

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2013-03-19** | Period of Report: **2012-12-31**  
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FILER

**PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT**

CIK: **801348** | IRS No.: **221944557** | State of Incorporation: **AZ** | Fiscal Year End: **1231**  
Type: **10-K** | Act: **34** | File No.: **033-08698** | Film No.: **13702402**  
SIC: **6500** Real estate

Mailing Address	Business Address
<i>PRUCO LIFE INSURANCE CO 213 WASHINGTON STREET NEWARK NJ 07102</i>	<i>213 WASHINGTON STREET NEWARK NJ 07102-2992 9738026196</i>

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 10-K**

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(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file Number 033-08698

PRUCO LIFE INSURANCE COMPANY

in respect of

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**PRUCO LIFE VARIABLE CONTRACT REAL  
PROPERTY ACCOUNT**

(Exact name of registrant as specified in its charter)

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Arizona  
(State or other jurisdiction of  
incorporation or organization)

22-1944557  
(IRS Employer  
Identification No.)

213 Washington Street, Newark, New Jersey 07102-2992  
(Address of principal executive offices) (Zip Code)

(973) 802-6000  
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of this Act) Yes  No

#### DOCUMENTS INCORPORATED BY REFERENCE

INFORMATION REQUIRED TO BE FURNISHED PURSUANT TO PART III OF THIS FORM 10-K IS SET FORTH IN, AND IS HEREBY INCORPORATED BY REFERENCE HEREIN FROM, THE DEFINITIVE PROXY STATEMENT OF PRUDENTIAL FINANCIAL, INC., FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 14, 2013, TO BE FILED BY PRUDENTIAL FINANCIAL, INC. WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO REGULATION 14A NOT LATER THAN 120 DAYS AFTER DECEMBER 31, 2012.

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**THE PRUCO LIFE VARIABLE CONTRACT**  
**REAL PROPERTY ACCOUNT**  
**(Registrant)**

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## Forward-Looking Statement Disclosure

Certain of the statements included in this Annual Report on Form 10-K, including but not limited to those in Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as "expects," "believes," "anticipates," "includes," "plans," "assumes," "estimates," "projects," "intends," "should," "will," "shall" or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon Pruco Life Insurance Company, or the "Company", or the Pruco Life Variable Contract Real Property Account, or the "Real Property Account". There can be no assurance that future developments affecting the Company and the Real Property Account will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including, among others: (1) general economic, market and political conditions, including the performance and fluctuations of fixed income, equity, real estate and other financial markets; (2) interest rate fluctuations or prolonged periods of low interest rates; (3) reestimates of our reserves for future policy benefits and claims; (4) differences between actual experience regarding mortality, longevity, morbidity, persistency, surrender experience, interest rates, or market returns and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes; (5) changes in our assumptions related to deferred policy acquisition costs and value of business acquired; (6) changes in our financial strength or credit ratings; (7) investment losses and defaults; (8) competition in our product lines and for personnel; (9) changes in tax law; (10) regulatory or legislative changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (11) adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities; (12) domestic or international military actions, natural or man-made disasters including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life; (13) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; (14) changes in statutory or "U.S. GAAP" accounting principles, practices or policies; (15) interruption in telecommunication, information technology or other operation systems or failure to maintain the security, confidentiality or privacy of sensitive data on such systems. The Company and the Real Property Account do not intend, and are under no obligation, to update any particular forward-looking statement included in this document. See "Risk Factors" included in this Annual Report on Form 10-K for discussion of certain risks relating to the operation of the Partnership and investment in our securities.

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## PART I

### **Item 1. Business**

The Pruco Life Variable Contract Real Property Account (the “Real Property Account” or the “Registrant”) was established on August 27, 1986. Pursuant to New Jersey law, the Real Property Account was established as a separate investment account of The Prudential Insurance Company of America (“Prudential”). The Real Property Account was established to provide a real estate investment option offered in connection with the funding of benefits under certain variable life insurance and variable annuity contracts (the “Contracts”) issued by Prudential.

The assets of the Real Property Account are invested in The Prudential Variable Contract Real Property Partnership (the “Partnership”). The Partnership, a general partnership organized under New Jersey law on April 29, 1988, was formed through an agreement among The Prudential Insurance Company of America, Pruco Life Insurance Company and Pruco Life Insurance Company of New Jersey, to provide a means for assets allocated to the real estate investment option under certain variable life insurance and variable annuity contracts issued by the respective companies to be invested in a commingled pool.

The Partnership has an investment policy of investing at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans. The largest portion of these real estate investments are direct ownership interests in income-producing real estate, such as office buildings, shopping centers, hotels, apartments, or industrial properties. Approximately 10% of the Partnership’s assets are generally held in cash or invested in liquid instruments and securities although the Partners reserve discretion to increase this amount to meet partnership liquidity requirements.

**Office Properties** - The Partnership owns office properties in Lisle, Illinois; Brentwood, Tennessee; and Beaverton, Oregon. Total square footage owned is approximately 361,023, of which 87%, or 312,719 square feet, are leased between 1 and 10 years.

**Apartment Complexes** - The Partnership owns apartment properties in Austin, Texas; Charlotte, North Carolina; Raleigh, North Carolina; and Seattle, Washington, comprising a total of 674 apartment units, of which 96%, or 645 units, are leased. Leases range from month-to-month to eighteen months.

**Retail Properties** - The Partnership owns retail properties in Dunn, North Carolina; Hampton, Virginia; Ocean City, Maryland; Roswell, Georgia; and Westminster, Maryland. Total square footage owned is approximately 731,830 of which 76%, or 557,137 square feet, are leased between 1 and 30 years.

**Hotel Property** - The Partnership owns a hotel property in Lake Oswego, Oregon. This investment has 161 rooms. Occupancy for 2012 averaged 67%.

**Investment in Real Estate Trust** - The Partnership liquidated its entire investment in Real Estate Investment Trust (“REIT”) shares in December 2001 and its preferred equity investment in a REIT in March 2012.

The Partnership’s investments are maintained so as to meet the diversification requirements set forth in treasury regulations issued pursuant to Section 817(h) of the Internal Revenue Code relating to the investments of variable life insurance and variable annuity separate accounts. Section 817(h) requires, among other things, that the partnership will have no more than 55% of the assets invested in any one investment, no more than 70% of the assets will be invested in any two investments, no more than 80% of the assets will be invested in any three investments, and no more than 90% of the assets will be invested in any four investments. To comply with regulatory requirements of the State of Arizona, the Partnership will limit additional investments in any one parcel or related parcels to an amount not exceeding 10% of the Partnership’s gross assets as of the prior fiscal year.

For information regarding the Partnership’s investments, operations, and other significant events, see Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations and Financial Statements and Supplementary Data.

The following is a description of general conditions in the U.S. real estate markets. It does not relate to specific properties held by the Partnership. The Partnership does not have widely diversified holdings; therefore, the discussions of vacancy rates, property values and returns in this section are not necessarily relevant to the Partnership’s portfolio. These results are not indicative of future performance.

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## Market Conditions

U.S. real gross domestic product (GDP) increased at an annual rate of 3.1% for the quarter ended September 30, 2012. Moody's Analytics, a leading economic data and research firm, predicts GDP will increase 2% in 2013 and 4% in 2014. The U.S. economy added 1.84 million jobs in 2012, the same amount created in 2011. This growth is supporting an improvement in the commercial real estate market. Space market fundamentals are improving in certain sectors and markets, particularly in the apartment sector. Capital flows to real estate remain strong as investors seek income yield and stability of the U.S. market.

## Debt Markets

The lending market continues to improve for borrowers. Loan rates are at historic lows, and loan proceeds are increasing, producing a favorable environment for borrowers. Activity in the commercial mortgage-backed securities (CMBS) market increased to \$48 billion in 2012, up from \$32.7 billion in 2011, according to Commercial Mortgage Alert, a leading trade publication that tracks the commercial mortgage market. Government-sponsored agencies issued \$37.2 billion of CMBS backed by apartment buildings through the quarter ended September 30, 2012, already surpassing the 2011 issuances of \$33.9 billion (CMA). Life insurance companies are still active, but feeling competition from CMBS lenders. Life insurance companies wrote \$34.8 billion of mortgages through the first three quarters of 2012, roughly on pace to match 2011's record \$45.5 billion, according to the American Council of Life Insurers, an insurance trade group.

## REIT Market

The U.S. REIT market strengthened further in 2012. The FTSE NAREIT Equity REIT Index, which tracks the performance of U.S. equity REITs and is published jointly by the FTSE Group and the National Association of Real Estate Investment Trusts (NAREIT), posted a return of 18.1% in 2012, compared to 8.3% in 2011. REIT funds continue to see record levels of inflows, due mainly to investors' preference for dividend-producing stocks in a low interest rate environment. Through the quarter ended September 30, 2012, dedicated REIT mutual funds and exchange-traded funds (ETFs) had positive inflows of \$18 billion, far surpassing the total in any previous year, according to Citigroup. REITs continued to strengthen their balance sheets, raising \$71.8 billion of debt and equity in 2012, according to SNL Securities, a leading provider of data and analysis of the banking sector.

## Property Markets

Tenant demand for commercial real estate increased last year, owing to improving economic conditions and an increased employment base. Vacancy rates in office, retail, and warehouse sectors declined slightly in 2012, according to Property & Portfolio Research (PPR), a Boston-based real estate research firm. Apartments and high-end hotels saw strong improvements in performance with rents and occupancy rates moving significantly higher in select markets. Development activity is low in all sectors except apartments, where improving fundamentals have spurred increased construction activity. Improving space market fundamentals has benefited property values. Overall property values rose 7% over the 12 months ending November 2012, according to Green Street Advisors' Property Price Index.

*Apartments:* The national apartment vacancy rate declined to 4.6% as of September 30, 2012, the lowest level since the quarter ended June 30, 2001, according to Reis, a provider of real estate performance data. Rents expanded 4.1% year over year in the quarter ended December 31, 2012, according to PPR. Moderate job growth and the expanding population of 20-34 year olds, who make up the prime renter demographic, will likely continue to drive rental demand in 2013.

*Retail:* Modest increases in absorption and very little new construction have prompted some improvement in the retail market. Vacancy rates in the retail segment were 7.2% in the fourth quarter of 2012, 20 basis points lower than in the third quarter, according to PPR. Occupancy and rents are rising at class-A malls, but strip malls are still struggling. Some retail chains are downsizing stores due to increased emphasis on internet sales.

*Office:* National office vacancies declined for third consecutive year in 2012. Office vacancies declined to 15.4% in the quarter ended December 31, 2012, 60 basis points lower than in the year-earlier period, according to CBRE Econometric Advisors, a Boston-based commercial real estate research firm. Office absorption is concentrated in markets dominated by technology and energy firms, which

had the largest occupancy gains in 2012. Office absorption may be slowed by backfilling of existing tenant space and shrinking tenant footprints, but improving office-using job growth will likely generate increased demand for space.

*Industrial:* Absorption of warehouse space has increased for seven straight quarters, but the total amount remains low, according to PPR. Amazon and other internet sellers are fueling demand, which is focused on big boxes that were built in recent years. Vacancy rates declined to 8.4% in the quarter ended December 31, 2012, 40 basis points lower than in the quarter ended September 30, 2012, according to PPR. Development activity remains low at only 0.25% of existing stock on an annual basis (PPR). Improving global economic conditions and manufacturing output in the U.S., along with recovery in the housing market, are all positive signs for the sector.



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*Hotel:* Hotel fundamentals are strong. According to Smith Travel Research (STR), a leading provider of hotel sector data, a record 1.1 billion room nights were sold in 2012, fueled by demand from travelers and group bookings. Hotel occupancy and revenue increased for the third straight year in 2012. Revenue per available room (RevPAR) has risen 6.8% year-to-date through November 2012, after annual increases of 8% in 2010 and 2011.

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## **Item 1A. Risk Factors**

*You should carefully consider the following risks. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under "Forward-Looking Statements" above and the risks of our business described elsewhere in this Annual Report on Form 10-K.*

### **Market fluctuations and general economic, market and political conditions may adversely affect our business and profitability.**

Our business and our results of operations may be materially adversely affected by conditions in the global financial markets and by economic conditions generally.

Even under relatively favorable market conditions, our insurance and annuities products, as well as our investment returns and our access to and cost of financing, are sensitive to fixed income, equity, real estate and other market fluctuations and general economic, market and political conditions. These fluctuations and conditions could adversely affect our results of operations, financial position and liquidity, including in the following respects:

The profitability of many of our insurance and annuities products depends in part on the value of the separate accounts supporting these products, which fluctuate substantially depending on the foregoing conditions.

A change in market conditions, such as high inflation and high interest rates, could cause a change in consumer sentiment adversely affecting sales and persistency of our savings and protection products. Conversely, low inflation and low interest rates could cause persistency of these products to vary from that anticipated and adversely affect profitability (as further described below). Similarly, changing economic conditions and unfavorable public perception of financial institutions can influence customer behavior, including but not limited to increasing claims or surrenders in certain product lines.

Sales of our products and services may decline, and lapses and surrenders of variable life and annuity products may increase if a market downturn, increased market volatility or other market conditions result in customers becoming dissatisfied with their investments or products.

Adverse developments in the U.S. or global economy resulting from the continuing uncertainty about the Federal Reserve's monetary policy and the ongoing debate over the federal debt ceiling and its temporary suspension, sequestration (the automatic reduction in defense and non-defense spending) and the funding of the U.S. government operating under a temporary resolution could adversely affect our investment results, results of operations and financial position.

### **Adverse capital market conditions could significantly affect our ability to meet liquidity needs, our access to capital and our cost of capital.**

Adverse capital market conditions could affect the availability and cost of borrowed funds and could impact our ability to refinance existing borrowings, thereby ultimately impacting our profitability and ability to support or grow our businesses. We need liquidity to pay our operating expenses and interest on our debt and replace certain maturing debt obligations. The principal sources of our liquidity are insurance premiums, annuity considerations, cash flow from our investment portfolio, and fees from separate account assets.

In the normal course of business, the Partnership enters into loan agreements with certain lenders to finance its real estate investment transactions. Unfavorable economic conditions could increase related borrowing costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Partnership. There is no guarantee that the Partnership's borrowing arrangements or ability to obtain leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Partnership. Further, these loan agreements contain, among other conditions, events of default and various covenants and representations. In the normal course of business, the Partnership may be in the process of renegotiating terms for loans outstanding that have passed their maturity dates. At December 31, 2012, the Partnership had no outstanding matured loans.

A decline in market value of the Partnership's assets may also have particular adverse consequences in instances where the Partnership borrowed money based on the fair value of specific assets. A decrease in market value of these assets may result in the lender requiring the Partnership to post additional collateral or otherwise repay these loans.



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In the event the Partnership's current investment obligations are not refinanced or extended when they become due and/or the Partnership is required to repay such borrowings and obligation, management anticipates that the repayment of these obligations will be provided by operating cash flow, new debt refinancing, and real estate investment sales.

**The companies offering the Contracts and the Partnership are heavily regulated and changes in regulation may reduce our profitability.**

Our business is subject to comprehensive regulation and supervision. The purpose of this regulation is primarily to protect our customers. Many of the laws and regulations to which we are subject are regularly re-examined, and existing or future laws and regulations may become more restrictive or otherwise adversely affect our operations. The financial market dislocations we have experienced have produced, and are expected to continue to produce, extensive changes in existing laws and regulations, and regulatory frameworks, applicable to our business.

