materials are present in a number of our properties, primarily in the form of floor tiles and adhesives. Fire-proofing material containing asbestos is present at some of our properties in limited concentrations or in limited areas. We have taken certain actions to remediate or to comply with disclosure requirements, as necessary or appropriate, in connection with the foregoing, but we may be required to take additional actions or to make additional expenditures.

We are aware of environmental concerns at Christiana Power Center Phase II, one of our development properties. The final costs and necessary remediation are not known and may cause us to decide not to develop the property, which would result in us having incurred unnecessary development costs and could have an adverse impact on our operating results. We also are a party to a number of agreements for the purchase of property for development in which initial

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environmental investigations have revealed environmental risk factors that might require remediation by the owner or prior owners of the property. Such environmental risks may cause us to decide not to purchase such properties, which would result in us having incurred unnecessary development expenses and could adversely affect our results of operations.

In addition, the malls that we expect to acquire as part of our merger with Crown have some environmental issues. Many of these malls contain, or at one time contained, underground and/or above ground storage tanks used to store waste oils or other petroleum products primarily related to the operation of auto service center establishments at those malls, three malls were constructed on sites a portion of which previously had been used as landfills and two malls were constructed on former strip mines. In some cases, the underground storage tanks have been abandoned in place, filled in with inert materials or removed and replaced with above ground tanks. Historical records indicate that soil and groundwater contamination from underground tanks and, in one case, a hydraulic lift, requiring remediation has occurred at five of the malls, and subsurface investigations (Phase II assessments) and remediation work either are ongoing or are scheduled to be conducted at three of those malls. In addition, dry cleaning operations formerly were conducted at two of the malls. There also are minor amounts of asbestos-containing materials in most of the Crown malls, primarily in the form of floor tiles, mastics and roofing materials. Fireproofing and insulation containing asbestos also are present in some of the malls in non-public areas, such as mechanical rooms. Two of the Crown malls also contain wastewater treatment facilities that treat wastewater at the malls before discharge into local streams. Operation of these facilities is subject to federal and state regulation.

Our environmental liability coverage for the types of environmental liabilities described above, which currently covers liability for pollution and on-site remediation of up to $2 million in any single claim and $4 million in the aggregate, may be inadequate, which could result in our being obligated to fund those liabilities.

In addition to the costs of remediation described above, we may incur additional costs to comply with federal, state and local laws, ordinances and regulations relating to environmental protection and human health and safety generally. We cannot assure you that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of our tenants, by the existing condition of the land, by operations in the vicinity of the properties - such as the presence of underground storage tanks - or by the activities of unrelated third parties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations that may be applicable to our operations, and that may subject us to liability in the form of fines or damages for noncompliance.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose invested capital and anticipated profits.

Catastrophic losses - such as losses due to wars, earthquakes, floods, hurricanes, pollution and environmental matters - generally either are uninsurable or are not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. If one of these events occurred to, or caused the destruction of, one or more of our properties, we could lose both our invested capital and anticipated profits from that property. In addition, if we are unable to obtain insurance in the future at acceptable levels and at a reasonable cost, the possibility of losses in excess of our insurance coverage may increase and we may not be able to comply with covenants under our debt agreements, which could adversely affect our financial condition.

Some of our properties are held by special purpose entities and are not generally available to satisfy creditors' claims in bankruptcy, which could impair our ability to borrow.

Some of our properties are owned or ground-leased by subsidiaries that we created solely to own or ground-lease those properties. The mortgaged properties and related assets are restricted solely for the payment of the related loans and are not available to pay our other debts, which could impair our ability to borrow, which in turn could harm our business.

RISKS RELATED TO OUR PROPOSED MERGER WITH CROWN AMERICAN REALTY TRUST

The shares that we issue to common shareholders of Crown American Realty Trust in the merger may have a market value that is higher than expected.

Crown common shareholders will receive 0.3589 of our common shares in the merger for each Crown common share they own at the time of the closing of the merger. The market price of our common shares at the time of the merger closing may vary significantly from the price on the date that the merger agreement was signed. These price variations may arise due to, among other things, changes in our business, operations, financial condition and prospects, market assessments of the likelihood that the merger will be completed and the timing of its completion, demand for retail space in the Mid-Atlantic region and other markets, the financial condition of current or prospective tenants, interest rates, general market and economic conditions, factors affecting the retail industry in general and other factors.

The exchange ratio for Crown common shares to be converted into our common shares in the merger was fixed at the time the merger agreement was signed and will not be adjusted based on changes in the trading price of our common shares or Crown common shares before the closing of the merger. The merger agreement does not provide Crown or us the right to terminate the merger agreement based upon fluctuations in the market price of our common shares. Accordingly, increases in the market price of our common shares when compared with the market price at the time the merger agreement was signed could cause the total value of the consideration we are required to pay to Crown common shareholders in the merger to be higher than expected, resulting in us effectively paying a higher than expected amount in the merger.

Our operating performance may be adversely affected following the merger if we choose not to sell specified assets acquired in the merger.

As a result of the merger, we will acquire six Crown properties that have occupancy rates and sales volume substantially lower than that of the remainder of Crown's properties being acquired in the merger. After the merger, we intend to pursue the reposition and potential disposition of these properties. We currently expect to make investments in some of these properties in order to reposition them for potential sale. However, we cannot predict whether we will be able to sell any property for the price or on the terms we set. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. In addition, whether or not we ultimately sell these properties, we may not recover our investment in these properties, which could harm our financial condition and results of operations.

We may incur substantial expenses and payments if the merger does not occur, which could materially harm our financial condition.

We already have incurred substantial expenses in connection with the merger. We cannot assure you that the merger will be consummated. The merger agreement provides for us to pay a termination fee of $20 million, $7 million or $3.5 million if we terminate the merger agreement under specified circumstances. Any of these payment obligations could materially harm our financial condition.

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The $20 million termination fee represented approximately 1.26% of our approximate $1.592 billion market capitalization at the time the merger agreement was signed. The $20 million termination fee could adversely affect our ability to engage in another transaction that did not include the Crown merger if we incurred such payment obligation upon a termination of the merger agreement with Crown.

After the merger, Mark E. Pasquerilla will exercise influence over us and may delay, defer or prevent us from taking actions that would be beneficial to our shareholders.

Before the merger, none of our shareholders owned more than 5% of our outstanding common shares on a fully diluted basis assuming the redemption of units of limited partnership interest in PREIT Associates, L.P. ("PREIT Partnership Units") for our common shares. Following the merger, Mark E. Pasquerilla and his affiliates will own approximately 6.31% of our outstanding common shares assuming the redemption of their PREIT Partnership Units for our common shares. Mr. Pasquerilla also will become a member of our board of trustees. Accordingly, Mr. Pasquerilla may be able to exercise influence over the outcome of certain matters such as decisions relating to the election of the board of trustees and the determination of our day-to-day corporate and management policies, and possibly over the outcome of any proposed merger or consolidation that we consider. Mr. Pasquerilla's ownership interest in us may discourage third parties from seeking to acquire control of us, which may adversely affect the market price of our common shares. As a condition to the merger, Mr. Pasquerilla and certain of his affiliates will enter into a standstill agreement that would limit their rights in connection with, among other things, a proposed change in control of us. However, we cannot assure you that Mr. Pasquerilla and his affiliates will abide by the terms of the standstill agreement, and the standstill agreement will not prevent Mr. Pasquerilla from voting his shares or taking other actions with respect to matters not covered by the standstill agreement.

