

Pennsylvania Real Estate Investment Trust
Assets and Liabilities - Equity Method Investments, at Ownership Share (Non-GAAP)
(in thousands, except per share amounts)

	As of September 30, 2016	As of December 31, 2015
ASSETS:		
Investments in real estate, at cost:		
Operating properties	\$ 305,310	\$ 302,570
Construction in progress	75,195	62,642
Total investments in real estate	380,505	365,212
Accumulated depreciation	(102,574)	(95,768)
Net investments in real estate	277,931	269,444
Cash and cash equivalents	15,458	14,899
Deferred costs and other assets, net	17,317	19,484
Total assets	310,706	303,827
LIABILITIES:		
Mortgage loans payable	201,217	201,272
Other liabilities	4,957	7,073
Total liabilities	206,174	208,345
Net investment	\$ 104,532	\$ 95,482
Reconciliation to comparable GAAP balance sheet item:		
Investment in partnerships, at equity	\$ 166,149	\$ 161,029
Distributions in excess of partnership investments	(61,617)	(65,547)
Net investment	\$ 104,532	\$ 95,482

The non-GAAP financial information presented above includes financial information attributable to our share of unconsolidated properties. This proportionate financial information is non-GAAP financial information, but we believe that it is helpful information because it reflects the pro rata contribution from our unconsolidated properties that are owned through investments accounted for under GAAP using the equity method of accounting. Under such method, changes in our investments in these entities are recorded in the balance sheet caption entitled "Investment in partnerships, at equity." In the case of deficit investment balances, such amounts are recorded in "Distributions in excess of partnership investments."

To derive the proportionate financial information reflected in the tables above we multiplied the percentage of our economic interest in each partnership on a property-by-property basis by each line item. Under the partnership agreements relating to our current unconsolidated partnerships with third parties, we own a 25% to 50% economic interest in such partnerships, and there are generally no provisions in such partnership agreements relating to special non-pro rata allocations of income or loss, and there are no preferred or priority returns of capital or other similar provisions. While this method approximates our indirect economic interest in our pro rata share of the assets and liabilities of our unconsolidated partnerships, we do not control these partnerships or have a direct legal claim to the assets, liabilities, revenues or expenses of the unconsolidated partnerships beyond our rights as an equity owner in the event of any liquidation of such entity. Our percentage ownership is not necessarily indicative of the legal and economic implications of our ownership interest.