The Company is subject to the rules and regulations of the SEC relating to public reporting and disclosure, accounting and financial reporting, and corporate governance matters. The Sarbanes-Oxley Act of 2002 and rules and regulations adopted in furtherance of that Act have substantially increased the requirements in these and other areas for the Company and certain of our affiliates. Our internal controls over financial reporting may have gaps or other deficiencies and there is no assurance that significant deficiencies or material weaknesses in internal controls may not occur in the future. Any such gaps or deficiencies may require significant resources to remediate and may also expose the Company to litigation, regulatory fines or penalties or other losses.

Many insurance regulatory and other governmental or self-regulatory bodies have the authority to review our products and business practices and those of our agents and employees and to bring regulatory or other legal actions against us if, in their view, our practices, or those of our agents or employees, are improper. These actions can result in substantial fines, penalties or prohibitions or restrictions on our business activities and could adversely affect our business, reputation, results of operations or financial condition.

Insurance regulators have implemented changes in the way in which companies must determine statutory reserves for variable annuities and products with similar guarantees as of the end of 2009. Insurance regulators continue to proceed to develop a principles based reserving approach for life insurance products. The timing and the effect of these changes are still uncertain.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition or results of operations.

**The Dodd-Frank Wall Street Reform and Consumer Protection Act has and will subject the Company, our parent and our affiliates to substantial additional federal regulation and we cannot predict the effect on our business, results of operations, cash flows or financial condition.**

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), subjects us to substantial federal regulation. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, a process that is underway and expected to continue over the next few years. We cannot predict with any certainty the requirements of the regulations recently or not yet adopted or how Dodd-Frank and such regulations will affect the financial markets generally, impact our business, Prudential Financial's credit ratings or our financial strength ratings, results of operations, cash flows or financial condition or advise or require us to hold or raise additional capital. Key aspects of Dodd-Frank's impact on us include:

On October 19, Prudential Financial, received notice that it is under consideration by the Financial Stability Oversight Council ("Council") for a proposed determination that Prudential Financial should be subject to stricter prudential regulatory standards and supervision by the Board of Governors of the Federal Reserve System ("FRB") pursuant to Dodd-Frank as a "Designated Financial Company." We cannot predict whether Prudential Financial will be designated as a Designated Financial Company. If so designated, Prudential Financial would become subject to stricter prudential standards, including stricter requirements and limitations relating to risk-based capital, leverage, liquidity and credit exposure, and a requirement to maintain a plan for rapid and orderly dissolution in the event of severe financial distress. Failure to meet defined measures of financial condition could result in substantial restrictions on Prudential Financial's business and capital distributions.

Prudential Financial would also become subject to stress tests to be promulgated by the FRB which could cause it to alter its business practices or affect the perceptions of regulators, rating agencies, customers, counterparties or investors of its financial strength.

If designated, Prudential Financial could also be subject, pursuant to future FRB rulemaking, to additional capital requirements for, and quantitative limits on, proprietary trading and sponsorship of, and investment in, hedge, private equity and other covered funds.

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The Council could recommend new or heightened standards and safeguards for activities or practices Prudential and other financial services companies engage in. We cannot predict whether any such recommendations will be financial or their effect on our business, results of operations, cash flows or financial condition.

Dodd-Frank creates a new framework for regulation of the over-the-counter (“OTC”) derivatives markets which could impact various activities of Prudential Global Funding (“PGF”), Prudential Financial and its insurance subsidiaries, which use derivatives for various purposes (including hedging interest rate, foreign currency and equity market exposures). Final regulations adopted could substantially increase the cost of hedging and related operations, affect the profitability of our products or their attractiveness to our clients or cause us to alter our hedging strategy or implementation thereof or increase and/or change the composition of the risks we do not hedge.

Title II of Dodd-Frank provides that a financial company such as Prudential Financial may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the FDIC as receiver, upon a determination that the company is in default or in danger of default and presents a systemic risk to U.S. financial stability. We cannot predict how creditors of Prudential Financial or its insurance and non-insurance subsidiaries, including the holders of Prudential Financial debt, will evaluate this potential or whether it will impact our financing or hedging costs.

**Changes in U.S. federal, state or local income tax laws could make some of our products less attractive to consumers and increase our tax costs.**

There is uncertainty regarding U.S. taxes both for individuals and corporations. Discussions in Washington continue concerning the need to reform the tax code, primarily by lowering the tax rates and broadening the base by reducing or eliminating certain tax expenditures. Reducing or eliminating certain tax expenditures could make our products less attractive to customers. It is unclear whether or when Congress may take up overall tax reform and what would be the impact of reform on the Company and its products.

However even in the absence of overall tax reform, the large federal deficit, as well as the budget constraints faced by many states and localities, increases the likelihood that Congress and state and local governments will raise revenue by enacting legislation increasing the taxes paid by individuals and corporations. This can be accomplished either by raising rates or otherwise changing the tax rules.

Congress from time to time considers legislation that could make our products less attractive to consumers, Current U.S. federal income tax laws generally permit certain holders to defer taxation on the build-up of value of annuities and life insurance products until payments are actually made to the policyholder or other beneficiary and to exclude from taxation the death benefit paid under a life insurance contract. While higher tax rates increase the benefits of tax deferral on the build-up of value of annuities and life insurance, making our products more attractive to consumers, legislation that reduces or eliminates deferral would have a potential negative effect on our products. In addition, changes in the tax rules that result in higher corporate taxes will increase the Company’s actual tax expense, thereby reducing earnings.

Congress, as well as state and local governments, also considers from time to time legislation that could increase the amount of corporate taxes we pay, thereby reducing earnings.

The products we sell have different tax characteristics, in some cases generating tax deductions. The level of profitability of certain of our products is significantly dependent on these characteristics and our ability to continue to generate taxable income, which is taken into consideration when pricing products and is a component of our capital management strategies. Accordingly, changes in tax law, our ability to generate taxable income, or other factors impacting the availability or value of the tax characteristics generated by our products, could impact product pricing and returns or require us to reduce our sales of these products or implement other actions that could be disruptive to our businesses. In addition, the adoption of “principles based” approaches for statutory reserves may lead to significant changes to the way tax reserves are determined and thus reduce future tax deductions.

**Interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems, could harm our business.**

We depend heavily on our telecommunication, information technology and other operational systems and on the integrity and timeliness of data we use to run our businesses and service our customers. These systems may fail to operate properly or become disabled as a

result of events or circumstances wholly or partly beyond our control. Further, we face the risk of operational and technology failures by others, including clearing agents, exchanges and other financial intermediaries and of vendors and parties to which we outsource the provision of services or business operations. If these parties do not perform as anticipated, we may experience operational difficulties, increased costs and other adverse effects on our business. These risks are heightened by our offering of increasingly complex products, such as those that feature automatic asset transfer or re-allocation strategies, and by our employment of complex investment, trading and hedging programs.

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Despite our implementation of a variety of security measures, our information technology and other systems could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to customers or in the misappropriation of our intellectual property or proprietary information.

Interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems, whether due to actions by us or others, could delay or disrupt our ability to do business and service our customers, harm our reputation, subject us to regulatory sanctions and other claims, lead to a loss of customers and revenues and otherwise adversely affect our business.

**The occurrence of natural or man-made disasters could adversely affect our operations, results of operations and financial condition.**

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our operations, results of operations or financial condition, including in the following respects:

Catastrophic loss of life due to natural or man-made disasters could cause us to pay benefits at higher levels and/or materially earlier than anticipated and could lead to unexpected changes in persistency rates.

A natural or man-made disaster could result in disruptions in our operations, losses in our investment portfolio or the failure of our counterparties to perform, or cause significant volatility in global financial markets.

A terrorist attack affecting financial institutions in the United States or elsewhere could negatively impact the financial services industry in general and our business operations, investment portfolio and profitability in particular.

Pandemic disease, caused by a virus such as H5N1, the “avian flu” virus, or H1N1, the “swine flu” virus, could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: in the case of the avian flu virus, the probability of the virus mutating to a form that can be passed easily from human to human; the effectiveness of vaccines and the rate of contagion; the regions of the world most affected; the effectiveness of treatment for the infected population; the rates of mortality and morbidity among various segments of the insured population; the collectability of reinsurance; the possible macroeconomic effects of a pandemic on the Company’s asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

There can be no assurance that our business continuation plans and insurance coverages would be effective in mitigating any negative effects on our operations or profitability in the event of a terrorist attack or other disaster.

Climate change, and its regulation, may affect the prospects of companies and other entities whose securities we hold and other counterparties, including reinsurers, and affect the value of investments, including real estate investments that we hold. Our current evaluation is that the near term effects of climate change and climate change regulation on the Company are not material, but we cannot predict the long term impacts on us from climate change or its regulation.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Not Applicable.

**Item 3. Legal Proceedings**

None.



**Item 4. Mine Safety Disclosures**

Not Applicable.

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## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Owners of the Contracts may participate by allocating all or part of the net premiums or purchase payments to the Real Property Account. Contract values vary with the performance of the Real Property Account's investments through the Partnership. Participating interests in the Real Property Account are not traded in any public market; therefore a discussion of market information is not relevant.

As of December 31, 2012, approximately 20,332 contract owners of record held investments in the Real Property Account.

### Item 6. Selected Financial Data

Prudential Variable Contract Real Property Partnership Results of Operations and Financial Position are summarized as follows:

#### RESULTS OF OPERATIONS:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
<b>RESULTS OF OPERATIONS:</b>					
Total Investment Income	<u>\$26,066,202</u>	<u>\$24,372,936</u>	<u>\$24,928,302</u>	<u>\$26,678,405</u>	<u>\$32,124,390</u>
Net Investment Income	<u>\$8,712,225</u>	<u>\$8,559,353</u>	<u>\$8,371,136</u>	<u>\$7,967,278</u>	<u>\$11,138,184</u>
Net Realized and Unrealized Gain					
(Loss) on Real Estate Investments	<u>3,880,392</u>	<u>14,773,499</u>	<u>8,033,579</u>	<u>(49,139,978)</u>	<u>(45,661,694)</u>
Net Increase in Net Assets					
Resulting From Operations	<u>\$12,592,617</u>	<u>\$23,332,852</u>	<u>\$16,404,715</u>	<u>\$(41,172,700)</u>	<u>\$(34,523,510)</u>

#### FINANCIAL POSITION:

	2012	2011	2010	2009	2008
Total Assets	<u>\$246,011,495</u>	<u>\$212,980,362</u>	<u>\$202,789,389</u>	<u>\$204,296,658</u>	<u>\$263,665,273</u>
Investment Level Debt, net	<u>\$56,775,225</u>	<u>\$33,464,270</u>	<u>\$30,565,616</u>	<u>\$30,824,899</u>	<u>\$40,047,827</u>

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## ITEM 7. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All of the assets of the Real Property Account are invested in the Partnership. Accordingly, the liquidity and capital resources and results of operations for the Real Property Account are contingent upon those of the Partnership. Therefore, this management' s discussion and analysis addresses these items at the Partnership level. The general partners in the Partnership are The Prudential Insurance Company of America, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey, or collectively, the "Partners".

The following discussion and analysis of the liquidity and capital resources and results of operations of the Partnership should be read in conjunction with the audited Consolidated Financial Statements of the Real Property Account and the Partnership and the related Notes included in this filing.

### (a) Liquidity and Capital Resources

As of December 31, 2012, the Partnership' s liquid assets, consisting of cash and cash equivalents, were approximately \$18.8 million, a decrease of approximately \$8.6 million from \$27.4 million as of December 31, 2011. The decrease was primarily due to the following activities: (a) \$22.4 million for an acquisition of a 59-unit apartment property located in Seattle, Washington; (b) \$20.6 million for an acquisition of an 81,159 square foot retail property located in Roswell, Georgia; (c) \$5.0 million distribution to general partners' controlling interest; (d) \$0.9 million of principal payments made on financed properties; and (e) \$2.8 million paid for capital improvements. Partially offsetting this decrease was the (a) net cash flow generated from property operations of \$8.7 million; (b) net proceeds of \$8.6 million from the final payment of the Capital Automotive Real Estate Services (or "CARS") preferred equity investment; (c) \$11.7 million of loan proceeds associated with the apartment acquisition in Seattle, Washington; (d) \$12.5 million in a loan assumption associated with the retail acquisition in Roswell, Georgia; and (e) net contributions from noncontrolling interest of \$1.6 million. The \$2.8 million payment for capital improvements included the following items: (a) \$0.5 million for building renovations at one of the office buildings in Brentwood, Tennessee; (b) \$0.5 million for tenant improvements and leasing costs at the office building in Lisle, Illinois; (c) \$0.4 million for tenant improvements and leasing costs at the office property in Beaverton, Oregon (d) \$0.3 million for tenant improvements and leasing costs at the retail property in Ocean City, Maryland; (e) \$0.3 million for roof replacements at the retail property in Dunn, North Carolina; (f) \$0.3 million for exterior painting and interior renovations at the apartment property in Raleigh, North Carolina; (g) \$0.2 million for exterior painting and interior renovations at the apartment property in Charlotte, North Carolina; and (h) \$0.3 million for capital improvements and transaction costs associated with leasing expenses at various properties.

Sources of liquidity included net cash flow from property operations, capital redemptions, and interest from cash equivalents. The Partnership uses cash for its real estate investment activities and for its distributions to its partners. As of December 31, 2012, approximately 7.7% of the Partnership' s total assets consisted of cash and cash equivalents.

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**(b) Results of Operations**

The following is a comparison of the Partnership's results of operations for the years ended December 31, 2012, and 2011.

**Net investment income overview**

The Partnership's net investment income attributable to the general partners' controlling interest for the year ended December 31, 2012 was approximately \$8.4 million, an increase of approximately \$0.2 million from the prior year. The increase in net investment income attributable to the general partners' controlling interest was primarily due to increases of \$0.8 million, \$0.4 million and \$0.2 million in the office, apartment and hotel sector investments' net investment income, respectively, from the prior year. Partially offsetting these increases was a decrease of approximately \$1.1 million from the prior year in net investment income attributable to the general partners' controlling interest from the retail sector. Also, there was approximately \$0.1 million of additional decreases in other income. The components of this net investment income attributable to the general partners' controlling interest are discussed below by investment type.

**Valuation overview**

The Partnership recorded a net recognized gain attributable to the general partner's controlling interest of \$0.3 million for the year ended December 31, 2012, compared with no recognized gains/losses for the prior year. The net recognized gain attributable to the partner's controlling interest was due to the final payment of the CARS preferred equity investment. The Partnership recorded net unrealized gains attributable to the general partners' controlling interest of approximately \$2.8 million for the year ended December 31, 2012. This is compared with net unrealized gains attributable to the general partners' controlling interest of approximately \$13.9 million for the prior year. The net unrealized gains attributable to the general partners' controlling interest for the year ended December 31, 2012 were primarily due to valuation increases in the apartment and retail sector investments. Offsetting the net unrealized gains were net unrealized losses at the office and hotel sector investments. The components of these valuation gains and losses are discussed below by investment type.

The following table presents a comparison of the Partnership's sources of net investment income attributable to the general partners' controlling interest and net recognized and unrealized gains or (losses) attributable to the general partners' controlling interest for the years ended December 31, 2012 and 2011.