We could be disqualified as a REIT or have to pay taxes if Crown does not qualify as a REIT at the time of the merger.

If Crown failed to qualify as a REIT at the time of the merger, we may have undistributed "C corporation earnings and profits." If that occurred and Crown did not distribute the earnings and profits prior to the merger transaction, we may not qualify as a REIT. In addition, we might be liable for taxes owed by Crown as a result of its failure to qualify as a REIT for years prior to the merger. Finally, if Crown did not qualify as a REIT at the time of the merger, we would be required to pay corporate income tax on any gain existing at the time of the merger transaction on assets acquired in the transaction if those assets were sold within ten years after the transaction. This would be the case even though the merger is expected to qualify as a "tax-free reorganization." Although we will receive an opinion from Reed Smith LLP, legal counsel to Crown, that Crown qualifies as a REIT at the time of the merger, this opinion will not be binding on courts or the Internal Revenue Service.

RISKS RELATED TO OUR ORGANIZATION AND STRUCTURE

Some of our officers have interests in properties that we manage and therefore may have conflicts of interest that could adversely affect our business.

We provide management, leasing and development services for partnerships and other ventures in which some of our officers, including Ronald Rubin, our chairman and chief executive officer, have either direct or indirect ownership interests. In addition, we lease substantial office space from Bellevue Associates, an entity in which some of our officers have an interest. Our officers who have interests in both sides of these transactions face a conflict of interest in deciding to enter into these agreements and in negotiating their terms, which could result in our obtaining terms that are less favorable than we might otherwise obtain, which could adversely affect our business.

Limited partners of PREIT Associates, L.P. may vote on certain fundamental changes we propose, which could inhibit a change in control that might result in a premium to our shareholders.

Our assets generally are held through PREIT Associates, L.P., a Delaware limited partnership of which we are the sole general partner. We currently hold a majority of the outstanding PREIT Partnership Units. However, PREIT Associates may from time to time issue additional PREIT Partnership Units to third parties in exchange for contributions of property to PREIT Associates. These issuances will dilute our percentage ownership of PREIT Associates. PREIT Partnership Units generally do not carry a right to vote on any matter voted on by our shareholders, although limited partner interests may, under certain circumstances, be redeemed for our shares. However, before the date on which at least half of PREIT Partnership Units issued on September 30, 1997 in connection with our acquisition of The Rubin Organization have been redeemed, the holders of PREIT Partnership Units issued on September 30, 1997 are entitled to vote such units and additional units received or to be received pursuant to the transactions that were the subject of the September 30, 1997 issuance, along with our shareholders as a single class, on any proposal to merge, consolidate or sell substantially all of our assets. Our partnership interest in PREIT Associates is not included for purposes of determining when half of the partnership interests issued on September 30, 1997 have been redeemed, nor are they counted as votes. These existing rights could inhibit a change in control that might otherwise result in a premium to our shareholders. In addition, we cannot assure you that we will not agree to extend comparable rights to other limited partners in PREIT Associates.

Our organizational documents contain provisions that may discourage a takeover of us and depress our share price.

Our organizational documents contain provisions that may have an anti-takeover effect and inhibit a change in our management. These provisions include:

(1) There are ownership limits and restrictions on transferability in our trust agreement. In order to protect our status as a REIT, no more than 50% of the value of our outstanding shares (after taking into account options to acquire shares) may be owned, directly or

constructively, by five or fewer individuals and the shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. To assist us in satisfying these tests, subject to some exceptions, our trust agreement prohibits any shareholder from owning more than 9.9% of our outstanding shares of beneficial interest (exclusive of preferred shares) or more than 9.9% of any class or series of preferred shares. The trust agreement also prohibits transfers of shares that would cause a shareholder to exceed the 9.9% limit or cause us to be beneficially owned by fewer than 100 persons. Our board of trustees may exempt a person from the 9.9% ownership limit if they receive a ruling from the Internal Revenue Service or an opinion of counsel or tax accountants that exceeding the 9.9% ownership limit as to that person would not jeopardize our tax status as a REIT. Absent an exemption, this restriction may:

- discourage a tender offer or other transactions or a change in management or control that might involve a premium price for our shares or otherwise be in the best interests of our shareholders; or

- compel a shareholder who had acquired more than 9.9% of our shares to transfer the additional shares to a trust and, as a result, to forfeit the benefits of owning the additional shares.

(2) Our trust agreement permits our board of trustees to issue preferred shares with terms that may discourage a third party from acquiring our company. Our trust agreement permits our board of trustees to create and issue multiple classes and series of preferred shares and classes and series of preferred shares having preferences to the existing shares on any matter, including rights in liquidation or to dividends and option rights and other securities having conversion or option rights and may authorize the creation and issuance by our subsidiaries and affiliates of securities having conversion and option rights in respect of our shares. Our trust agreement further provides that the terms of such rights or other securities may provide for disparate treatment of certain holders or groups of holders of such rights or other securities. The issuance of such rights or other securities could have the effect of delaying or preventing a change in control over us, even if a change in control were in the shareholders' interest.

(3) Our staggered board of trustees may affect the ability of a shareholder to take control of our company. Our board of trustees has three classes of trustees. The term of office of one class expires each year. Trustees for each class are elected for three year terms upon the expiration of the term of the respective class. The staggered terms for trustees may affect the ability of a shareholder to take control of us, even if a change in control were in the best interests of our shareholders.

In addition, we have adopted a shareholder rights plan that may discourage a tender offer or other transaction that might involve a premium price for our shares or otherwise be in the best interests of our shareholders.

RISKS RELATED TO THE REAL ESTATE INDUSTRY

Negative perceptions of the retail sector generally may result in a decline in our share price.

A substantial portion of our portfolio consists of retail shopping centers and we expect to continue to focus on acquiring retail shopping centers in the future. To the extent that the investing public has a negative perception of the retail sector, the value of our shares could be negatively impacted, which could result in our shares trading at a discount below the inherent value of our assets as a whole.

Costs associated with complying with the Americans with Disabilities Act may adversely affect our financial condition and results of operations.

Our properties are subject to the Americans with Disabilities Act of 1990. Under the Americans with Disabilities Act, all places of public accommodation are required to comply with rules related to access and use by disabled persons. The Americans with Disabilities Act's requirements could require costly modifications to our properties and could result in imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. Future legislation also may impose additional requirements that we cannot predict.

Legislative actions, higher insurance costs and potential new accounting pronouncements could increase our operating expenses and impact our financial condition and results of operations.

In order to comply with the Sarbanes-Oxley Act of 2002 as well as proposed changes to listing standards by the New York Stock Exchange, we have been and continue to be enhancing our internal controls, hiring additional personnel and utilizing additional outside legal, accounting and advisory services. These activities increase our operating expenses. In addition, insurers likely will increase premiums as a result of higher claims rates incurred over the past year, so our premiums for our insurance policies, including our directors' and officers' insurance policies, may increase.

We cannot predict the impact that proposed accounting pronouncements, such as the proposed accounting treatment that would require merger costs to be expensed in the period in which they are incurred, will have on our financial condition or results of operations.

Possible terrorist activity or other acts of violence or war could adversely affect our financial condition and results of operations.

Future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war, may result in declining economic activity, which could harm the demand for and the value of our properties and may adversely affect the value of an investment in our securities. A decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. Terrorist activities also could directly impact the value of our properties through damage, destruction or loss, and the availability of insurance for such acts may be lower, or cost more, which could

adversely affect our financial condition and results of operations. To the extent that our tenants are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. These acts may erode business and consumer confidence and spending, and may result in increased volatility in national and international financial markets and economies. Any one of these events may decrease demand for real estate, decrease or delay the occupancy of our new or renovated properties, increase our operating expenses due to increased physical security for our properties and limit our access to capital or increase our cost of raising capital.

TAX RISKS

If we fail to qualify as a REIT our shareholders could be adversely affected.

We believe that we have qualified as a REIT since our inception and intend to continue to qualify as a REIT. However, we cannot assure shareholders that we have been qualified or will remain qualified. To qualify as a REIT, we must comply with certain highly technical and complex requirements under the Internal Revenue Code. We cannot be certain we have complied with such requirements because there are very limited judicial and administrative interpretations of these provisions. Even a technical or inadvertent mistake could jeopardize our REIT status. In addition, facts and circumstances that may be beyond our control may affect our ability to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the federal income tax consequences of qualification.

If we fail to qualify as a REIT, we will be subject to federal income tax on our taxable income at regular corporate rates. Also, unless the Internal Revenue Service granted us relief under statutory provisions, we would remain disqualified from treatment as a REIT for the four taxable years following the year during which we first failed to qualify. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to shareholders and for debt service. In addition, we would no longer be required to make any distributions to shareholders.

We may be unable to comply with the strict income distribution requirements applicable to REITs or compliance with such requirements could adversely affect our financial condition.

To obtain the favorable treatment associated with qualifying as a REIT, we are required each year to distribute to our shareholders at least 90% of our net taxable income. In addition, we are subject to a tax on the undistributed portion of our income at regular corporate rates and may also be subject to a 4% excise tax on this undistributed income. We could be required to seek to borrow funds on a short-term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT, even if conditions are not favorable for borrowing, which could adversely affect our financial condition.

Recent change in taxation of corporate dividends may adversely affect the value of our shares.

President Bush signed the Jobs and Growth Tax Relief Reconciliation Act of 2003 into law on May 28, 2003 (the "Jobs and Growth Tax Act"). The Jobs and Growth Tax Act, among other things, generally reduces to 15% the maximum marginal rate of federal tax payable by individuals on dividends received from a regular C corporation. This reduced tax rate, however, will not apply to dividends paid to individuals by a REIT on its shares except for certain limited amounts. The earnings of a REIT that are distributed to its shareholders generally will remain subject to less federal income taxation than earnings of a non-REIT C corporation that are distributed to its shareholders net of corporate-level income tax. The Jobs and Growth Tax Act, however, could cause individual investors to view shares of regular C corporations as more attractive relative to shares of REITs than was the case prior to the enactment of the legislation because the dividends from regular C corporations generally will be taxed at a lower rate, while dividends from REITs generally will be taxed at the federal income tax rate applicable to ordinary income, up to a maximum marginal rate of 35%. We cannot predict what effect, if any, the enactment of this legislation may have on the value of the stock of REITs in general or on the value of our shares in particular, either in terms of price or relative to other investments.

USE OF PROCEEDS

We will use the proceeds, if any, from the issuance of shares under the 2003 Equity Incentive Plan for general purposes and as working capital.

DESCRIPTION OF THE PLAN

The following summary of the material provisions of the Pennsylvania Real Estate Investment Trust 2003 Equity Incentive Plan, as amended through Amendment No. 1 (the "2003 Plan"), is qualified in its entirety by reference to the 2003 Plan and any applicable agreements entered into under the 2003 Plan.

Purpose of the 2003 Plan

The 2003 Plan provides a means for us to:

- award equity-based benefits to our officers and other key employees, the officers and key employees of our subsidiaries, and our non-employee trustees; and

- o issue options to former trustees, officers and employees of Crown American Realty Trust and its subsidiaries as replacement awards for awards issued under Crown equity plans (provided the merger with Crown is consummated), whether or not such individuals become our trustees, officers or employees or trustees, officers or employees of our subsidiaries.

We adopted the 2003 Plan to attract and retain key individuals with the training, experience and expertise we desire, and to furnish additional incentive to these key individuals to promote our financial success by providing them with an equity ownership interest in us and/or an equity-based incentive to further our interests. We also adopted the 2003 Plan to fulfill our obligations under our merger agreement with Crown to issue replacement awards to former trustees of Crown and to certain former employees of its subsidiaries.

Eligibility

We may grant awards under the 2003 Plan to our non-employee trustees, officers and key employees, to officers and key employees of our subsidiaries and - if the merger with Crown is consummated - to former non-employee trustees, officers and employees of Crown and its subsidiaries.

Shares Subject to the 2003 Plan

Aggregate Available. Subject to any future adjustment for share splits and similar events, the total number of shares that we can issue under the 2003 Plan is 2,500,000 if the merger with Crown occurs and 1,500,000 if the merger does not occur. In either case, the shares available under the 2003 Plan include the shares that remained available under the Pennsylvania Real Estate Investment Trust 1999 Equity Incentive Plan when it was amended to suspend - subject to approval of the 2003 Plan by our shareholders - the issuance of awards).

Additional Rules. Shares delivered under the 2003 Plan may be authorized but unissued shares or reacquired shares. We may purchase shares to be delivered under the 2003 Plan if we determine that it is advisable to do so. You may not receive options and/or share appreciation rights for more than 250,000 shares during any calendar year under the 2003 Plan. In addition, the aggregate fair market value, determined at the time the option is granted, of shares with respect to which options that qualify as incentive stock options ("ISOs") under the Code are exercisable for the first time by you during any calendar year, under the 2003 Plan and under any other ISO plan of ours or of our subsidiaries, may not exceed $100,000. If any award that requires you to exercise the award for shares to be delivered terminates without having been exercised in full, or if any award payable in cash or shares is paid in cash rather than in shares, the unexercised portion of the award or the portion that was paid in cash will continue to be available for future awards.

Adjustments in Shares; Corporate Transactions

If a share dividend, share split, reverse split or similar change in our capitalization occurs, our Executive Compensation and Human Resources Committee (the "Committee") will make appropriate adjustments to the maximum number of shares that may be delivered under the 2003 Plan, the maximum number of shares with respect to which options or share appreciation rights may be granted to you in any calendar year, the exercise price of outstanding awards and the number of shares issuable after an award is exercised or vests.

If a corporate transaction occurs (such as a merger, consolidation or acquisition of property or shares), each outstanding award will be assumed by the surviving or successor entity. In the event of a proposed corporate transaction, however, the Committee may terminate all or a portion of any outstanding award, effective upon the closing of the corporate transaction, if the Committee determines that doing so is in our best interests. If so, the Committee will give you, if you hold an option or a share appreciation right, not less than seven days' notice before the termination, and you may exercise any option or share appreciation right that is to be so terminated, to the extent it is then exercisable, before the termination. Further, in the event of a corporate transaction, the Committee, in its discretion, may:

o accelerate the date on which options and share appreciation rights become exercisable;

o remove restrictions from outstanding restricted shares;

o cause the delivery of any performance shares, even if the associated performance goals have not been met;

o cause the delivery of any contract shares even if the date such shares are to be delivered has not been reached; and/or

o cause the payment of any dividend equivalent rights.