	Twelve Months Ended December 31,	
	2012	2011
<b><i>Net Investment Income:</i></b>		
Office properties	\$3,288,067	\$2,491,711
Apartment properties	3,403,493	2,996,631
Retail properties	3,575,746	4,695,227
Hotel property	1,012,079	838,836
Other (including interest income, investment mgt fee, etc.)	(2,873,310 )	(2,793,116 )
<b>Total Net Investment Income</b>	<b><u>\$8,406,075</u></b>	<b><u>\$8,229,289</u></b>
<b><i>Net Recognized Gain (Loss) on Real Estate Investments:</i></b>		
Retail properties	348,760	-
<b>Net Recognized Gain (Loss) on Real Estate Investments</b>	<b><u>348,760</u></b>	<b><u>-</u></b>
<b><i>Net Unrealized Gain (Loss) on Real Estate Investments:</i></b>		
Office properties	(1,707,955 )	4,761,137
Apartment properties	4,131,551	5,260,349
Retail properties	468,060	3,665,511
Hotel property	(78,500 )	244,440
<b>Net Unrealized Gain (Loss) on Real Estate Investments</b>	<b><u>2,813,156</u></b>	<b><u>13,931,437</u></b>
<b>Net Recognized and Unrealized Gain (Loss) on Real Estate Investments</b>	<b><u>\$3,161,916</u></b>	<b><u>\$13,931,437</u></b>

## OFFICE PROPERTIES

Year Ended	December 31,	Net Investment	Net Investment	Unrealized	Unrealized	Occupancy		Occupancy	
		Income/(Loss)	Income/(Loss)	Gain/(Loss)	Gain/(Loss)	2012	2011	2012	2011
		2012	2011	2012	2011				
<b>Property</b>									
Lisle, IL		\$322,016	\$330,658	\$(271,332 )	\$(67,057 )	55	%	55	%
Brentwood, TN # 1		1,154,664	696,325	969,331	2,405,039	100	%	100	%
Beaverton, OR		534,839	309,284	(1,008,687)	1,318,714	91	%	88	%
Brentwood, TN # 2		1,276,548	1,155,444	(1,397,267)	1,104,441	100	%	100	%
		<u>\$3,288,067</u>	<u>\$2,491,711</u>	<u>\$(1,707,955)</u>	<u>\$4,761,137</u>				

### Net investment income

Net investment income attributable to the general partners' controlling interest for the Partnership's office properties was approximately \$3.3 million for the year ended December 31, 2012, which represents an increase of approximately \$0.8 million from the prior year. The increase in net investment income attributable to the general partners' controlling interest for the year ended December 31, 2012 was primarily due to rental rate increases from new and existing tenants at one of the properties in Brentwood, Tennessee and an increase in occupancy and expiration of free rent at the property in Beaverton, Oregon.

### Unrealized gain/(loss)

The office properties owned by the Partnership recorded net unrealized losses attributable to the general partners' controlling interest of approximately \$1.7 million for the year ended December 31, 2012, compared with a net unrealized gain attributable to the general partners' controlling interest of approximately \$4.8 million from the prior year. The net unrealized losses attributable to the general partners' controlling interest for the year ended December 31, 2012 were primarily due to (a) a valuation loss at Brentwood, Tennessee property # 2 due to the likelihood that the tenant will not renew upon lease expiration in 2015; (b) a valuation loss at the property in Beaverton, Oregon due to an increase in near-term capital expenditures and less favorable market leasing assumptions; and (c) increased capital expenditures related to leasing and tenant improvement costs and increased real estate taxes at the property in Lisle, Illinois. Partially offsetting these decreases was an increase at Brentwood, Tennessee property # 1 due to increased contract rents and more favorable market leasing assumptions.

## APARTMENT PROPERTIES

Year Ended	December 31,	Net Investment	Net Investment	Unrealized	Unrealized	Occupancy		Occupancy	
		Income/(Loss)	Income/(Loss)	Gain/(Loss)	Gain/(Loss)	2012	2011	2012	2011
		2012	2011	2012	2011				
<b>Property</b>									
Atlanta, GA <sup>(1)</sup>		\$-	\$64,347	\$-	\$-	N/A		N/A	
Raleigh, NC		1,109,925	1,013,743	1,922,612	2,619,983	96	%	96	%
Austin, TX		1,440,496	1,343,490	1,144,936	1,782,217	96	%	93	%
Charlotte, NC		698,232	575,051	639,414	858,149	97	%	96	%
Seattle, WA		154,840	-	424,589	-	90	%	N/A	
		<u>\$3,403,493</u>	<u>\$2,996,631</u>	<u>\$4,131,551</u>	<u>\$5,260,349</u>				

(1) The Atlanta, Georgia property was sold on September 29, 2010. The gain for the year ended December 31, 2011 is a result of post-closing adjustments.

### Net investment income

Net investment income attributable to the general partners' controlling interest for the Partnership's apartment properties was approximately \$3.4 million for the year ended December 31, 2012, which represents an increase of approximately \$0.4 million from the prior year. The increase in net investment income attributable to the general partners' controlling interest for the year ended December 31, 2012 was primarily due to increased rental rates and reduced concessions at the properties in Raleigh, North Carolina; Austin, Texas; and Charlotte, North Carolina and income from the property in Seattle, Washington that was acquired in June 2012.

### Unrealized gain/(loss)

The apartment properties owned by the Partnership recorded net unrealized gains attributable to the general partners' controlling interest of approximately \$4.1 million for the year ended December 31, 2012, compared with net unrealized gains attributable to the general partners' controlling interest of approximately \$5.3 million for the prior year. The net unrealized gains attributable to the general partners' controlling interest for the years ended December 31, 2012 were generally due to favorable market leasing assumptions at all of the apartment properties in the portfolio.

## RETAIL PROPERTIES

Year Ended	December 31,	Net Investment		Recognized/Unrealized		Occupancy	
		Income/(Loss)	Income/(Loss)	Gain/(Loss)	Gain/(Loss)	2012	2011
<b>Property</b>							
Roswell, GA <sup>(1)</sup>		\$-	\$72,833	\$-	\$-	N/A	N/A
Hampton, VA		1,007,128	1,002,441	(143,848)	1,387,132	83 %	80 %
Ocean City, MD		717,209	873,205	748,224	579,703	91 %	96 %
Westminster, MD		1,280,838	1,325,394	388,840	591,313	98 %	100 %
Dunn, NC		289,472	312,820	(297,608)	(189,778 )	36 %	35 %
CARS Preferred Equity <sup>(2)</sup>		124,134	1,108,534	348,760	1,297,141	N/A	N/A
Roswell, GA		156,965	-	(227,548)	-	95 %	N/A
		<u>\$3,575,746</u>	<u>\$4,695,227</u>	<u>\$816,820</u>	<u>\$3,665,511</u>		

(1) One of the Roswell, Georgia retail properties was sold on May 1, 2009. The income in 2011 is a result of post-closing adjustments.

(2) A partial capital redemption of the CARS preferred equity position was paid on March 11, 2011. On March 5, 2012, the Partnership received final payment on the position which is reflected as a recognized gain.

### Net investment income

Net investment income attributable to the general partners' controlling interest for the Partnership's retail properties was approximately \$3.6 million for the year ended December 31, 2012, which represents a decrease of approximately \$1.1 million from the prior year. The decrease in net investment income attributable to the general partners' controlling interest for the year ended December 31, 2012 was largely due to (a) reduced interest income from the CARS preferred equity investment due to the final payment of the investment which occurred in the first quarter of 2012; (b) increased interest expense as a result of refinancing the loan and lower occupancy at the Ocean City, Maryland property; and (c) lower occupancy at the Westminster, Maryland property.

### Recognized and Unrealized gain/(loss)

The retail properties owned by the Partnership recorded a net recognized gain and unrealized gains attributable to the general partners' controlling interest of approximately \$0.8 million for the year ended December 31, 2012, compared with a net unrealized gain attributable to the general partners' controlling interest of approximately \$3.7 million for the prior year. The net recognized and unrealized gains attributable to the general partners' controlling interest for the year ended December 31, 2012 were primarily due to (a) more favorable market rent assumptions for the property in Ocean City, Maryland; (b) increased market rent and lower operating expenses at the property in Westminster, Maryland; (c) recognized gains on the CARS preferred equity investment as a result of the sale of the investment. Partially offsetting the unrealized gains was an unrealized loss at the property in Dunn, North Carolina due to capital expenditures for roof replacements.



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## HOTEL PROPERTY

Year Ended	December 31,	Net Investment	Net Investment	Unrealized	Unrealized	Occupancy		Occupancy	
		Income/(Loss)	Income/(Loss)	Gain/(Loss)	Gain/(Loss)	2012	%	2011	%
		2012	2011	2012	2011				
<b><u>Property</u></b>									
Lake Oswego, OR		\$1,012,079	\$ 838,836	\$(78,500 )	\$244,440	67	%	65	%

### Net investment income

Net investment income attributable to the general partners' controlling interest for the Partnership's hotel property was approximately \$1.0 million for the year ended December 31, 2012, which represents an increase of approximately \$0.2 million from the prior year due to an increase in average daily rate and occupancy.

### Unrealized gain/(loss)

The Partnership's hotel property recorded a net unrealized loss attributable to the general partners' controlling interest of approximately \$0.1 million for the year ended December 31, 2012, compared with a net unrealized gain attributable to the general partners' controlling interest of approximately \$0.2 million for the prior year. The unrealized loss attributable to the general partners' controlling interest for the year ended December 31, 2012 was primarily due to a decrease in the growth rates applied to average daily rate projections which was partially offset by an increase in occupancy.

### Other

Other net investment loss mainly includes investment management fees, other portfolio level expenses and interest income. Other net investment loss attributable to the general partners' controlling interest was approximately \$2.9 million for the year ended December 31, 2012, which remained relatively unchanged from the prior year.

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**(c) Inflation**

A majority of the Partnership's leases with its commercial tenants provide for recoveries of expenses based upon the tenant's proportionate share of, and/or increases in, real estate taxes and certain operating costs, which may partially reduce the Partnership's exposure to increases in operating costs resulting from inflation.

**Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or "U.S. GAAP", requires the application of accounting policies that often involve a significant degree of judgment. Management reviews critical estimates and assumptions on an ongoing basis. If management determines, as a result of its consideration of the facts and circumstances, that modifications in assumptions and estimates are appropriate, results of operations and financial position as reported in the audited Consolidated Financial Statements of the Real Property Account and the Partnership may change significantly.

The following sections discuss those critical accounting policies applied in preparing the audited Consolidated Financial Statements of the Real Property Account and the Partnership that are most dependent on the application of estimates and assumptions.

**Accounting Pronouncements Adopted**

See Note 2C to the Partnership's audited Consolidated Financial Statements for a discussion of recently adopted accounting pronouncements.

**Valuation of Investments**

*Real Estate Investments*—Real estate investments are carried at fair value. Properties owned are initially recorded at the purchase price plus closing costs. Development costs and major renovations are capitalized as a component of cost, and routine maintenance and repairs are charged to expense as incurred. Real estate costs include the cost of acquired property, including all the tangible and intangible assets. Tangible assets include the value of all land, building and tenant improvements at the time of acquisition. Intangible assets include the value of any above and below market leases, in-place leases, and tenant relationships at the time of acquisition.

In general, fair value estimates are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. The Chief Real Estate Appraiser of Prudential Investment Management, Inc. ("PIM"), which is an indirectly owned subsidiary of Prudential Financial, Inc. ("PFI"), is responsible for assuring that the valuation process provides independent and reasonable property fair value estimates. An unaffiliated third party has been appointed by PIM to assist the Chief Real Estate Appraiser in maintaining and monitoring the independence and the accuracy of the appraisal process. The fair value of real estate investments does not reflect the transaction sale costs, which may be incurred upon disposition of the real estate investments.

The purpose of an appraisal is to estimate the fair value of real estate as of a specific date. In accordance with FASB authoritative guidance on fair value measurements and disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimate of fair value is based on the conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: (1) current cost of reproducing the real estate less deterioration and functional and economic obsolescence; (2) discounting a series of income streams and reversion at a specific yield or by directly capitalizing a single year income estimate by an appropriate factor; and (3) value indicated by recent sales of comparable real estate in the market. Key inputs and assumptions include rental income and expense amounts, related rental income and expense growth rates, discount rates and capitalization rates. In the reconciliation of these three approaches, the independent appraiser uses one or a combination of them, to determine the approximated value for the type of real estate in the market. The real estate investments consisting of real estate, improvements, and preferred equity investments are therefore classified as Level 3.

Cash equivalents include short term investments. Short term investments are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and primarily are classified as Level 1.



## Other Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the audited Consolidated Financial Statements of the Real Property Account and the Partnership and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

*Interest Rate Risk* - The general partners' controlling interest exposure to market rate risk for changes in interest rates relates to approximately 40.54% of its investment portfolio as of December 31, 2012, which consists primarily of short-term commercial paper and fixed and variable interest rate debt. The Partnership does not use derivative financial instruments. As a matter of policy, the Partnership places its investments with high quality debt security issuers, limits the amount of credit exposure to any one issuer, limits duration by restricting the term, and holds investments to maturity except under unusual circumstances.

The table below presents the amounts and related weighted interest rates of the Partnership's cash, cash equivalents and short term investments at December 31, 2012:

	<u>Maturity</u>	<u>Estimated Fair Value (millions)</u>	<u>Average Interest Rate</u>
Cash and cash equivalents	0-3 months	\$ 18.8	0.08 %

The table below discloses the Partnership's debt as of December 31, 2012. The fair value of the Partnership's long-term debt is affected by changes in market interest rates. The following table presents principal cash flows based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the debt.

#### Investment level debt (in \$ thousands).

<u>including current portion</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>	<u>Estimated Fair Value</u>
Weighted Average Fixed Interest Rate	5.46 %	5.46 %	5.46 %	5.46 %	5.46 %	5.46 %	5.46 %	-
Fixed Rate	\$954	\$1,017	\$1,084	\$1,153	\$1,315	\$29,754	\$35,277	\$35,802
Variable Rate	9,000	-	12,500	-	-	-	21,500	21,634
Premium/(Discount) on Investment Level Debt	(2 )	-	-	-	-	-	(2 )	-
<b>Total Investment Level Debt</b>	<u>\$9,952</u>	<u>\$1,017</u>	<u>\$13,584</u>	<u>\$1,153</u>	<u>\$1,315</u>	<u>\$29,754</u>	<u>\$56,775</u>	<u>\$57,436</u>

The Partnership is exposed to market risk from tenants. While the Partnership has not experienced any significant credit losses, in the event of significant increases in interest rates and/or an economic downturn, tenant delinquencies could increase and result in losses to the Partnership and the Real Property Account that could adversely affect its operating results and liquidity.

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**Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary data are listed in the accompanying Index to the Financial Statements and Supplementary Data on F-1.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

Management's Annual Report on Internal Control Over Financial Reporting as of December 31, 2012 are included on Page F-2 of this Annual Report on Form 10-K.

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized, and reported on a timely basis, the Company's management, including our Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), under the Securities Exchange Act of 1934, as amended as of December 31, 2012. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2012, our disclosure controls and procedures were effective in timely alerting them to material information relating to us required to be included in our periodic SEC filings. There has been no change in our internal control over financial reporting during the year ended December 31, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

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## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

**JOHN CHIEFFO**, *Director (current term expires March 2014)* - Vice President, Finance and Controller, International Insurance Business, Prudential Financial since 2012; prior to 2012, Controller, International Insurance Business, Prudential Financial. Age 49.