Finally, the Committee may, in lieu of the action described above, arrange to have the surviving or acquiring entity grant you a replacement award that, in the judgment of the Committee, is substantially equivalent to the replaced award.

Securities that may be Offered

Share Options. The 2003 Plan permits the Committee to grant ISOs and options that do not qualify as ISOs ("NQSOs"). Only our key employees or those of our subsidiaries may receive ISOs. The Committee also determines the exercise price of each option. The exercise price of an ISO, however, may not be less than 100% of the fair market value of the underlying shares on the date of grant (110% in the case of an ISO granted to a greater-than-10% shareholder, if any). The exercise price of any option may not be less than the par value of the underlying shares. The Committee may not reduce the exercise price of an option after it is granted.

The Committee will fix the term of each option, but no term may exceed 10 years from the date of grant (five years in the case of an ISO granted to a greater-than-10% shareholder, if any). The Committee will determine at what time or times each option may be exercised. The exercisability of options may be subject to any restrictions the Committee may determine, including your having to meet one or more performance goals based on the performance criteria set forth in "Performances Shares" below. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Committee.

The exercise price of an option granted under the 2003 Plan must be paid in full in cash or by check, bank draft or money order or, if the terms of the option permit, by delivery of shares you have held for a period of time required for them to be "mature" shares for accounting purposes, by delivery of an irrevocable undertaking by a broker to deliver promptly to us sufficient funds to pay the exercise price, or by any combination of the foregoing.

Share Appreciation Rights. The Committee may grant share appreciation rights, either alone or in tandem with options, entitling you upon exercise to receive an amount in cash and/or shares, as determined by the Committee, measured by the increase since the date of grant in the value of the shares covered by the right. Share appreciation rights granted in tandem with options will be exercisable only at the time or times, and to the extent, that the related option is exercisable and will terminate after the exercise of the related option. The Committee may accelerate the date or dates on which share appreciation rights not granted in tandem with share options may be exercised. Share appreciation rights may be subject to any restrictions the Committee may determine (including your having to meet one or more goals based on the performance criteria set forth in "Performance Shares" below).

Restricted Shares. The Committee may grant shares to you without payment, but subject to any restrictions the Committee may determine (including your having to meet one or more goals based on the performance criteria set forth in "Performance Shares" below). The Committee may accelerate the date(s) on which the restrictions will lapse. Before the lapse of restrictions on restricted shares, you will have voting and dividend rights on the shares, unless the Committee determines otherwise. If you make an election under Section 83(b) of the Code with respect to restricted shares, regarding the immediate recognition of income, you must provide us with a copy of the election within 10 days of filing your election with the Internal Revenue Service.

Performance Shares. The Committee may grant awards entitling you to receive shares without payment if certain performance criteria are met. Receipt of the shares may be conditioned on your achievement of goals using one or more of the following criteria: funds from operations, return on assets, return on net assets, asset turnover, return on equity, return on capital, market price appreciation of shares, economic value added, total shareholder return, net income, pre-tax income, earnings per share, operating profit margin, net income margin, sales margin, cash flow, market share, inventory turnover, sales growth, capacity utilization, increase in customer base, environmental health and safety, diversity or quality. The business criteria may be expressed in absolute terms or relative to the performance of other individuals or companies or to that of an index. The Committee may waive or modify any conditions in a performance share award at any time.

Contract Shares. The Committee may grant awards entitling you to receive shares without payment if you continue providing services to us or to one of our subsidiaries through the date or dates specified in your award agreement.

Bonus Shares. The Committee may grant awards entitling you to receive shares without payment as a bonus to you for services provided to us or to one of our subsidiaries.

Dividend Equivalent Rights. The Committee may grant awards entitling you to receive a benefit in lieu of cash dividends that would have been payable on any or all shares subject to another award granted to you, or that would have been payable on a number of notional shares unrelated to any award, in either case had the shares been outstanding.

Listing and Registration of Shares

If at any time we determine, in our discretion, that the listing, registration or qualification of shares issuable under the 2003 Plan on any securities exchange or under the laws of any jurisdiction or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the operation of the 2003 Plan, or that we or our shareholders or key employees should seek to obtain an exemption from any above-listed requirements or to continue any listing, registration or qualification, then the purchase or grant of shares under the 2003 Plan will be postponed unless and until the listing, registration, qualification, consent, approval or action has been effected, obtained or taken under conditions we deem acceptable. In addition, if you acquire shares under the 2003 Plan, you may be required to assure us satisfactorily that you are acquiring the shares for investment and not with a view to distribution.

Restrictions on Resale and Related Matters

The following is a brief summary of some of the restrictions on the resale of shares acquired under the 2003 Plan. The application of federal securities laws in particular situations may be complex, and you should seek professional advice before reselling your shares.

Securities Act of 1933 and Rule 144. Shares acquired under the 2003 Plan will be registered under the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the shares are not "restricted securities" within the meaning of Rule 144 under the Securities Act and, except for resales by our "affiliates," may be resold without reference to the requirements of Rule 144. Our "affiliates," under applicable SEC regulations and interpretations, are persons who, alone or with others, directly or indirectly, control us. Despite the registration of shares under the 2003 Plan, our "affiliates" may only sell shares in an exempt non-public sale or in compliance with the volume and manner of sale requirements of Rule 144.

Short-Swing Profit Restrictions. Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder, generally require directors, "officers" (as defined in the rules) and direct or indirect beneficial owners of more than 10% of our shares to repay us any "profits," as determined under the rules, that they may realize, directly or indirectly, from any purchase and sale, or sale and purchase, of our equity securities in any period of less than six months. The grant of an option in accordance with the 2003 Plan is an exempt purchase for short-swing profit liability purposes. Further, the exercise of an option under the 2003 Plan is not considered a purchase for short-swing profit liability purposes. The sale of shares received after exercising an option, except for the sale of previously held shares to pay the exercise price of an option, will be a non-exempt sale for purposes of short-swing profit liability, and so will be matched with other non-exempt purchases within six months before or after the sale.

The grant of a share appreciation right under the 2003 Plan generally is not considered a purchase for short-swing profit liability purposes. Further, the exercise of a share appreciation right under the 2003 Plan is not considered a purchase or sale for short-swing profit liability purposes.

The grant of a restricted share in accordance with the terms of the 2003 Plan is also exempt for short-swing profit liability purposes. The lapse of restrictions when a restricted share vests under the 2003 Plan also is exempt for short-swing profit liability purposes. Accordingly, the grant and vesting of a restricted share under the 2003 Plan will not be matched with any other share-related transaction, and will not result in short-swing profit liability. The sale of shares received under a restricted share award under the 2003 Plan, however, will constitute a non-exempt sale for purposes of short-swing profit liability, and so will be matched with non-exempt purchases within six months before or after the sale.

The grant of performance shares under the 2003 Plan similarly is exempt from short-swing profit liability, as is the vesting of performance shares. The sale of the shares received pursuant to the performance share award, however, is not exempt from short-swing profit liability and will be matched with non-exempt purchases made within six months before or after the sale.

The grant of contract shares under the 2003 Plan similarly is exempt from short-swing profit liability, as is the delivery of contract shares. The sale of the shares received pursuant to the contract share award, however, is not exempt from short-swing profit liability and will be matched with non-exempt purchases made within six months before or after the sale.

The grant of bonus shares under the 2003 Plan similarly is exempt from short-swing profit liability. The sale of the shares received pursuant to the bonus share award, however, is not exempt from short-swing profit liability and will be matched with non-exempt purchases made within six months before or after the sale.

Other. The resale of shares issued under the 2003 Plan, whether after the exercise of options received or through other awards under the 2003 Plan, is subject to other applicable provisions of the securities laws, including prohibitions against trading on inside information, as well as to the applicable terms of the 2003 Plan and of any share option or other agreements we enter into with you. Further, we refer you to "--Federal Income Tax Consequences" below for information concerning the federal income tax consequences of awards you have received under the 2003 Plan.

Administration

The 2003 Plan is administered by our Executive Compensation and Human Resources Committee, which consists of at least two trustees who are appointed by, and serve at the pleasure of, our Board of Trustees. The Committee has full authority, subject to the terms of the 2003 Plan and the merger agreement with Crown, to select the individuals to be granted awards under the 2003 Plan, to grant awards on our behalf, to set the terms of the awards and generally to administer the 2003 Plan. You may obtain additional information about the 2003 Plan and/or the Committee by contacting Pennsylvania Real Estate Investment Trust, The Bellevue, 200 South Broad Street, Third Floor, Philadelphia, PA 19102, Attention: Executive Compensation and Human Resources Committee; telephone 215-875-0700.

Amendment and Duration of 2003 Plan

The Committee may at any time discontinue granting awards under the 2003 Plan and the Committee may amend any outstanding award, other than lowering the exercise price of options. The Board may at any time terminate or amend the 2003 Plan, except that the following amendments may not be made without our shareholders' approval:

- an increase in the maximum number of shares with respect to which ISOs may be granted under the 2003 Plan;
- a change in the class of employees eligible to receive ISOs under the 2003 Plan;
- an extension of the 2003 Plan's duration with respect to ISOs;

- any amendment to the 2003 Plan requiring shareholder approval under the $1 million deduction limit on compensation in Section 162(m) of the Code; and
- any amendment of the 2003 Plan requiring shareholder approval under the rules of the New York Stock Exchange, or as required under any other applicable law, rule or regulation.

Further, no amendment or termination of the 2003 Plan may adversely affect your rights, without your consent, under any award previously granted. ISOs may not be granted under the 2003 Plan after July 23, 2013.

Transferability

No ISO granted under the 2003 Plan may be transferred other than by will or by the laws of descent and distribution. No other award may be transferred except to the extent provided in your award agreement. During your lifetime, an award requiring exercise may be exercised only by you, or in the event of your incapacity, the person(s) legally appointed to act on your behalf.

Treatment of Awards after Termination of Service

If your employment or service terminates by reason of death or disability, all options and share appreciation rights then held by you that were not exercisable immediately before the termination of service will terminate on that date, except as otherwise stated in your award agreement or your employment agreement. Any options or share appreciation rights that were exercisable or that became exercisable upon such an event will remain exercisable for one year from the date of termination, or for a shorter or longer period as stated in your award agreement or employment agreement. In the event of any other termination of employment or service, all options and share appreciation rights held by you that are not then exercisable will terminate, except as otherwise stated in your award agreement or employment agreement. Any options or share appreciation rights that were exercisable generally will continue to be exercisable for three months, or for a shorter or longer period as stated in your award agreement or employment agreement. Notwithstanding the post-termination exercise periods described above, no option or share appreciation right may be exercised beyond its original term.

If your employment or service is terminated for any reason, including death or disability, before the lapse of the restrictions on your restricted shares, you must forfeit the shares to us; except that your award agreement or employment agreement may provide that the restrictions lapse after a particular kind of termination of service. Except as otherwise stated in your award agreement or employment agreement, rights under performance share awards, contract share awards, bonus share awards and dividend equivalent rights to which you have not become irrevocably entitled will terminate upon your death, retirement or other termination of employment or service with us.

Federal Income Tax Consequences

We believe that, with respect to options and other awards granted under the 2003 Plan, the normal operation of the 2003 Plan generally should have, under the Code and the regulations and rulings thereunder, all as in effect on October 1, 2003, the principal federal income tax consequences described below. The consequences described below do not take into account any changes to the Code or the regulations thereunder that may occur after October 1, 2003.

ISOs. To the extent options granted to you under the 2003 Plan qualify the ISOs under Section 422 of the Code, our principal federal income tax consequences and yours generally should be as follows:

(1) You will not recognize taxable income on the grant of the ISO. Moreover, you generally will not recognize taxable income on your exercise of the ISO, provided you were our employee or that of any of our subsidiary corporations, as defined in Section 424(f) of the Code, during the entire period from the date of grant of the ISO until three months before the date of exercise, increased to 12 months if employment ceased due to permanent and total disability. An amount, generally equal to the excess of the fair market value of the shares over the exercise price at the time of exercise, however, will be included in your alternative minimum taxable income in the year of exercise. The employment requirement is waived if you die. Of course, in all of these situations, the ISO itself may provide a shorter exercise period after employment ceases than the allowable period under the Code. If the employment requirements described above are not met, the tax consequences relating to NQSOs, discussed below, will apply.

(2) If you dispose of the shares acquired under the ISO at least two years after we grant you the ISO and at least one year following the date the shares are transferred to you following your exercise of the ISO, you will recognize a long-term capital gain or loss equal to the difference between the amount realized on the disposition and the exercise price, assuming you held the shares as capital assets.

(3) If you make a disqualifying disposition of the shares, that is, you dispose of the shares within two years after we grant you the ISO or within one year after the shares are transferred to you following exercise of the ISO, but all other requirements of Section 422 of the Code are met, you generally will recognize ordinary income on disposition of the shares in an amount equal to the lesser of (i) the fair market value of the shares on the date of exercise minus the exercise price, or (ii) the amount realized on disposition minus the exercise price. Disqualifying dispositions of shares may also, depending on the sales price, result in either long-term or short-term capital gain or loss under the Code rules that govern other stock dispositions, assuming that you held the shares as capital assets.

(4) If all requirements of Section 422 of the Code, including the holding and employment requirements described in (1) and (2) above, are met, we are not entitled to any federal income tax deduction with respect to the ISO. If any of the requirements are not met, we will be allowed a federal income tax deduction to the extent of the ordinary

income includable in your gross income in accordance with the provisions of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the regulations under those Sections.

NQSOs. If options, when granted to you under the 2003 Plan, are NQSOs or if options, when granted to you, are intended to be ISOs but fail to qualify as ISOs, our principal federal income tax consequences and yours generally should be as follows:

(1) You will not recognize taxable income on the grant of the NQSO.

(2) You will recognize ordinary income at the time you exercise the NQSO, in an amount equal to the excess of the shares' fair market value at the time of the exercise over the exercise price.

(3) We will not be entitled to a deduction on the grant of the NQSO. We will be entitled to a deduction to the extent of the ordinary income you recognized in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the regulations under those Sections.

(4) Gain or loss that you recognize after a subsequent disposition of shares will be short-term or long-term capital gain or loss, if the shares are otherwise capital assets in your hands.

(5) Section 162(m) of the Code generally limits the extent to which the compensation paid to our chief executive officer, or the person acting in that capacity, and the four highest compensated executives other than the chief executive officer (collectively, the "Covered Employees") is deductible by us when the annual compensation for any Covered Employee exceeds $1,000,000 in a taxable year. Compensation for purposes of Section 162(m) includes cash compensation and non-cash benefits paid for services, including, with respect to NQSOs, the difference between the exercise price and the market value of the shares at the time of exercise, subject to some exclusions. However, if the 2003 Plan is approved by our shareholders, the spread on the exercise of NQSOs will not be treated as compensation for purposes of Section 162(m). Thus, we will be entitled to deduct any compensation recognized on the exercise of the NQSOs granted under the 2003 Plan.