**ROBERT M. FALZON**, *Director and Treasurer (current term expires March 2014)* - Senior Vice President, Treasurers, Prudential Financial since 2010; prior to 2010, Managing Director, Real Estate Investments, Prudential Financial. Age 53.

**YANELA C. FRIAS**, *Director, Chief Financial Officer and Chief Accounting Officer (current term expires March 2014)* - Managing Director, Treasurers, Prudential Financial since 2008. Age 41.

**BERNARD J. JACOB**, *Director (current term expires March 2014)* - Senior Vice President and Chief Financial Officer, US Businesses, Prudential Financial since 2010; prior to 2010, Senior Vice President and Treasurer, Prudential Financial. Age 56.

**RICHARD F. LAMBERT**, *Director (current term expires March 2014)* - Senior Vice President and Chief Actuary, Corporate Actuarial, Prudential Financial since 2012; prior to 2012 Vice President and Actuary, Prudential Financial. Age 56.

**ROBERT O' DONNELL**, *Director, Chief Executive Officer and President (current term expires March 2014)* - Senior Vice President, Annuities, Prudential Financial since 2012; prior to 2012, Vice President. Age 44.

**KENT D. SLUYTER**, *Director and Senior Vice President (current term expires March 2014)* - Senior Vice President, Individual Life Insurance, Prudential Financial since 2002. Age 53.

**JOSEPH D. EMANUEL**, *Chief Legal Officer, Secretary and Vice President (current term expires March 2014)* - Vice President and Corporate Counsel, Annuities Law, Prudential Financial since 2005. Age 49.

**JAMES M. O' CONNOR**, *Senior Vice President and Actuary (current term expires March 2014)* - Vice President, Actuarial, Prudential Financial since 2001. Age 56.

**SARAH J. HAMID**, *Senior Vice President, Chief Actuary and Appointed Actuary (current term expires March 2014)* - Vice President and Actuary, Corporate Actuarial, Prudential Financial since 2008. Age 48.

The business address of all directors and officers of Pruco Life is 213 Washington Street, Newark, New Jersey 07102-2992. Pruco Life directors and officers are elected annually.

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**Code of Ethics**

We have adopted PFI code of business conduct and ethics, known as “Making the Right Choices.” Making the Right Choices is posted on Prudential PFI’s website at [www.investor.prudential.com](http://www.investor.prudential.com).

In addition, we have adopted PFI Corporate Governance Guidelines, which we refer to herein as the “Corporate Governance Principles and Practices.” PFI’s Corporate Governance Principles and Practices are available free of charge at [www.investor.prudential.com](http://www.investor.prudential.com).

**Item 11. Executive Compensation**

The Real Property Account does not pay any fees, compensation or reimbursement to any Director or Officer of the Registrant.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Not applicable.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

See Related Transactions in Note 11 of Notes to the Consolidated Financial Statements of the Partnership.

The Registrant is an indirect wholly-owned subsidiary of Prudential, which, in turn, is an indirect, wholly-owned subsidiary of PFI. All Directors and Executive Officers of the Registrant are employees and officers of Prudential.

**Item 14. Principal Accounting Fees and Services**

The Audit Committee of the Board of Directors of PFI has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm of PFI and certain of its domestic and international subsidiaries, including the Registrant. The Audit Committee has established a policy requiring its pre-approval of all audit and permissible non-audit services provided by the independent auditor. The specific information called for by this item is hereby incorporated by reference to the section entitled “Item 2 - Ratification of the Appointment of Independent Auditors” in the definitive proxy statement of Prudential Financial, Inc. for the Annual Meeting of Shareholders to be held on May 14, 2013, to be filed with the SEC pursuant to Regulation 14A within 120 days after the year ended December 31, 2012.

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## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements

See the Index to Financial Statements and Supplementary Data on page F-1.

2. Financial Statement Schedules

The following financial statement schedules of The Prudential Variable Contract Real Property Partnership should be read in conjunction with the financial statements in Item 8 of this Annual Report on Form 10-K:

Schedule III. Real Estate Owned: Properties

See the Index to Financial Statements and Supplementary Data on page F-1.

3. Documents Incorporated by Reference

See the following list of exhibits.

4. Exhibits

See the following list of exhibits.

(b) None.

(c) The following is a list of Exhibits to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The Registrant will furnish a copy of any Exhibit listed below to any security holder of the Registrant who requests it upon payment of a fee of 15 cents per page. All Exhibits are either contained in this Annual Report on Form 10-K or are incorporated by reference as indicated below.

- 3.1 Amended Charter of The Prudential Insurance Company of America, filed as Exhibit (3A) in Post-Effective Amendment No. 18 to Form S-1, Registration Statement No. 33-20083-01, filed April 14, 2005, and incorporated herein by reference.
- 3.2 Amended By-Laws of The Prudential Insurance Company of America, filed as Exhibit (3B) in Post-Effective Amendment No. 29 to Form N-6, Registration Statement No. 33-20000, filed April 21, 2006, and incorporated herein by reference.
- 3.3 Resolution of the Board of Directors establishing The Prudential Variable Contract Real Property Account, filed as Exhibit (3C) in Post-Effective Amendment No. 9 to Form S-1, Registration Statement No. 33-20083-01, filed April 9, 1997, and incorporated herein by reference.
- 4.1 Revised Individual Variable Annuity Contract filed as Exhibit (4A)(i) in Post-Effective Amendment No. 9 to Form S-1, Registration Statement No. 33-20083-01, filed April 9, 1997, and incorporated herein by reference.
- 4.2 Discovery Plus Contract, filed as Exhibit (4A)(ii) in Post-Effective Amendment No. 9 to Form S-1, Registration Statement No. 33-20083-01, filed April 9, 1997, and incorporated herein by reference.
- 4.3 Custom VAL (previously named Adjustable Premium VAL) Life Insurance Contracts with fixed death benefit, filed as Exhibit (4C)(i) in Post-Effective Amendment No. 19 to Form S-6, Registration Statement No. 33-20000, filed April 28, 1997, and incorporated herein by reference.
- 4.4 Custom VAL (previously named Adjustable Premium VAL) Life Insurance Contracts with variable death benefit, filed as Exhibit (4C)(ii) in Post-Effective Amendment No. 19 to Form S-6, Registration Statement No. 33-20000, filed April 28, 1997, and incorporated herein by reference.
- 4.5 Variable Appreciable Life Insurance Contracts with fixed death benefit, filed as Exhibit (4B)(i) in Post Effective Amendment No. 19 to Form S-6, Registration Statement No. 33-20000, filed April 28, 1997, and incorporated herein by reference.



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- 4.6 Variable Appreciable Life Insurance Contracts with variable death benefit, filed as (4B)(ii) in Post Effective Amendment No. 19 to Form S-6, Registration Statement No. 33-20000, filed April 28, 1997, and incorporated herein by reference.
  - 9. None.
  - 10.1 Investment Management Agreement between Prudential Investment Management, Inc. and The Prudential Variable Contract Real Property Partnership, filed in Post-Effective Amendment No. 16 to Form S-1, Registration Statement No. 33-20083-01, filed April 10, 2003, and incorporated herein by reference.
  - 10.2 Administrative Service Agreement among PIM, Prudential Insurance Company of America, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey, filed as Exhibit (10B) in Post-Effective Amendment No. 17 to Form S-1, Registration Statement No. 33-20083-01, filed April 14, 2004, and incorporated herein by reference.
  - 10.3 Partnership Agreement of The Prudential Variable Contract Real Property Partnership filed as Exhibit (10C) in Post-Effective Amendment No. 9 to Form S-1, Registration Statement No. 33-20083-01, filed April 9, 1997, and incorporated herein by reference.
  - 11. Not applicable.
  - 12. Not applicable.
  - 16. None.
  - 18. None.
  - 22. Not applicable.
  - 23. None.
  - 24. Powers of Attorney are filed herewith.
  - 31.1 Section 302 Certification of Chief Executive Officer.
  - 31.2 Section 302 Certification of Chief Financial Officer.
  - 32.1 Section 906 Certification of Chief Executive Officer.
  - 32.2 Section 906 Certification of Chief Financial Officer.
  - 101.INS- XBRL Instance Document.
  - 101.SCH- XBRL Taxonomy Extension Schema Document.
  - 101.CAL- XBRL Taxonomy Extension Calculation Linkbase Document.
  - 101.LAB- XBRL Taxonomy Extension Label Linkbase Document.
  - 101.PRE- XBRL Taxonomy Extension Presentation Linkbase Document.
  - 101.DEF- XBRL Taxonomy Extension Definition Linkbase Document

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PRUCO LIFE INSURANCE COMPANY**  
**in respect of**  
**Pruco Life Variable Contract Real Property Account**  
**(Registrant)**

Date: March 19, 2013

By: /s/ Robert F. O' Donnell  
Robert F. O' Donnell  
President and Director  
(Principal Executive Officer)

Date: March 19, 2013

By: /s/ Yanela C. Frias  
Yanela C. Frias  
Chief Financial Officer  
(Authorized Signatory and Principal Accounting and  
Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>*/s/ John Chieffo</u> John Chieffo	Director	March 19, 2013
<u>*/s/ Robert M. Falzon</u> Robert M. Falzon	Director	March 19, 2013
<u>*/s/ Bernard J. Jacob</u> Bernard J. Jacob	Director	March 19, 2013
<u>*/s/ Richard F. Lambert</u> Richard F. Lambert	Director	March 19, 2013
<u>*/s/ Kent D. Sluyter</u> Kent D. Sluyter	Director	March 19, 2013
By: <u>*/s/ Sun-Jin Moon</u> Sun-Jin Moon (Attorney-in-Fact)		

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**THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT**

(Registrant)

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**A. THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT**

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For the period ended December 31, 2012

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All other schedules are omitted because they are not applicable, or because the required information is included in the financial statements or notes thereto.

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## Management's Annual Report on Internal Control Over Financial Reporting

Management of Pruco Life is responsible for establishing and maintaining adequate internal control over financial reporting. Management conducted an assessment of the effectiveness, as of December 31, 2012, of the Company's internal control over financial reporting, based on the framework established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment under that framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2012.

Our internal control over financial reporting is a process designed by or under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. This annual report does not include an attestation report of the Company's registered public accounting firm, PricewaterhouseCoopers LLP, regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to final rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

March 15, 2013

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**Report of Independent Registered Public Accounting Firm**

To the Contract Owners of  
The Pruco Life Variable Contract Real Property Account  
and the Board of Directors of  
Prudential Life Insurance Company

In our opinion, the accompanying statements of net assets and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of Pruco Life Variable Contract Real Property Account at December 31, 2012 and 2011, and the results of its operations and the changes in its net assets for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of Pruco Life Insurance Company. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

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New York, New York

March 15, 2013

**FINANCIAL STATEMENTS OF  
PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT**

**STATEMENTS OF NET ASSETS**

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Investment in The Prudential Variable Contract Real Property Partnership	\$96,815,891	\$93,491,282
Net Assets	<u>\$96,815,891</u>	<u>\$93,491,282</u>
<b>NET ASSETS, representing:</b>		
Equity of contract owners	\$71,084,830	\$69,236,373
Equity of Pruco Life Insurance Company	<u>25,731,061</u>	<u>24,254,909</u>
	<u>\$96,815,891</u>	<u>\$93,491,282</u>
Units outstanding	<u>33,007,302</u>	<u>33,860,393</u>
Portfolio shares held	2,807,408	2,896,826
Portfolio net asset value per share	\$34.49	\$32.27

**STATEMENTS OF OPERATIONS**

For the years ended December 31, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>INVESTMENT INCOME</b>			
Net investment income from Partnership operations	\$4,555,404	\$4,488,212	\$4,371,539
<b>EXPENSES</b>			
Charges to contract owners for assuming mortality risk and expense risk and for administration	422,625	397,048	365,083
<b>NET INVESTMENT INCOME</b>	<u>4,132,779</u>	<u>4,091,164</u>	<u>4,006,456</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>			
Change in unrealized gain (loss) on real estate investments held	1,525,714	7,604,820	2,753,040
Net gain (loss) recognized on real estate investments sold	188,999	-	1,276,007
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<u>1,714,713</u>	<u>7,604,820</u>	<u>4,029,047</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$5,847,492</u>	<u>\$11,695,984</u>	<u>\$8,035,503</u>

**STATEMENTS OF CHANGES IN NET ASSETS**

For the years ended December 31, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATIONS</b>			
Net investment income	\$4,132,779	\$4,091,164	\$4,006,456
Net change in unrealized gain (loss) on investments in Partnership	1,525,714	7,604,820	2,753,040
Net realized gain (loss) on sale of investments allocated from the Partnership	188,999	-	1,276,007
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>5,847,492</u>	<u>11,695,984</u>	<u>8,035,503</u>
<b>CAPITAL TRANSACTIONS</b>			
Net withdrawals by contract owners	(2,386,962)	(1,953,771)	(2,162,856)
Net withdrawals by Pruco Life Insurance Company	(135,921)	(6,446,130)	(7,601,883)
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS</b>	<u>(2,522,883)</u>	<u>(8,399,901)</u>	<u>(9,764,739)</u>

<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	3,324,609	3,296,083	(1,729,236)
<b>NET ASSETS</b>			
Beginning of period	<u>93,491,282</u>	<u>90,195,199</u>	<u>91,924,435</u>
End of period	<u>\$96,815,891</u>	<u>\$93,491,282</u>	<u>\$90,195,199</u>

**The accompanying notes are an integral part of these financial statements.**

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**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 1: General**

Pruco Life Variable Contract Real Property Account (the "Account" or the "Registrant") was established on August 27, 1986 and commenced business September 5, 1986. Pursuant to Arizona law, the Account was established as a separate investment account of Pruco Life Insurance Company ("Pruco Life" or the "Company"), a wholly-owned subsidiary of The Prudential Insurance Company of America ("Prudential"), an indirect wholly-owned subsidiary of Prudential Financial, Inc. ("PFI") and is registered under the Securities Act of 1933, as amended. The assets of the Account are segregated from Pruco Life's other assets. The Account is used to fund benefits under certain variable life insurance and variable annuity contracts issued by Pruco Life. These products are Appreciable Life ("VAL"), Variable Life ("VLI"), Discovery Plus ("SPVA"), and Discovery Life Plus ("SPVL").

The assets of the Account are invested in The Prudential Variable Contract Real Property Partnership (the "Partnership"). The Partnership is the investment vehicle for assets allocated to the real estate investment option under certain variable life insurance and annuity contracts. The Account, along with The Prudential Variable Contract Real Property Account and the Pruco Life of New Jersey Variable Contract Real Property Account, are the sole investors in the Partnership. These financial statements should be read in conjunction with the financial statements of the Partnership.

The Partnership has a policy of investing at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans.

**Note 2: Summary of Significant Accounting Policies and Pronouncements**

**A. Basis of Accounting**

The Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Account has transactions and relationships with Prudential and other affiliates. Due to these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include valuation of Investments in the Prudential Variable Contract Real Property Partnership.

**Adoption of Accounting Pronouncements**

Effective January 1, 2012, the Account adopted, prospectively, updated guidance regarding the fair value measurements and disclosure requirements. The updated guidance clarifies existing guidance related to the application of fair value measurement methods and requires expanded disclosures. The expanded disclosures required by this guidance are included in Note 10. Adoption of this guidance did not have a material effect on the Account's financial position or results of operations.



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**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 2: Summary of Significant Accounting Policies and Pronouncements (continued)**

**B. Investment in Partnership Interest**

The investment in the Partnership is based on the Account's proportionate interest of the Partnership's fair value. At December 31, 2012 and December 31, 2011 the Account's interest in the General Partners Controlling Interest was as 54.2% or 2,807,408 shares and 54.3% or 2,896,826 shares, respectively. Properties owned by the Partnership are illiquid and their fair value is based on estimated fair value as discussed in the notes to the Partnership's consolidated financial statements.

**C. Income Recognition**

Net investment income, realized and unrealized gains and losses are recognized daily for the investments in the Partnership. Amounts are based on the Account's proportionate interest in the Partnership.

**D. Equity of Pruco Life Insurance Company**

Pruco Life maintains a position in the Account for property liquidity purposes, including unit purchases and redemptions, Partnership share transactions, and expense processing. The position does not have an effect on the contract owners' accounts or the related unit values.

**Note 3: Taxes**

Pruco Life is taxed as a "life insurance company", as defined by the Internal Revenue Code. The results of operations of the Account form a part of PFI's consolidated federal tax return. Under current federal, state and local law, no federal, state or local income taxes are payable by the Account. As such, no provision for the tax liability has been recorded in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 4: Net Withdrawals by Contract Owners**

Net contract owner withdrawals for the account by product for the years ended December 31, 2012, 2011 and 2010 were as follows:

2012:

	<u>VAL</u>	<u>VLI</u>	<u>SPVA</u>	<u>SPVL</u>	<u>TOTAL</u>
Contract Owner Net Payments:	\$2,503,913	\$204,434	\$0	\$(804 )	\$2,707,543
Policy Loans:	(1,284,170)	(61,499 )	0	(19,611 )	(1,365,280)
Policy Loan Repayments and Interest:	1,872,116	91,954	0	63,289	2,027,359
Surrenders, Withdrawals, and Death Benefits:	(2,690,563)	(203,232)	(958 )	(118,331)	(3,013,084)
Net Transfers From/(To) Other Subaccounts or Fixed Rate Option:	(517,949 )	(77,676 )	(0 )	(22,952 )	(618,577 )
Administrative and Other Charges:	(1,951,656)	(158,495)	0	(14,772 )	(2,124,923)
<b>Net Withdrawals by Contract Owners</b>	<u>\$(2,068,309)</u>	<u>\$(204,514)</u>	<u>\$(958 )</u>	<u>\$(113,181)</u>	<u>\$(2,386,962)</u>

2011:

	<u>VAL</u>	<u>VLI</u>	<u>SPVA</u>	<u>SPVL</u>	<u>TOTAL</u>
Contract Owner Net Payments:	\$2,595,469	\$215,012	\$0	\$(211 )	\$2,810,270
Policy Loans:	(1,184,757)	(60,209 )	0	(25,959 )	(1,270,925)
Policy Loan Repayments and Interest:	1,841,016	62,529	0	67,336	1,970,881
Surrenders, Withdrawals, and Death Benefits:	(2,891,506)	(165,020)	(38,457)	(83,480 )	(3,178,463)
Net Transfers From/(To) Other Subaccounts or Fixed Rate Option:	(265,821 )	(25,519 )	(3,964 )	117,534	(177,770 )
Administrative and Other Charges:	(1,940,418)	(152,955)	0	(14,391 )	(2,107,764)
<b>Net Withdrawals by Contract Owners</b>	<u>\$(1,846,017)</u>	<u>\$(126,162)</u>	<u>\$(42,421)</u>	<u>\$60,829</u>	<u>\$(1,953,771)</u>

2010:

	<u>VAL</u>	<u>VLI</u>	<u>SPVA</u>	<u>SPVL</u>	<u>TOTAL</u>
Contract Owner Net Payments:	\$2,781,436	\$223,857	\$0	\$253	\$3,005,546
Policy Loans:	(1,195,956)	(64,697 )	0	(28,134 )	(1,288,787)
Policy Loan Repayments and Interest:	1,717,999	63,172	0	181,541	1,962,712
Surrenders, Withdrawals, and Death Benefits:	(2,534,904)	(117,396)	(6,262 )	(364,561)	(3,023,123)
Net Transfers From/(To) Other Subaccounts or Fixed Rate Option:	(665,035 )	(46,365 )	0	1,972	(709,428 )
Administrative and Other Charges:	(1,951,484)	(145,224)	0	(13,068 )	(2,109,776)
<b>Net Withdrawals by Contract Owners</b>	<u>\$(1,847,944)</u>	<u>\$(86,653 )</u>	<u>\$(6,262 )</u>	<u>\$(221,997)</u>	<u>\$(2,162,856)</u>

**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 5: Partnership Distributions**

For the year ended December 31, 2012, the Partnership made one distribution, \$5 million on March 28, 2012. The Account's share of this distribution was \$2.9 million. During the year ended December 31, 2011, the Partnership made a total of \$15 million in distributions. The distributions occurred on May 31<sup>st</sup>, September 26<sup>th</sup>, and December 27<sup>th</sup> for \$5 million each. The Account's share of these distributions were \$2.9 million each or a total of \$8.8 million. During the year ended December 31, 2010, the Partnership made distributions of \$7.5 million on May 3<sup>rd</sup> and \$10 million on October 27<sup>th</sup>. The Account's share of these distributions was \$4.3 and \$5.8 million respectively.

**Note 6: Unit Activity**

All products referred to in Note 1 for outstanding units at December 31, 2012, 2011, and 2010 were as follows:

		2012				
<u>Company</u>		<u>Contract Owner</u>				
		VAL	VLI	SPVA	SPVL	
<b>Contributions:</b>	1,237,145	<b>Contributions:</b>	1,640,833	98,557	0	35,451
<b>Redemptions:</b>	(1,255,760)	<b>Redemptions:</b>	(2,361,514)	(165,240)	(395 )	(82,166 )
		2011				
<u>Company</u>		<u>Contract Owner</u>				
		VAL	VLI	SPVA	SPVL	
<b>Contributions:</b>	1,203,538	<b>Contributions:</b>	1,797,079	106,082	0	306,025
<b>Redemptions:</b>	(3,561,739)	<b>Redemptions:</b>	(2,505,000)	(151,001)	(19,032)	(277,379)
		2010				
<u>Company</u>		<u>Contract Owner</u>				
		VAL	VLI	SPVA	SPVL	
<b>Contributions:</b>	1,272,554	<b>Contributions:</b>	1,959,202	120,611	0	109,412
<b>Redemptions:</b>	(4,476,027)	<b>Redemptions:</b>	(2,753,017)	(155,857)	(3,200 )	(221,825)

**Note 7: Purchases and Distributions of Investments**

The aggregate costs of purchases and proceeds from distributions of investments in the Partnership for the years ended December 31, 2012, 2011 and 2010 were as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
<b>Purchases:</b>	\$0	\$0	\$0
<b>Distributions:</b>	\$2,945,508	\$8,796,949	\$10,129,823

**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 8: Financial Highlights**

Pruco Life sells a number of variable annuity and variable life insurance products. These products have unique combinations of features and fees that are charged against the contract owner's account balance. Differences in the fee structures result in a variety of unit values, expense ratios and total returns.

The following table was developed by determining which products offered by Pruco Life have the lowest and highest total expense ratio. The summary may not reflect the minimum and maximum contract charges offered by the Company as contract owners may not have selected all available and applicable products as discussed in Note 1. The table reflects contract owner units only.

	Units (000' s)	Unit Value Lowest-Highest	Net Assets (000' s)	Investment Income Ratio*		Expense Ratio ** Lowest-Highest	Total Return *** Lowest-Highest
December 31, 2012	24,124	\$2.30961 to 2.63416	\$71,085	4.84	%	0.35% to 1.25%	5.53% to 6.48%
December 31, 2011	24,958	\$2.36048 to 2.95634	\$69,236	4.79	%	0.35% to 1.25%	12.33% to 13.33%
December 31, 2010	25,702	\$2.10140 to 2.60866	\$63,083	4.79	%	0.35% to 1.25%	8.31% to 9.29%
December 31, 2009	26,646	\$1.94013 to 2.38693	\$59,966	3.98	%	0.35% to 1.25%	-19.26% to -18.54%
December 31, 2008	28,295	\$2.40304 to 2.93018	\$78,361	4.55	%	0.35% to 1.25%	-14.47% to -13.70%

The table above reflects information for units held by contract owners. Pruco Life also maintains a position in the Real Property Account, to provide for property acquisitions and capital expenditure funding needs. Pruco Life held 8,883,406, 8,902,021, 11,260,223, 14,463,696, and 14,533,069 units representing \$25,731,061, \$24,254,909, \$27,112,090, \$31,957,972, and \$39,468,030 of net assets as of December 31, 2012, 2011, 2010, 2009, and 2008 respectively. Charges for mortality risk, expense risk and administrative expenses are used by Pruco Life to purchase additional units in its account resulting in no impact to its net assets.

\* This amount represents the proportionate share of the net investment income from the underlying Partnership divided by the total average assets of the Account. This ratio excludes those expenses, such as mortality risk, expense risk and administrative charges that result in direct reductions in the unit values.

\*\* These ratios represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying Partnership are excluded.

\*\*\* These amounts represent the total return for the periods indicated, including changes in the value of the underlying Partnership, and reflect deductions for all items included in the expense ratio. The total return does not include any expense assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented.

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**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 8: Financial Highlights: (continued)**

**Charges and Expenses**

**A. Mortality Risk and Expense Risk Charges**

Mortality risk and expense risk charges are determined daily using an effective annual rate of 0.6%, 0.35%, 0.9% and 0.9% for VAL, VLI, SPVA and SPVL, respectively. Mortality risk is the risk that life insurance contract owners may not live as long as estimated or annuitants may live longer than estimated and expense risk is the risk that the cost of issuing and administering the policies may exceed related charges by Pruco Life. The mortality risk and expense risk charges are assessed through reduction in unit values.

**B. Administrative Charges**

Administrative charges are determined daily using an effective annual rate of 0.35% applied daily against the net assets representing equity of contract owners held in each subaccount for SPVA and SPVL. Administrative charges include costs associated with issuing the contract, establishing and maintaining records, and providing reports to contract owners. The administrative charge is assessed through reduction in unit values.

**C. Cost of Insurance and Other Related Charges**

Contract owner contributions are subject to certain deductions prior to being invested in the Account. The deductions for VAL and VLI are (1) state premium taxes; (2) sales charges, not to exceed 5% for VAL, which are deducted in order to compensate Pruco Life for the cost of selling the contract and (3) transaction costs, applicable to VAL, which are deducted from each premium payment to cover premium collection and processing costs. Contracts are subject to charges on each basic premium for assuming a guaranteed minimum death benefit risk. This charge compensates Pruco Life for the risk that an insured may die at a time when the death benefit exceeds the benefit that would have been payable in the absence of a minimum guarantee. These charges are assessed through the redemption of units.

**D. Deferred Sales Charge**

A deferred sales charge is imposed upon the surrender of certain variable life insurance contracts to compensate Pruco Life for sales and other marketing expenses. The amount of any sales charge will depend on the number of years that have elapsed since the contract was issued but will not exceed 45% of one scheduled annual premium for VAL contracts and 9% of the initial premium payment for SPVL. No sales charge will be imposed after the sixth and tenth year of the contract for SPVL and VAL, respectively. No sales charge will be imposed on death benefits. This deferred sales charge is assessed through the redemption of units. For SPVA, there is a deferred sales charge that applies at the time of a full or partial withdrawal, and the amount of the charge (which declines over time) depends on the number of years that have elapsed since the contract was issued.

**E. Partial Withdrawal Charge**

A charge is imposed by Pruco Life on partial withdrawals of the cash surrender value for VAL. A charge equal to the lesser of \$15 or 2% will be made in connection with each partial withdrawal of the cash surrender value of a contract. This charge is assessed through the redemption of units.

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**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Note 9: Related Party**

Prudential and its affiliates perform various services on behalf of the Partnership in which the Account invests and may receive fees for the services performed. These services include, among other things, shareholder communications, document preparation, postage, fund transfer agency and various other record keeping and customer service functions.

**Note 10: Fair Value Disclosure**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and should be used to measure fair value whenever available. The Account had no Level 1 assets or liabilities.

Level 2 - Fair value is based on inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. The Account had no Level 2 assets or liabilities.

Level 3 - Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Account's Level 3 assets consist of the investment in the Partnership which is based on the Account's proportionate interest of the Partnership's fair value which approximates the Partnership's net asset value. Properties owned by the Partnership are illiquid and fair value is based on estimates from property appraisal reports prepared by independent real estate appraisers as discussed in the notes to the Partnership's financial statements.

The purpose of an appraisal is to estimate the fair value of real estate as of a specific date.

The estimate of fair value is based on the conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: (1) current cost of reproducing the real estate less deterioration and functional and economic obsolescence; (2) discounting a series of income streams and reversion at a specific yield or by directly capitalizing a single year income estimate by an appropriate factor; and (3) value indicated by recent sales of comparable real estate in the market. In the reconciliation of these three approaches, the one most heavily relied upon is the one then recognized as the most appropriate by the independent appraiser for the type of real estate in the market.

**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

In general, the input values used in the appraisal process are unobservable, therefore unless indicated otherwise; the underlying investments in the Partnership are classified as Level 3 under the fair value hierarchy. The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

Table 1 below summarizes the assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy.

**Table 1:**

<u>(\$ in 000' s)</u>				
<u>Fair Value Measurements at December 31, 2012 using</u>				
Amounts				
Measured at Fair				
Value				
<u>Assets:</u>	<u>December 31, 2012</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment in The Prudential Variable Contract Real				
Property Partnership	\$ 96,816	\$ -	\$ -	\$ 96,816

<u>(\$ in 000' s)</u>				
<u>Fair Value Measurements at December 31, 2011 using</u>				
Amounts				
Measured at Fair				
Value				
<u>Assets:</u>	<u>December 31, 2011</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment in The Prudential Variable Contract Real				
Property Partnership	\$ 93,491	\$ -	\$ -	\$ 93,491

**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

Table 2 below provides a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2012 and December 31, 2011.