Share Appreciation Rights. To the extent that we grant you share appreciation rights under the 2003 Plan and you exercise them, our principal federal income tax consequences and yours generally should be as follows:

(1) When we grant the share appreciation right, you recognize no taxable income, and we are not entitled to a deduction.

(2) When you exercise the share appreciation right, you recognize ordinary income as of the date of exercise in an amount equal to the excess of the fair market value of the shares on the date of exercise over the value on their date of grant.

(3) We are entitled to a deduction, in the same year in which you recognize income, to the extent of the amount includable in your gross income and in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the regulations under those Sections.

(4) Our otherwise allowable deduction for compensation paid or accrued to any Covered Employee generally is limited under Section 162(m) of the Code to $1,000,000 per taxable year. However, if the 2003 Plan is approved by our shareholders, the spread upon exercise of share appreciation rights will not be treated as compensation for purposes of Section 162(m). Thus, we will be entitled to deduct any compensation recognized on your exercise of share appreciation rights granted under the 2003 Plan.

Restricted Shares. Our principal federal income tax consequences and yours if you are granted restricted shares under the 2003 Plan generally should be as follows:

(1) When we grant you restricted shares, you will not recognize taxable income, and we will not be entitled to a deduction, unless you timely elect under Section 83(b) of the Code to be taxed at the time of the grant.

(2) When we pay dividends attributable to restricted shares, you will recognize ordinary income.

(3) After the lapse of all restrictions on shares issued through a restricted share award, you will recognize ordinary income in an amount equal to the fair market value of the shares on the date of vesting, unless you elected previously and timely under Section 83(b) of the Code to be taxed at the time of grant.

(4) The basis of the shares you receive after the vesting of restricted shares is the amount you recognized as income attributable to the shares, as described in (3) above. Your holding period for the shares begins on the day after the date of vesting. When you dispose of the shares, you will recognize a long-term or short-term capital gain or loss, under Code rules that govern stock dispositions, assuming that you held the shares as capital assets.

(5) Generally, we will be entitled to a deduction, in the same year in which you recognize income, equal to the amount of ordinary income includable in your gross income in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the regulations under those Sections.

(6) The otherwise allowable deduction for compensation paid or accrued to any Covered Employee generally is limited under Section 162(m) of the Code to $1,000,000 per taxable year. Restricted share grants, and the dividends received on them, should be treated as compensation for purposes of this $1,000,000 limit (unless the Covered Employee's vesting in them is subject to performance criteria).

(7) We recognize no gain or loss when we issue restricted

shares under the 2003 Plan.

Performance Shares. Our principal federal income tax consequences and yours if you are granted performance shares under the 2003 Plan generally should be as follows:

(1) When we grant you performance shares, you will recognize ordinary income in an amount equal to the fair market value of the shares on the date of grant.

(2) The basis of the shares you receive through the performance share award is the amount you recognize as income attributable to the shares, as described in (1) above. Your holding period for the shares begins on the day after the date of the grant. When you dispose of the shares, you will recognize a long-term or short-term capital gain or loss, under Code rules that govern stock dispositions, assuming that you held the shares as capital assets.

(3) Generally, we will be entitled to a deduction, in the same year in which you recognize income, equal to the amount of ordinary income includable in your gross income in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the regulations under those Sections.

(4) The otherwise allowable deduction for compensation paid or accrued to any Covered Employee generally is limited under Section 162(m) of the Code to $1,000,000 per year. However, if the 2003 Plan is approved by our shareholders, the performance shares will not be treated as compensation for purposes of Section 162(m). Thus, we will be entitled to deduct any compensation recognized through the Covered Employee's receipt of the performance shares.

(5) We recognize no gain or loss when we issue performance shares under the 2003 Plan.

Contract Shares. Our principal federal income tax consequences and yours if you are granted contract shares under the 2003 Plan generally should be as follows:

(1) You will not recognize taxable income on the grant of the contract shares.

(2) When we deliver the contract shares to you, you will recognize ordinary income in an amount equal to the fair market value of the shares on the date of delivery.

(3) The basis of the shares you receive through the contract share award is the amount you recognize as income attributable to the shares, as described in (2) above. Your holding period for the shares begins on the day after the date of the delivery. When you dispose of the shares, you will recognize a long-term or short-term capital gain or loss, under Code rules that govern stock dispositions, assuming that you held the shares as capital assets.

(4) Generally, we will be entitled to a deduction, in the same year in which you recognize income, equal to the amount of ordinary income includable in your gross income in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent

applicable, and the regulations under those Sections.

(5) The otherwise allowable deduction for compensation paid or accrued to any Covered Employee generally is limited under Section 162(m) of the Code to $1,000,000 per taxable year. Contract share awards should be treated as compensation for purposes of this $1,000,000 limit.

(6) We recognize no gain or loss when we issue contract shares under the 2003 Plan.

Bonus Shares. Our principal federal income tax consequences and yours if you are granted bonus shares under the 2003 Plan generally should be as follows:

(1) When we grant you the bonus shares, you will recognize ordinary income in an amount equal to the fair market value of the shares on the date of grant.

(2) The basis of the shares you receive through the bonus share award is the amount you recognize as income attributable to the shares, as described in (1) above. Your holding period for the shares begins on the day after the date of the grant. When you dispose of the shares, you will recognize a long-term or short-term capital gain or loss, under Code rules that govern stock dispositions, assuming that you held the shares as capital assets.

(3) Generally, we will be entitled to a deduction, in the same year in which you recognize income, equal to the amount of ordinary income includable in your gross income in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the regulations under those Sections.

(4) The otherwise allowable deduction for compensation paid or accrued to any Covered Employee generally is limited under Section 162(m) of the Code to $1,000,000 per year. However, if the 2003 Plan is approved by our shareholders, the bonus shares will not be treated as remuneration for purposes of Section 162(m) if they are payable only upon the Covered Employee's meeting certain performance criteria. In that case, we will be entitled to deduct any compensation recognized through the Covered Employee's receipt of the bonus shares.

(5) We recognize no gain or loss when we issue bonus shares under the 2003 Plan.

Dividend Equivalent Rights. If we grant you dividend equivalent rights under the 2003 Plan, our principal federal income tax consequences and yours generally should be as follows:

(1) You will recognize ordinary income not later than the date that the dividend equivalent rights are paid to you.

(2) We are entitled to a deduction, in the same year in which you recognize income, equal to the amount includable in your gross income in accordance with the rules of Section 83 of the Code, and Section 162(m) of the Code to the extent applicable, and the

regulations under those Sections.

(3) Our otherwise allowable deduction for compensation paid or accrued generally is limited under Section 162(m) of the Code to $1,000,000 per Covered Employee per year. Amounts attributable to dividend equivalent rights should be treated as compensation for purposes of the $1,000,000 limit.