**Table 2:**

	(\$ in 000' s)
	Fair Value Measurements Using Significant Unobservable Inputs for the year ended December 31, 2012 (Level 3)
Beginning balance @ 01/01/12	\$ 93,491
Total gains or losses (realized/unrealized) included in earnings (or changes in net assets) from Partnership operations	1,715
Net Investment Income from Partnership operations	4,555
Acquisition/Additions	-
Equity Income	-
Contributions	-
Disposition/Settlements	-
Equity losses	-
Distributions	(2,945)
Ending balance @ 12/31/12	<u>\$ 96,816</u>

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

\$ 1,526

	(\$ in 000' s)
	Fair Value Measurements Using Significant Unobservable Inputs for the year ended December 31, 2011 (Level 3)
Beginning balance @ 01/01/11	\$ 90,195
included in earnings (or changes in net assets) from Partnership operations	7,605
Net Investment Income from Partnership operations	4,488
Acquisition/Additions	-
Equity Income	-
Contributions	-
Equity losses	-
Distributions	(8,797)
Ending balance @ 12/31/11	<u>\$ 93,491</u>



The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

\$ 7,605

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**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Report of Independent Registered Public Accounting Firm**

To the Partners of  
The Prudential Variable Contract Real Property Partnership:

In our opinion, the accompanying statements of net assets and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of The Prudential Variable Contract Real Property Account at December 31, 2012 and 2011, and the results of its operations and the changes in its net assets for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of The Prudential Insurance Company of America. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

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New York, New York

March 15, 2013

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**NOTES TO THE FINANCIAL STATEMENTS OF  
THE PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT  
December 31, 2012**

**Report of Independent Registered Public Accounting Firm on  
Financial Statement Schedules**

To the Partners of  
The Prudential Variable Contract Real Property Partnership:

Our audits of the consolidated financial statements referred to in our report dated March 15, 2013 appearing in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

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New York, New York

March 15, 2013

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**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP**  
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
REAL ESTATE INVESTMENTS—At estimated fair value:		
Real estate and improvements (cost: 12/31/2012— \$241,855,397; 12/31/2011—\$196,297,813)	\$223,622,447	\$174,533,231
Preferred equity investments (cost: 12/31/2012—\$0; 12/31/2011— \$8,554,984)	—	8,277,037
Total real estate investments	223,622,447	182,810,268
CASH AND CASH EQUIVALENTS	18,829,641	27,404,667
OTHER ASSETS, NET	3,559,407	2,765,427
Total assets	<u>\$246,011,495</u>	<u>\$212,980,362</u>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
INVESTMENT LEVEL DEBT (net of unamortized discount: 12/31/12 \$2,273; 12/31/11 \$4,956)	\$56,775,225	\$33,464,270
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2,696,038	2,148,095
DUE TO AFFILIATES	681,109	612,946
OTHER LIABILITIES	843,148	952,223
Total liabilities	<u>\$60,995,520</u>	<u>\$37,177,534</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
NET ASSETS, REPRESENTING PARTNERS' EQUITY:		
GENERAL PARTNERS' CONTROLLING INTEREST	178,756,670	172,188,679
NONCONTROLLING INTEREST	6,259,305	3,614,149
	<u>185,015,975</u>	<u>175,802,828</u>
Total liabilities and partners' equity	<u>\$246,011,495</u>	<u>\$212,980,362</u>
NUMBER OF SHARES OUTSTANDING AT END OF PERIOD	<u>5,183,476</u>	<u>5,335,263</u>
SHARE VALUE AT END OF PERIOD	<u>\$34.49</u>	<u>\$32.27</u>

**The accompanying notes are an integral part of these consolidated financial statements.**

**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2012	2011	2010
<b>INVESTMENT INCOME:</b>			
Revenue from real estate and improvements	\$25,920,808	\$23,236,660	\$23,887,391
Equity in income of preferred equity investments	127,288	1,109,254	1,010,274
Interest income	18,106	27,022	30,637
Total investment income	<u>26,066,202</u>	<u>24,372,936</u>	<u>24,928,302</u>
<b>INVESTMENT EXPENSES:</b>			
Operating	6,189,842	6,086,034	6,247,020
Investment management fee	2,443,023	2,373,128	2,315,378
Real estate taxes	2,400,551	1,992,163	2,386,515
Administrative	4,294,566	3,990,437	4,619,659
Interest expense	2,025,995	1,371,821	988,594
Total investment expenses	<u>17,353,977</u>	<u>15,813,583</u>	<u>16,557,166</u>
<b>NET INVESTMENT INCOME</b>	<u>8,712,225</u>	<u>8,559,353</u>	<u>8,371,136</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>			
Net proceeds from real estate investments sold	8,571,929	-	16,981,750
Less: Cost of real estate investments sold	8,501,116	-	20,366,393
Gain (loss) realized from real estate investments sold	70,813	-	(3,384,643)
Less: Reversal of prior periods' unrealized gain (loss) on real estate investments sold	(277,947)	-	(5,710,830)
Net gain (loss) recognized on real estate investments sold	348,760	-	2,326,187
Change in unrealized gain (loss) on real estate investments held	3,531,632	14,773,499	5,707,392
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>	<u>3,880,392</u>	<u>14,773,499</u>	<u>8,033,579</u>
<b>INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$12,592,617</u>	<u>\$23,332,852</u>	<u>\$16,404,715</u>
<b>Amounts attributable to noncontrolling interest:</b>			
Net investment income (loss) attributable to noncontrolling interest	306,150	330,064	401,727
Net unrealized gain (loss) attributable to noncontrolling interest	718,476	842,062	679,307
Net increase (decrease) in net assets resulting from operations attributable to the noncontrolling interest	<u>\$1,024,626</u>	<u>\$1,172,126</u>	<u>\$1,081,034</u>
<b>Amounts attributable to general partners' controlling interest:</b>			
Net investment income attributable to general partners' controlling interest	8,406,075	8,229,289	7,969,409
Net recognized gain (loss) attributable to general partners' controlling interest	348,760	-	2,326,187
Net unrealized gain (loss) attributable to general partners' controlling interest	2,813,156	13,931,437	5,028,085
Net increase (decrease) in net assets resulting from operations attributable to general partners' controlling interest	<u>\$11,567,991</u>	<u>\$22,160,726</u>	<u>\$15,323,681</u>

**The accompanying notes are an integral part of these consolidated financial statements.**

**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Year Ended December 31,

	2012			2011			2010		
	General Partners' Controlling Interest	Non-controlling Interest	Total	General Partners' Controlling Interest	Noncontrolling Interest	Total	General Partners' Controlling Interest	Noncontrolling Interest	Total
INCREASE (DECREASE) IN NET ASSETS									
RESULTING FROM OPERATIONS:									
Net investment income (loss)	\$8,406,075	\$306,150	\$8,712,225	\$8,229,289	\$ 330,064	\$8,559,353	\$7,969,409	\$ 401,727	\$8,371,136
Net realized and unrealized gain (loss) from real estate investments	3,161,916	718,476	3,880,392	13,931,437	842,062	14,773,499	7,354,272	679,307	8,033,579
Increase (decrease) in net assets resulting from operations	11,567,991	1,024,626	12,592,617	22,160,726	1,172,126	23,332,852	15,323,681	1,081,034	16,404,715
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS:									
Distributions	(5,000,000 )	-	(5,000,000 )	(15,000,000 )	-	(15,000,000 )	(17,500,000 )	-	(17,500,000 )
Contributions from noncontrolling interest	-	1,688,870	1,688,870	-	-	-	-	-	-
Distributions to noncontrolling interest	-	(68,340 )	(68,340 )	-	(257,798 )	(257,798 )	-	(479,122 )	(479,122 )
Increase (decrease) in net assets resulting from capital transactions	(5,000,000 )	1,620,530	(3,379,470 )	(15,000,000 )	(257,798 )	(15,257,798 )	(17,500,000 )	(479,122 )	(17,979,122 )
INCREASE (DECREASE) IN NET ASSETS	6,567,991	2,645,156	9,213,147	7,160,726	914,328	8,075,054	(2,176,319 )	601,912	(1,574,407 )
NET ASSETS- Beginning of period	172,188,679	3,614,149	175,802,828	165,027,953	2,699,821	167,727,774	167,204,272	2,097,909	169,302,181
NET ASSETS- End of period	\$178,756,670	\$6,259,305	\$185,015,975	\$172,188,679	\$ 3,614,149	\$175,802,828	\$165,027,953	\$ 2,699,821	\$167,727,774

**The accompanying notes are an integral part of these consolidated financial statements.**

**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net increase in net assets from operations	\$12,592,617	\$23,332,852	\$16,404,715
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities			
Net realized and unrealized loss (gain)	(3,880,392 )	(14,773,499)	(8,033,579 )
Amortization of discount on investment level debt	2,683	5,281	(8,407 )
Amortization of deferred financing costs	44,495	36,550	43,970
(Increase) decrease in accrued interest included in preferred equity investment	53,868	(257,109 )	72,163
Bad debt expense	80,228	68,800	123,552
(Increase) decrease in:			
Other assets	(918,703 )	(454,621 )	46,309
Increase (decrease) in:			
Accounts payable and accrued expenses	777,256	(449,261 )	(515,246 )
Due to affiliates	68,163	15,810	(5,965 )
Other liabilities	(109,075 )	(76,095 )	3,039
Net cash flows provided by (used in) operating activities	<u>8,711,140</u>	<u>7,448,708</u>	<u>8,130,551</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net proceeds from real estate investments sold	8,571,929	-	16,981,750
Acquisition of real estate and improvements	(30,528,031)	-	-
Additions to real estate and improvements	(2,758,866 )	(2,430,061 )	(2,522,678 )
Return of investment in preferred equity	-	5,868,661	-
Net cash flows provided by (used in) investing activities	<u>(24,714,968)</u>	<u>3,438,600</u>	<u>14,459,072</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Distributions	(5,000,000 )	(15,000,000)	(17,500,000)
Proceeds from investment level debt	11,700,000	19,000,000	429,328
Principal payments on investment level debt	(891,728 )	(16,106,627)	(680,204 )
Contributions from noncontrolling interest	1,688,870	-	-
Distributions to noncontrolling interest	(68,340 )	(257,798 )	(479,122 )
Net cash flows provided by (used in) financing activities	<u>7,428,802</u>	<u>(12,364,425)</u>	<u>(18,229,998)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,575,026 )</b>	<b>(1,477,117 )</b>	<b>4,359,625</b>
CASH AND CASH EQUIVALENTS - Beginning of period	<u>27,404,667</u>	<u>28,881,784</u>	<u>24,522,159</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$18,829,641</u>	<u>\$27,404,667</u>	<u>\$28,881,784</u>

**The accompanying notes are an integral part of these consolidated financial statements.**

**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP**  
**CONSOLIDATED SCHEDULE OF REAL ESTATE INVESTMENTS**

Property Name	December 31, 2012		2012		December 31, 2012		December 31, 2011	
	Ownership	City, State	Total Rentable Square Feet Unless Otherwise Indicated (Unaudited)		Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>OFFICES</b>								
750 Warrenville	WO	Lisle, IL	92,209		\$26,878,077	\$7,400,000	\$26,406,742	\$ 7,200,000
Summit @ Cornell Oaks	WO	Beaverton, OR	72,109		13,649,543	7,722,447	13,488,141	8,569,729
Westpark	WO	Brentwood, TN	98,656		15,211,299	14,400,000	15,144,132	13,363,502
Financial Plaza	WO	Brentwood, TN	98,049		13,447,441	9,800,000	12,950,174	10,700,000
		Offices % as of 12/31/12	22	%	69,186,360	39,322,447	67,989,189	39,833,231
<b>APARTMENTS</b>								
700 Broadway	CJV	Seattle, WA	59 Units		22,400,483	22,900,000	-	-
Dunhill Trace Apartments	WO	Raleigh, NC	250 Units		17,106,488	22,400,000	16,829,100	20,200,000
Broadstone Crossing	WO	Austin, TX	225 Units		22,927,224	26,500,000	22,872,160	25,300,000
The Reserve At Waterford Lakes	WO	Charlotte, NC	140 Units		14,153,138	12,000,000	13,992,552	11,200,000
		Apartments % as of 12/31/12	47	%	76,587,333	83,800,000	53,693,812	56,700,000
<b>RETAIL</b>								
Hampton Towne Center	WO	Hampton, VA	174,540		18,253,808	17,600,000	18,209,961	17,700,000
White Marlin Mall	CJV	Ocean City, MD	197,098		24,224,224	29,500,000	23,905,783	27,800,000
Westminster Crossing East, LLC	CJV	Westminster, MD	89,890		15,088,285	15,600,000	15,077,125	15,200,000
CARS Preferred Equity	PE	Various	N/A		-	-	8,554,984	8,277,037
Harnett Crossing	WO	Dunn, NC	189,143		6,727,082	3,300,000	6,429,474	3,300,000
Village Walk	WO	Roswell, GA	81,159		20,627,548	20,400,000	-	-
		Retail % as of 12/31/12	48	%	84,920,947	86,400,000	72,177,327	72,277,037
<b>HOTEL</b>								
Portland Crown Plaza	CJV	Lake Oswego, OR	161 Rooms		11,160,757	14,100,000	10,992,469	14,000,000
		Hotel % as of 12/31/12	8	%	11,160,757	14,100,000	10,992,469	14,000,000
<b>Total Real Estate Investments at Estimated Fair Values as a Percentage of General Partners' Controlling Interest as of 12/31/12</b>								
			<b>125</b>	<b>%</b>	<b>\$241,855,397</b>	<b>\$223,622,447</b>	<b>\$204,852,797</b>	<b>\$ 182,810,268</b>

WO - Wholly Owned Investment

CJV - Consolidated Joint Venture

PE - Preferred equity investments accounted for under the equity method

**The accompanying notes are an integral part of these consolidated financial statements.**





**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP**  
**CONSOLIDATED SCHEDULE OF REAL ESTATE INVESTMENTS**

	December 31, 2012			December 31, 2011		
	Face Amount	Maturity Date	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>CASH AND CASH EQUIVALENTS - Percentage of General Partner' s Controlling Interest</b>				10.5 %		15.9 %
Federal Home Loan Bank, 0 coupon bond	\$3,300,000	January, 2013	\$3,300,000	\$3,300,000	\$697,000	\$697,000
Federal Home Loan Bank, 0 coupon bond	6,000,000	January, 2013	6,000,000	6,000,000	10,000,000	10,000,000
Federal Home Loan Bank, 0 coupon bond	6,400,000	February, 2013	6,399,006	6,399,006	15,999,413	15,999,413
<b>Total Cash Equivalents</b>			<u>15,699,006</u>	<u>15,699,006</u>	<u>26,696,413</u>	<u>26,696,413</u>
<b>Cash</b>			<u>3,130,635</u>	<u>3,130,635</u>	<u>708,254</u>	<u>708,254</u>
<b>Total Cash and Cash Equivalents</b>			<u>\$18,829,641</u>	<u>\$18,829,641</u>	<u>\$27,404,667</u>	<u>\$27,404,667</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP  
For Years Ended December 31, 2012, 2011, and 2010**

**Note 1: Organization**

On April 29, 1988, The Prudential Variable Contract Real Property Partnership (the "Partnership"), a general partnership organized under New Jersey law, was formed through an agreement among The Prudential Insurance Company of America ("Prudential"), an indirect wholly-owned subsidiary of Prudential Financial, Inc. ("PFI"), Pruco Life Insurance Company ("Pruco Life"), a wholly-owned subsidiary of Prudential, and Pruco Life Insurance Company of New Jersey ("Pruco Life of New Jersey"), a wholly-owned subsidiary of Pruco Life. The Partnership was established as a means by which assets allocated to the real estate investment option under certain variable life insurance and variable annuity contracts issued by the respective companies could be invested in a commingled pool. The partners in the Partnership are Prudential, Pruco Life and Pruco Life of New Jersey (collectively the "General Partners"). The General Partners may make additional daily cash contributions to or withdrawals from the Partnership in accordance with the provisions of the Partnership Agreement.

The Partnership's policy is to invest at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans.