Withholding Requirements

Our obligation to deliver shares after the exercise of any option, share appreciation right or other award under the 2003 Plan is subject to any applicable federal, state and local income tax withholding requirements. In addition, we are required to withhold FICA (Social Security) taxes on your income if you are an employee. In the case of an award under which shares may be delivered, the Committee may require that you remit to us an amount sufficient to satisfy the withholding requirements, or make other arrangements satisfactory to the Committee with regard to those requirements, before the delivery of any shares to you.

The Committee may permit or require you to satisfy these withholding obligations with respect to awards paid in shares by electing to have shares withheld from the award. Various additional tax consequences result from the use of shares to satisfy the withholding requirements. If you contemplate withholding shares in this manner, we strongly urge you to consult your tax advisor with respect to the associated tax treatment.

Other Considerations

The 2003 Plan is not a tax-qualified plan under Section 401(a) of the Code and, based on current law and published interpretations, we believe the 2003 Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

The above paragraphs are only a summary of some of the federal income tax consequences relating to the 2003 Plan. We have not considered the effects of state, local and other laws, including, without limitation, tax laws, on the 2003 Plan or on you. These laws will vary depending on the particular jurisdiction(s) involved.

Because of the complexities involved in the application of federal, state and local tax laws to specific circumstances, and the uncertainties as to possible future changes in the tax laws, we strongly urge you to consult a tax advisor with respect to your own situation.

DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following summary of the material terms of PREIT's shares of beneficial interest does not include all of the terms of the shares and should be read together with the trust agreement and by-laws of PREIT and applicable Pennsylvania law. In addition, this summary includes a description of the 11.00% Non-Convertible, Senior Preferred Shares of Beneficial Interest, par value $0.01 per share, liquidation preference $50.00 per share (the "11% preferred shares") of PREIT that will be issued by PREIT to the holders of the 11% preferred shares of Crown American Realty Trust upon completion of PREIT's proposed merger with Crown. Accordingly, you should read the form of the designating amendment to PREIT's trust agreement for such preferred shares. The PREIT trust agreement and by-laws and the form of designating amendment are incorporated by reference into the registration statement of which this prospectus is a part.

Authorized Capital Stock

Under the PREIT trust agreement, PREIT has the authority to issue up to 100,000,000 shares of beneficial interest and up to 25,000,000 preferred shares.

Shares of Beneficial Interest

Voting, Dividend and Other Rights. Subject to the provisions of the PREIT trust agreement regarding "Excess Shares" (See "--REIT Ownership Limitations and Transfer Restrictions Applicable to PREIT Shares of Beneficial Interest and 11% Preferred Shares"), (i) the holders of PREIT shares are entitled to one vote per share on all matters voted on by shareholders, including elections of trustees, and (ii) subject to the rights of holders of any preferred shares, including the PREIT 11% preferred shares, the holders of PREIT shares are entitled to a pro rata portion of such distributions as may be declared from time to time by the trustees from funds available therefor, and upon liquidation are entitled to receive pro rata all of the assets available for distribution to such holders. See "--New 11% Preferred Shares--Dividends and --Liquidation." The majority of shares voting on a matter at a meeting at which at least a majority of the outstanding shares are present in person or by proxy constitutes the act of the shareholders, except with respect to the election of trustees (see below). The PREIT trust agreement permits the holders of securities of PREIT affiliates to vote with PREIT shareholders on certain matters, and PREIT trustees have granted that right to certain holders of currently outstanding PREIT Partnership Units with respect to fundamental changes in PREIT (i.e. mergers, consolidations and sales of substantially all of PREIT's assets). See "- Summary of the Operating Partnership Agreement and PREIT Partnership Units - Authorization of PREIT Partnership Units and Voting Rights." Shareholders do not have any pre-emptive rights to purchase PREIT securities.

The PREIT trust agreement provides that the trustees may issue multiple classes and series of shares of beneficial interest and, subject to the rights of the holders of the PREIT 11% preferred shares, classes and series of preferred shares having preferences to the existing shares in any matter, including rights in liquidation or to dividends and option rights (including shareholder rights plans), and other securities having conversion or option rights and may authorize the creation and issuance by PREIT subsidiaries and

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affiliates of securities having conversion and option rights in respect of shares. Thus, the rights of holders of existing shares of beneficial interest are subject and junior to preferred rights, including the rights of holders of the PREIT 11% preferred shares as to dividends and in liquidation (and other such matters) and to the extent set forth in any subsequently authorized preferred shares or class of preferred shares.

Board of Trustees. The board of trustees is divided into three classes serving staggered three-year terms. The PREIT trust agreement does not provide for cumulative voting in the election of trustees, and the candidates receiving the highest number of votes are elected to the office of trustee.

Trustee Nomination Process. The PREIT trust agreement provides that nominations for election to the office of trustee at any annual or special meeting of shareholders shall be made by the trustees, or by petition in writing delivered to the secretary not fewer than 35 days before the meeting signed by the holders of at least two percent of the shares outstanding on the date of the petition. Nominations not made in accordance with these procedures will not be considered unless the number of persons nominated is fewer than the number of persons to be elected to the office of trustee at the meeting. In this latter event, nominations for the trustee positions that would not otherwise be filled may be made at the meeting by any person entitled to vote in the election of trustees.

New 11% Preferred Shares

In connection with the proposed merger of PREIT and Crown, PREIT will issue 11% preferred shares to current holders of Crown 11% preferred shares. The number of shares designated as PREIT 11% preferred shares will be 2,475,000. The number of 11.00% preferred shares may be decreased by the PREIT board from time to time, though not below the number of PREIT 11% preferred shares then outstanding. The terms of the new PREIT 11% preferred shares will be identical in all material respects to the existing Crown 11% preferred shares.

Rank. The PREIT 11% preferred shares will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of PREIT, rank senior to all classes or series of equity securities of PREIT, except that the PREIT 11% preferred shares will rank on a parity with additional preferred shares issued by PREIT the terms of which specifically provide that such preferred shares rank on a parity with the PREIT 11% preferred shares with respect to dividend rights or rights upon liquidation, dissolution or winding up of PREIT so long as the aggregate liquidation preference of the additional preferred shares and the PREIT 11% preferred shares together do not exceed $123,750,000.

Dividends. Holders of the PREIT 11% preferred shares will be entitled to receive, when, as and if declared by the board of trustees, out of funds legally available for the payment of dividends, cumulative, preferential cash dividends in an amount per share equal to $5.50 per annum. Each dividend will be payable to holders of record as they appear on the transfer books of PREIT on the record date as provided below.

In addition, holders of the PREIT 11% preferred shares may be eligible to receive additional dividends ("Additional Dividends") from time to time if PREIT's "Total Debt" (as defined in the designating amendment) exceeds the product of 6.5 times "EBITDA" (as defined in the designating amendment) (the

"Leverage Ratio") without the consent of the holders of at least 50% of the PREIT 11% preferred shares outstanding at that time. Holders who consent to a waiver of such restriction will be paid a consent fee. If required to be paid, Additional Dividends will be for an amount per share equal to 0.25% of the Preferred Liquidation Preference Amount (as defined below) on an annualized basis for the first quarter with respect to which an Additional Dividend is due. For each quarter thereafter that PREIT continues to exceed the permitted Leverage Ratio, the Additional Dividend will increase by an amount per share equal to an additional 0.25% of the Preferred Liquidation Preference Amount on an annualized basis. However, the maximum total dividend on the PREIT 11% preferred shares, including any Additional Dividends, will not at any time exceed 13% of the Preferred Liquidation Preference Amount per annum.