The per share net asset value of the Partnership's shares is determined daily, consistent with the Partnership Agreement. On each day during which the New York Stock Exchange is open for business, the net asset value of the Partnership is estimated using the estimated fair value of its assets, principally as described in Notes 2A, 2B and 2E below, reduced by any liabilities of the Partnership. The periodic adjustments to property values described in Notes 2A, 2B and 2E below and other adjustments to previous estimates are made on a prospective basis. There can be no assurance that all such adjustments to estimates will be made timely.

Shares of the Partnership are held by The Prudential Variable Contract Real Property Account, Pruco Life Variable Contract Real Property Account and Pruco Life of New Jersey Variable Contract Real Property Account (the "Real Property Accounts") and may be purchased and sold at the then current per share net asset value of the Partnership's net assets. Per share net asset value is calculated by dividing the net asset value of net assets of the Partnership as determined above by the number of shares outstanding. A contract owner participates in the Partnership through interests in the Real Property Accounts.

PREI<sup>®</sup> is the real estate advisory unit of Prudential Investment Management, Inc. ("PIM"), which is an indirectly owned subsidiary of PFI. PREI provides investment advisory services to the Partnership's partners pursuant to the terms of the Advisory Agreement as described in Note 11.

**Note 2: Summary of Significant Accounting Policies**

- A. *Basis of Presentation* - The accompanying consolidated financial statements of the Partnership included herein have been prepared in accordance with the requirements of Form 10-K and accounting principles generally accepted in the United States of America that are applicable to investment companies. The Partnership has evaluated subsequent events through March 15, 2013, the date these financial statements were available to be issued.
- B. *Management's Use of Estimates in the Financial Statements* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.
- C. *Accounting Pronouncements Adopted* - In January 2010, the Financial Accounting Standards Board ("FASB") issued updated guidance that requires new fair value disclosures about significant transfers between Level 1 and 2 measurement categories and separate presentation of purchases, issuances, and settlements within the roll forward of Level 3 activity. Also, this updated fair value guidance clarifies the disclosure requirements about level of disaggregation and valuation techniques and inputs. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except disclosures about purchases, sales, issuances, and settlements in the rollforward of Level 3 activity, which are effective for

interim and annual reporting periods beginning after December 15, 2010. The Partnership adopted this guidance on January 1, 2010. The required disclosure is provided in Note 5.

In May 2011, the FASB issued updated guidance regarding the fair value measurements and disclosure requirements. The updated guidance clarifies existing guidance related to the application of fair value measurement methods and requires expanded disclosures. This new guidance is effective for the first interim or annual reporting periods beginning after December 15, 2011 and is applied prospectively. Effective January 1, 2012, the Partnership adopted this updated guidance regarding the fair value measurements and disclosure requirements. The expanded disclosures required by this guidance are included in Note 5. Adoption of this guidance did not have a material effect on the Partnership' s consolidated financial position or results of operations.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**Note 2: Summary of Significant Accounting Policies (continued)**

- D. *Real Estate Investments* - Real estate investments are carried at fair value. Properties owned are initially recorded at the purchase price plus closing costs. Development costs and major renovations are capitalized as a component of cost, and routine maintenance and repairs are charged to expense as incurred. Real estate costs include the cost of acquired property, including all the tangible and intangible assets. Tangible assets include the value of all land, building and tenant improvements at the time of acquisition. Intangible assets include the value of any above and below market leases, in-place leases, and tenant relationships at the time of acquisition.

In general, fair value estimates are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. The Chief Real Estate Appraiser of PIM is responsible to assure that the valuation process provides independent and reasonable property fair value estimates. An unaffiliated third party has been appointed by PIM to assist the Chief Real Estate Appraiser in maintaining and monitoring the independence and the accuracy of the appraisal process. The fair value of real estate investments does not reflect the transaction sale costs, which may be incurred upon disposition of the real estate investments.

The purpose of an appraisal is to estimate the fair value of real estate as of a specific date. In accordance with FASB authoritative guidance on fair value measurements and disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimate of fair value is based on the conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: (1) current cost of reproducing the real estate less deterioration and functional and economic obsolescence; (2) discounting a series of income streams and reversion at a specific yield or by directly capitalizing a single year income estimate by an appropriate factor; and (3) value indicated by recent sales of comparable real estate in the market. In the reconciliation of these three approaches, the independent appraiser uses one or a combination of them, to come up with the approximated value for the type of real estate in the market. Key inputs and assumptions include rental income and expense amounts, related rental income and expense growth rates, discount rates and capitalization rates.

In general, the input values used in the appraisal process are unobservable, therefore unless indicated otherwise; real estate investments are classified as Level 3 (see Note 5 for detail) under the FASB authoritative guidance for fair value measurements.

Unconsolidated preferred equity investments are carried at fair value and are generally valued at the Partnership's equity in net assets as reflected in the investments' financial statements with the property valued as described above. Under the equity method, the investment is initially recorded at the original investment amount, plus or minus additional amounts invested or distributed, and is subsequently adjusted for the Partnership's share of undistributed earnings or losses, including unrealized appreciation and depreciation, from the investment.

As described above, the estimated fair value of real estate and real estate related assets is generally determined through an appraisal process. These estimated market values may vary significantly from the prices at which the real estate investments would sell, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. These variances could be material to the financial statements. Although the estimated fair values represent subjective estimates, management believes these estimated fair values are reasonable approximations of market prices and the aggregate estimated value of investments in real estate is fairly presented as of December 31, 2012 and 2011.

- E. *Cash and Cash Equivalents* - Cash and cash equivalents are comprised of all short-term investments and investments in money market funds with a maximum maturity of three months when purchased. Cash equivalents consist of investments in the Prudential Investment Liquidity Pool offered and managed by an affiliate of PFI and are accounted for at fair value.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**Note 2: Summary of Significant Accounting Policies (continued)**

- F. *Other Assets* - Other assets includes both cash for operating and capital expenditures maintained by wholly-owned and consolidated joint ventures, tenant security deposits by both the wholly-owned and consolidated joint ventures, restricted cash for wholly-owned and consolidated joint ventures reserved for future payments of investment level debt, real estate taxes and insurance premiums, as well as, tenant receivables maintained by both wholly-owned and consolidated joint ventures. As of December 31, 2012 and 2011, cash and restricted cash held by consolidated joint ventures was \$1,464,750 and \$522,232, respectively. The balances for tenant security deposits held by wholly-owned and consolidated joint ventures was \$101,699 and \$87,600, respectively, for the same period. The balance for cash and restricted cash held by wholly-owned entities was \$0 and \$519,324, respectively, for the same period. The balance for tenant receivables held by wholly-owned and consolidated joint ventures was \$625,911 and \$684,556 for the same period, which are shown net of allowance for uncollectible accounts of \$95,687 and \$65,622 for the same period.
- G. *Investment Level Debt* - Investment level debt includes mortgage loans payable on wholly owned properties and consolidated partnerships and is stated at the principal amount, net of unamortized discount, of the obligations outstanding. At times the Partnership may assume debt in connection with the purchase of real estate.
- H. *Revenue and Expense Recognition* - Revenue from real estate is recognized when earned in accordance with the terms of the respective leases. Operating expenses are recognized as incurred. Revenue from certain real estate investments is net of all or a portion of related real estate expenses, as lease arrangements vary as to responsibility for payment of these expenses between tenants and the Partnership. Since real estate investments are stated at estimated fair value, net income is not reduced by depreciation or amortization expense. Interest expenses are accrued periodically based on the contractual interest rate and terms of the loans. Interest expenses are included in Net Investment Income in the Consolidated Statement of Operations.
- I. *Equity in Income of Preferred Equity Investments* - Equity in income of preferred equity investments represents the Partnership's share of the current year's preferred equity investment income as provided for under the terms of the agreement. Frequency of distribution of income is determined by the formal agreement or by the executive committee of the investment. Any cash distributed by the preferred equity investment in excess of the amount of income generated from the investment is treated as a return of the Partnership's preferred equity investment.
- J. *Income Taxes* - The Partnership is not a taxable entity under the provisions of the Internal Revenue Code. The income and capital gains and losses of the Partnership are attributed, for federal income tax purposes, to the Partners in the Partnership. The Partnership may be subject to state and local taxes in jurisdictions in which it operates.

**Note 3: Other**

During the year ended December 31, 2011, the Partnership identified that the preferred equity investment was utilizing a lower interest rate than what was stated in the amended agreement. Because the impact of such amount is not material to the Partnership's financial statements for the year ended December 31, 2011 or prior years, the Partnership recorded an adjustment during the year ended December 31, 2011. Had the adjustment to the interest rate been recorded in previous periods, the overall impact on previous periods would have been an increase of \$298,733 to the "Preferred equity investments" on the Consolidated Statements of Assets and Liabilities" and "Equity in Income of Preferred Equity Investments" on the Consolidated Statements of Operations.

**Note 4: Disclosure of Supplemental Cash Flow and Non-Cash Investing and Financing Activity**

Cash paid for interest during the years ended December 31, 2012, 2011, and 2010, was \$1,981,491, \$1,335,269, and \$944,623, respectively.

During year ended December 31, 2012, in conjunction with the acquisition of a wholly owned investment, the Partnership assumed a variable rate mortgage loan payable totaling \$12.5 million.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP  
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**Note 5: Fair Value Measurements**

FASB authoritative guidance on fair value measurements and disclosures establishes a fair value measurement framework, provides a single definition of fair value and requires expanded disclosure summarizing fair value measurements. This guidance provides a three-level hierarchy based on the inputs used in the valuation process. The level in the fair values hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the entity for identical assets or liabilities. These generally provide the most reliable evidence and should be used to measure fair value whenever available.

Level 2 - Fair value is based on inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data.

Level 3 - Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect the entity's own assumptions about how market participants would price the asset or liability.

For items classified as Level 3, a reconciliation of the beginning and ending balances, as shown in table 2 below, is also required. During the year ended December 31, 2012 and 2011, there were no transfers between Level 1 and Level 2.

Please refer to Note 2D for discussion of valuation methodology.

Table 1 below summarizes the assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy.

**Table 1**

(in 000' s)					
Fair value measurements at December 31, 2012 using					
Assets:	Cost at	Amounts	Quoted prices in	Significant	Significant
	12/31/12	measured at	active markets for	other observable	unobservable inputs
		fair value	identical assets	inputs	(Level 3)
		12/31/2012	(Level 1)	(Level 2)	
Real estate and improvements	\$241,855	\$223,622	\$ -	\$ -	\$ 223,622
Cash equivalents	15,699	15,699	15,699	-	-
<b>Total</b>	<b>\$257,554</b>	<b>\$239,321</b>	<b>\$ 15,699</b>	<b>\$ -</b>	<b>\$ 223,622</b>

(in 000' s)					
Fair value measurements at December 31, 2011 using					
Assets:	Cost at	Amounts	Quoted prices in	Significant	Significant
	12/31/11	measured at	active markets for	other observable	unobservable inputs
		fair value	identical assets	inputs	(Level 3)
		12/31/2011	(Level 1)	(Level 2)	
Real estate and improvements	\$196,298	\$174,533	\$ -	\$ -	\$ 174,533
Preferred equity investments	8,555	8,277	-	-	8,277
Cash equivalents	26,696	26,696	26,696	-	-
<b>Total</b>	<b>\$231,549</b>	<b>\$209,506</b>	<b>\$ 26,696</b>	<b>\$ -</b>	<b>\$ 182,810</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP  
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**Note 5: Fair Value Measurements (continued)**

Table 2 below provides a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2012 and December 31, 2011.

Table 2

(in 000' s)

Fair value measurements using significant unobservable inputs

(Level 3)

	<u>Real estate and improvements</u>	<u>Preferred equity investments</u>	<u>Total</u>
Beginning balance @ 1/1/12	\$ 174,533	\$ 8,277	\$182,810
Net gains (losses) realized/unrealized included in earnings (or changes in net assets)	3,532	349	3,881
Equity income (losses)/interest income	–	127	127
Acquisitions, issuances and contributions	45,557	–	45,557
Disposition, settlements and distributions	–	(8,753 )	(8,753 )
Ending balance @ 12/31/12	<u>\$ 223,622</u>	<u>\$ –</u>	<u>\$223,622</u>
Unrealized gains (losses) for the period relating to level 3 assets still held at the reporting date	<u>\$ 3,532</u>	<u>\$ –</u>	<u>\$3,532</u>

(in 000' s)

Fair value measurements using significant unobservable inputs

(Level 3)

	<u>Real estate and improvements</u>	<u>Preferred equity investments</u>	<u>Total</u>
Beginning balance @ 1/1/11	\$ 158,900	\$ 12,591	\$171,491
Net gains (losses) realized/unrealized included in earnings (or changes in net assets)	13,477	1,297	14,774
Equity income (losses)/interest income	–	1,109	1,109
Acquisitions, issuances and contributions	2,156	–	2,156
Disposition, settlements and distributions	–	(6,720 )	(6,720 )
Ending balance @ 12/31/11	<u>\$ 174,533</u>	<u>\$ 8,277</u>	<u>\$182,810</u>
Unrealized gains (losses) for the period relating to level 3 assets still held at the reporting date	<u>\$ 13,477</u>	<u>\$ 1,297</u>	<u>\$14,774</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**Note 5: Fair Value Measurements (continued)**

Quantitative Information Regarding Level 3 Assets:

The table below represents quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 assets. Significant changes in any of those inputs in isolation would result in a significant change in fair value measurement.

As of December 31, 2012					
	Fair Value (in 000' s)	Number of property(ies) in this property type	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Real estate and improvements:					
Apartment	\$83,800	4	Discounted cash flow	Exit capitalization rate	5.50%–6.25%(5.96%)
				Discount rate	7.00%–8.00%(7.29%)
Hotel	14,100	1	Discounted cash flow	Exit capitalization rate	9.25%(9.25%)
				Discount rate	11.50%(11.50%)
Office	39,322	4	Discounted cash flow	Exit capitalization rate	7.75%–9.00%(8.51%)
				Discount rate	8.5%–10.00%(9.19%)
Retail	86,400	5	Discounted cash flow	Exit capitalization rate	6.75%–9.50%(7.78%)
				Discount rate	7.00%–10.50%(8.38%)
	<u>\$223,622</u>				

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**Note 6: Investment Level Debt**

Investment level debt includes mortgage loans payable as summarized below (in 000' s):

	As of 12/31/12		As of 12/31/11	As of 12/31/12		
	(Unaudited) Partnership' s 100% Principal Balance Outstanding	Share of Principal Balance Outstanding <sup>1</sup>	100% Principal Balance Outstanding	Interest Rate <sup>2, 3</sup>	Maturity Date	Terms <sup>4</sup>
<b>Mortgages of Wholly Owned Properties &amp; Consolidated Partnerships</b>						
Hampton, VA	\$ 4,940	\$ 4,940	\$ 5,587	6.75 %	2018	PP, P&I
Ocean City, MD	18,637	13,042	18,882	5.49 %	2021	P&I
Raleigh, NC	9,000	9,000	9,000	DMBS +142	2013	I
Roswell, GA	12,500	12,500	-	5.10 %	2015	I
Seattle, WA	11,700	9,945	-	4.15 %	2022	P&I
Unamortized Premium (Discount)	( 2 )	( 2 )	( 5 )			
<b>Total</b>	<u>\$ 56,775</u>	<u>\$ 49,425</u>	<u>\$ 33,464</u>			

1. Represents the Partnership' s interest in the loan based upon the estimated percentage of net assets which would be distributed to the Partnership if the partnership were liquidated at December 31, 2012. It does not represent the Partnership' s legal obligation.
2. The Partnership' s weighted average interest rate was 4.94 % and 4.94% at December 31, 2012 and 2011, respectively. The weighted average interest rates were calculated using the Partnership' s annualized interest expense for each loan (derived using the same percentage as that in (1) above) divided by the Partnership' s share of total debt.
3. At December 31, 2012, the Discounted Mortgage -Backed Security (“ DMBS”) rate is 1.57 % .
4. Loan Terms P P =Prepayment penalties applicable to loan, I=Interest only, P &I=Principal and Interest

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**Note 6: Investment Level Debt (continued)**

As of December 31, 2012 principal amounts of mortgage loans payable on wholly owned properties and consolidated partnerships are payable as follows:

<u>Year Ending December 31,</u>	(in 000' s)
2013	9,954
2014	1,017
2015	13,584
2016	1,153
2017	1,315
Thereafter	<u>29,754</u>
Total Principal Balance Outstanding	\$56,777
Premium (Discount)	<u>(2 )</u>
Principal Balance Outstanding, net of premium (discount)	<u>\$56,775</u>

The mortgage loans payable of wholly owned properties and consolidated partnerships are secured by real estate investments with an estimated fair value of \$112.8 million.