If any PREIT 11% preferred shares are outstanding, no full dividends will be declared or paid or set apart for payment on the capital shares of PREIT or any other series ranking, as to dividends, on a parity with or junior to the PREIT 11% preferred shares for any period unless full cumulative dividends (including any Additional Dividends) have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the PREIT 11% preferred shares for all past dividend periods and the then current dividend period. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the PREIT 11% preferred shares and the shares of any series of preferred shares ranking on a parity as to dividends with the PREIT 11% preferred shares, all dividends declared upon the PREIT 11% preferred shares and any series of preferred shares ranking on a parity as to dividends with the PREIT 11% preferred shares will be declared pro rata so that the amount of dividends declared per share on the PREIT 11% preferred shares and such other series of preferred shares will in all cases bear to each other the same ratio that accrued and unpaid dividends per PREIT 11% preferred share and such other series of preferred shares bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the PREIT 11% preferred shares which may be in arrears.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends (including any Additional Dividends) on the PREIT 11% preferred shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than distributions payable in PREIT common shares or other capital shares ranking junior to the PREIT 11% preferred shares as to dividends and upon liquidation, dissolution or winding up of PREIT) will be declared or paid or set aside for payment, and no other distribution will be declared or made, upon the PREIT common shares or any other capital shares of PREIT ranking junior to or on a parity with the PREIT 11% preferred shares as to dividends, nor will any PREIT common shares or any other capital shares of PREIT ranking junior to or on a parity with the PREIT 11% preferred shares as to dividends or upon liquidation, dissolution or winding up of PREIT be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by PREIT (except by conversion into or exchange for other capital shares of PREIT ranking junior to the PREIT 11% preferred shares as to dividends and upon liquidation, dissolution and winding up).

Any dividend payment made on PREIT 11% preferred shares will first be credited against the earliest accrued but unpaid dividend due with respect to the PREIT 11% preferred shares which remains payable.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of PREIT, the holders of PREIT 11% preferred shares will be entitled to be paid out of the assets of PREIT legally available for distribution to its shareholders a liquidation preference equal to the sum of $50.00 per share plus an amount equal to any accrued and unpaid dividends thereon (whether or not earned or declared) to the date of payment (the "Preferred Liquidation Preference Amount"), before any distribution of assets is made to holders of PREIT common shares or any other capital shares that rank junior to the PREIT 11% preferred shares as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the PREIT 11% preferred shares will have no right or claim to any of the remaining assets of PREIT.

If liquidating distributions have been made in full to all holders of PREIT 11% preferred shares, the remaining assets of PREIT will be distributed among the holders of any other classes or series of capital shares ranking junior to PREIT 11% preferred shares upon liquidation, dissolution or winding up of PREIT, according to their respective rights and preferences and in each case according to their respective number of shares.

The consolidation or merger of PREIT with or into any other corporation, or the sale, lease, transfer or conveyance of all or substantially all of the property or business of PREIT, will not be deemed to constitute a liquidation, dissolution or winding up of PREIT for these purposes.

Redemption. The PREIT 11% preferred shares will not be redeemable prior to July 31, 2007, except under certain limited circumstances to preserve PREIT's status as a REIT. See "--REIT Ownership Limitations and Transfer Restrictions Applicable to PREIT Shares of Beneficial Interest and 11% Preferred Shares." On and after July 31, 2007, PREIT, at its option (to the extent PREIT has legally available funds) upon not less than 30 nor more than 60 days written notice, may redeem the PREIT 11% preferred shares, in whole or in part, at any time or from time to time, during the periods and at the redemption price set forth below plus any accrued and unpaid dividends to the date of redemption:

Redemption Period	Redemption Price Per 11% Preferred Share
July 31, 2007 through July 30, 2009	$52.50
July 31, 2009 through July 30, 2010	$51.50
On or after July 31, 2010	$50.00

Notwithstanding the foregoing, unless full cumulative dividends on all outstanding PREIT 11% preferred shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, (i) no PREIT 11% preferred shares will be redeemed unless all outstanding PREIT 11% preferred shares are simultaneously redeemed; except, that the foregoing will not prevent the purchase or acquisition of PREIT 11%

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preferred shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding PREIT 11% preferred shares, and (ii) PREIT will not purchase or otherwise acquire directly or indirectly through a subsidiary or otherwise, any PREIT 11% preferred shares.

If fewer than all of the outstanding PREIT 11% preferred shares are to be redeemed, the number of shares to be redeemed will be determined by PREIT and such shares may be redeemed pro rata from the holders of record of such shares in proportion to the number of such shares held by such holders (as nearly as may be practicable without creating fractional PREIT 11% preferred shares) or any other equitable method determined by PREIT.

All PREIT 11% preferred shares redeemed will be retired and will be restored to the status of authorized and unissued preferred shares, without designation as to series, and may thereafter be reissued as any series of preferred shares.

The PREIT 11% preferred shares have no stated maturity and will not be subject to any sinking fund.

Voting Rights. Holders of the PREIT 11% preferred shares will not have any voting rights, except as set forth below or as otherwise from time to time required by law. Subject to the provisions in the PREIT trust agreement regarding Excess Shares, in any matter in which the PREIT 11% preferred shares may vote, including any action by written consent, each share will be entitled to one vote. The holders of each share may separately designate a proxy for the vote to which that share is entitled.

Whenever dividends on any PREIT 11% preferred shares have been in arrears for six or more quarterly dividend periods (regardless of whether such periods are consecutive), the holders of such PREIT 11% preferred shares (voting separately as a class with all other series of preferred shares upon which rights to vote on such matter with PREIT 11% preferred shares have been conferred and are then exercisable) will be entitled to vote for the election of two additional trustees of PREIT at a special meeting called by the holders of record of at least 10% of the PREIT 11% preferred shares and any other preferred shares, if any (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders), or at the next annual meeting of shareholders, and at each subsequent annual meeting until all dividends accumulated on such PREIT 11% preferred shares for the past dividend periods and the then current dividend period have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In this event, the entire board will be increased by two trustees. Each of the two trustees will be elected to serve until the earlier of (i) the election and qualification of the trustee's successor or (ii) payment of the dividend arrearage for the PREIT 11% preferred shares.

If any trustee elected by the holders of the PREIT 11% preferred shares ceases to serve as a trustee before the trustee's term expires, the holders of the PREIT 11% preferred shares (and any other series of preferred shares, if any, entitled to vote on such matter, as described above) then outstanding may, at a special meeting of the holders called as provided above, elect a successor to hold office for the unexpired term of the trustee whose place is vacant.

So long as any PREIT 11% preferred shares remain outstanding, PREIT will not (i) without the affirmative vote or consent of the holders of all of the PREIT 11% preferred shares outstanding at the time (such series voting separately as a class), authorize, create or issue, or increase the authorized or issued amount of, any class or series of capital shares ranking senior to the PREIT 11% preferred shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (ii) without the affirmative vote or consent of the holders of at least two-thirds of the PREIT 11% preferred shares outstanding at the time (such series voting separately as a class), amend, alter or repeal the provisions of the PREIT trust agreement, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the PREIT 11% preferred shares or the holders thereof; except that any increase in the amount of the authorized preferred shares, or the creation or issuance of any other series of preferred shares, or any increase in the amount of authorized shares of preferred shares or any other series of preferred shares, in each case ranking on a parity with or junior to the PREIT 11% preferred shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of PREIT, will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.