**Fair Value of Financial Instruments Carried at Cost:**

The Partnership's mortgages on wholly owned properties and consolidated partnerships have an estimated fair value of approximately \$57.4 million, and a carrying value (amortized cost) of \$56.8 million. The estimated fair value is based on the amount at which the Partnership would pay to transfer the debt at the reporting date taking into consideration the effect of nonperformance risk, including the Partnership's own credit risk. The fair value of debt is determined using the discounted cash flow method, which applies certain key assumptions including the contractual terms of the contract, market interest rates, interest spreads, credit risk, liquidity and other factors. Different assumptions or changes in future market conditions could significantly affect the estimated fair value. The input values used in determining the fair value on investment level debt are unobservable, therefore would be considered as Level 3 under the fair value hierarchy.

**Note 7: Financing, Covenant, and Repayment Risks**

In the normal course of business, the Partnership enters into loan agreements with certain lenders to finance its real estate investment transactions. Unfavorable economic conditions could increase related borrowing costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Partnership. There is no guarantee that the Partnership's borrowing arrangements or ability to obtain leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Partnership. Further, these loan agreements contain, among other conditions, events of default and various covenants and representations. In the normal course of business, the Partnership may be in the process of renegotiating terms for loans outstanding that have passed their maturity dates. At December 31, 2012 the Partnership had no outstanding matured loans.

A decline in market value of the Partnership's assets may also have particular adverse consequences in instances where the Partnership borrowed money based on the fair value of specific assets. A decrease in market value of these assets may result in the lender requiring the Partnership to post additional collateral or otherwise repay these loans.

In the event the Partnership's current investment obligations are not refinanced or extended when they become due and/or the Partnership is required to repay such borrowings and obligations, management anticipates that the repayment of these obligations will be provided by operating cash flow, new debt refinancing, and real estate investment sales.



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**Note 8: Concentration of Risk on Real Estate Investments**

Concentration of risk on real estate investments represents the risk associated with investments that are concentrated in certain geographic regions and industries. The Partnership mitigates this risk by diversifying its investments in various regions and different types of real estate investments. Please refer to the Schedule of Investments for the Partnership's diversification on the types of real estate investments.

At December 31, 2012, the Partnership had real estate investments located throughout the United States. The diversification of the Partnership's holdings based on the estimated fair values and established NCREIF regions is as follows:

<u>Region</u>	<u>Estimated Fair Value (in 000' s)</u>	<u>Region %</u>
East North Central	\$7,400	3.31 %
Midwest	123,300	55.14 %
Pacific	21,822	9.76 %
Southeast	44,600	19.94 %
Southwest	26,500	11.85 %
Total	<u>\$223,622</u>	<u>100.00 %</u>

The allocations above are based on 100% of the estimated fair value of wholly-owned properties and consolidated joint ventures.

**Note 9: Leasing Activity**

The Partnership leases space to tenants under various operating lease agreements. These agreements, without giving effect to renewal options, have expiration dates ranging from January 1, 2013 to December 31, 2025. At December 31, 2012, the aggregate future minimum base rental payments under non-cancelable operating leases for wholly owned and consolidated joint venture properties by year are as follows:

<u>Year Ending December 31,</u>	<u>(in 000' s)</u>
2013	\$12,666
2014	12,205
2015	9,332
2016	7,086
2017	6,399
Thereafter	<u>14,154</u>
Total	<u>\$61,842</u>

**Note 10: Commitments and Contingencies**

The Partnership is subject to various legal proceedings and claims arising in the ordinary course of business. These matters are generally covered by insurance. In the opinion of Partnership's management, the outcome of such matters will not have a significant effect on the financial position of the Partnership.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**Note 11: Related Party Transactions**

Pursuant to an investment management agreement, PIM charges the Partnership a daily investment management fee at an annual rate of 1.25% of the average daily gross asset valuation of the Partnership. For the years ended December 31, 2012, 2011, and 2010 management fees incurred by the Partnership were \$2.4 million, \$2.4 million, and \$2.3 million for each of the years, respectively. The Partnership also reimburses PIM for certain administrative services rendered by PIM. The amounts incurred for the years ended December 31, 2012, 2011, and 2010 were \$53,630, \$53,630, and \$53,630; respectively, and are classified as administrative expenses in the Consolidated Statements of Operations.

**Note 12: Financial Highlights**

	<u>For The Twelve Months Ended December 31,</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>Per Share(Unit) Operating Performance:</i>					
Net Asset Value attributable to general partners' controlling interest, beginning of period	\$32.27	\$28.38	\$25.88	\$31.65	\$36.55
<i>Income From Investment Operations:</i>					
Net investment income attributable to general partners' controlling interest, before management fee	2.08	1.86	1.66	1.49	2.15
Investment Management fee attributable to general partners' controlling interest	(0.47)	(0.42)	(0.35)	(0.39)	(0.51)
Net realized and unrealized gain (loss) on investments attributable to general partners' controlling interest	0.61	2.45	1.19	(6.87)	(6.54)
Net Increase (decrease) in Net Assets Resulting from Operations attributable to general partners' controlling interest	2.22	3.89	2.50	(5.77)	(4.90)
Net Asset Value attributable to general partners' controlling interest, end of period	<u>\$34.49</u>	<u>\$32.27</u>	<u>\$28.38</u>	<u>\$25.88</u>	<u>\$31.65</u>
Total Return attributable to general partners' controlling interest, before Management Fee:	8.36 %	15.25%	10.96%	-17.04%	-12.14%
Total Return attributable to general partners' controlling interest, after Management Fee (a):	6.86 %	13.71%	9.59 %	-18.24%	-13.40%
<i>Ratios/Supplemental Data:</i>					
Net Assets attributable to general partners' controlling interest, end of period (in millions)	\$179	\$172	\$165	\$167	\$214
<i>Ratios to average net assets for the period ended (b):</i>					
Management fees	1.42 %	1.40 %	1.39 %	1.40 %	1.38 %
Other portfolio Level Expense	0.26 %	0.26 %	0.24 %	0.20 %	0.06 %
Total Portfolio Level Expenses	1.68 %	1.66 %	1.63 %	1.60 %	1.44 %
Net Investment Income, before Management Fee	6.30 %	6.22 %	6.15 %	5.29 %	5.87 %

(a) Total Return, after management fee is calculated by geometrically linking quarterly returns which are calculated using the formula below:

$$\frac{\text{Net Investment Income} + \text{Net Realized and Unrealized Gains/(Losses)}}{\text{Beg. Net Asset Value} + \text{Time Weighted Contributions} - \text{Time Weighted Distributions}}$$



(b) Average net assets are based on beginning of quarter net assets.

**Note 13: Subsequent Events**

On February 25, 2013, the Partnership sold Dunhill Trace Apartments, a wholly owned property for a net sales price of approximately \$23.1 million with a net recognized gain of \$.4 million.

On March 1, 2013, the Partnership acquired a 90% interest in Vantage Park, a residential property in Seattle, Washington. The total purchase price was \$20.6 million. In conjunction with this purchase, total investment level debt in the amount of \$12.4 million with a fixed rate of 3.84% and a maturity date of February 28, 2023 was entered into.

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For Years Ended December 31, 2012, 2011, and 2010**

**THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP  
SCHEDULE III—REAL ESTATE OWNED: PROPERTIES  
DECEMBER 31, 2012**

Description	Encumbrances at 12/31/12	Initial Costs to the Partnership		Costs Capitalized Subsequent to		Building & Improvements		Total	Year of construction	Date Acquired
		Land	Building & Improvements	Acquisition	Land	Improvements				
Properties:										
750 Office Building										
Lisle, IL	None	1,780,000	15,743,881	9,354,196	1,949,206	24,928,871	26,878,077	1985	Apr., 1988	
Dunhill Garden Apartments										
Raleigh, NC	8,997,727	b 1,623,146	14,135,553	1,347,789	1,824,262	15,282,226	17,106,488	1995	Jun., 1995	
portland Hotel Lake										
Oswego, OR	None	1,500,000	6,508,729	3,152,028	1,500,000	9,660,757	11,160,757	1989	Dec., 2003	
Westpark Office Building										
Brentwood, TN # 1	None	1,797,000	6,588,451	6,825,848	1,855,339	13,355,960	15,211,299	1982	Oct., 1995	
Summit Office Building										
Beaverton, OR	None	816,415	9,897,307	2,935,821	845,887	12,803,656	13,649,543	1995	Dec., 1996	
tractor Office Complex										
Brentwood, TN # 2	None	2,425,000	7,063,755	3,958,686	2,463,600	10,983,841	13,447,441	1987	Oct., 1997	
Hampton Retail Shopping										
Center										
Hampton, VA	4,940,586	2,339,100	12,767,956	3,146,752	4,839,418	13,414,390	18,253,808	1998	May, 2001	
Westmin Retail Shopping										
Center										
Westminster, MD	None	3,031,735	9,326,605	2,729,945	3,031,735	12,056,550	15,088,285	2005	June, 2006	
WMM Retail Shopping										
Center										
Ocean City, MD	18,636,914	1,517,099	8,495,039	14,212,086	1,524,555	22,699,669	24,224,224	1986	Nov., 2002	
Broadsto Garden										
Apartments										
Austin, TX	None	2,577,097	20,125,169	224,958	2,577,097	20,350,127	22,927,224	2007	May, 2007	
Harnett Retail Shopping										
Center										
Dunn, NC	None	586,500	5,372,344	768,238	385,560	6,341,522	6,727,082	1984	Aug., 2007	
Reserve Garden										
Apartments										
Charlotte, NC	None	1,350,000	12,184,750	618,388	1,365,423	12,787,715	14,153,138	1998	Sep., 2007	
700 Garden Apartments										
Seattle, WA	11,700,000	4,252,500	18,071,707	76,276	4,581,366	17,819,117	22,400,483	2004	Jun., 2012	
Village Retail Shopping										
Center										
Roswell, GA	12,500,000	2,062,908	18,566,167	(1,527 )	2,062,908	18,564,640	20,627,548	2005	Sep., 2012	

56,775,227    27,658,500    164,847,413    49,349,484    30,806,356    211,049,041    241,855,397<sup>a</sup>

	<u>2012</u>	<u>2011</u>	<u>2010</u>
a Balance at beginning of year	196,297,813	194,140,941	211,091,543
Additions:			
Improvements, etc.	45,557,584	2,156,872	3,415,791
Deletions:			
Sale	-	-	(20,366,393)
Balance at end of year	<u>241,855,397</u>	<u>196,297,813</u>	<u>194,140,941</u>
b Net of an unamortized discount of \$2,273			

**Exhibit 24**

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS that the person whose signature appears below constitutes and appoints Yanela C. Frias, Sun-Jin Moon, Robert F. O' Donnell and Kenneth A. Pelker, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorneys-in-fact may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of Pruco Life Insurance Company in respect of the Pruco Life Variable Contract Real Property Account (the "Registrant") for the fiscal year ended December 31, 2012 (the "Form 10-K"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Registrant to the Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as any of them may deem appropriate, together with all exhibits thereto, and to any and all amendments thereto and to any other documents filed with the Commission, as fully and for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of February 2013.

/s/ John Chieffo

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John Chieffo

Director

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## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that the person whose signature appears below constitutes and appoints Thomas J. Diemer, Sun-Jin Moon, Robert F. O' Donnell and Kenneth A. Pelker, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorneys-in-fact may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of Pruco Life Insurance Company in respect of the Pruco Life Variable Contract Real Property Account (the "Registrant") for the fiscal year ended December 31, 2012 (the "Form 10-K"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Registrant to the Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as any of them may deem appropriate, together with all exhibits thereto, and to any and all amendments thereto and to any other documents filed with the Commission, as fully and for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 12<sup>th</sup> day of February 2013.

/s/ Robert M. Falzon

\_\_\_\_\_  
Robert M. Falzon

Director

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**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS that the person whose signature appears below constitutes and appoints Thomas J. Diemer, Sun-Jin Moon, Robert F. O' Donnell and Kenneth A. Pelker, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorneys-in-fact may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of Pruco Life Insurance Company in respect of the Pruco Life Variable Contract Real Property Account (the "Registrant") for the fiscal year ended December 31, 2012 (the "Form 10-K"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Registrant to the Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as any of them may deem appropriate, together with all exhibits thereto, and to any and all amendments thereto and to any other documents filed with the Commission, as fully and for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of February 2013.

/s/ Bernard J. Jacob

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Bernard J. Jacob

Director

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**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS that the person whose signature appears below constitutes and appoints Thomas J. Diemer, Sun-Jin Moon, Robert F. O' Donnell and Kenneth A. Pelker, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorneys-in-fact may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of Pruco Life Insurance Company in respect of the Pruco Life Variable Contract Real Property Account (the "Registrant") for the fiscal year ended December 31, 2012 (the "Form 10-K"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Registrant to the Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as any of them may deem appropriate, together with all exhibits thereto, and to any and all amendments thereto and to any other documents filed with the Commission, as fully and for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of February 2013.

/s/ Richard F. Lambert

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Richard F. Lambert  
Director

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**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS that the person whose signature appears below constitutes and appoints Thomas J. Diemer, Sun-Jin Moon, Robert F. O' Donnell and Kenneth A. Pelker, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorneys-in-fact may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of Pruco Life Insurance Company in respect of the Pruco Life Variable Contract Real Property Account (the "Registrant") for the fiscal year ended December 31, 2012 (the "Form 10-K"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Registrant to the Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as any of them may deem appropriate, together with all exhibits thereto, and to any and all amendments thereto and to any other documents filed with the Commission, as fully and for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of February 2013.

/s/ Kent D. Sluyter

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Kent D. Sluyter  
Director



## Exhibit 31.1

### CERTIFICATION

I, Robert F. O' Donnell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pruco Life Variable Contract Real Property Account;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: March 19, 2013

/s/ Robert F. O' Donnell

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Robert F. O' Donnell  
Chief Executive Officer  
Pruco Life Insurance Company

## Exhibit 31.2

### CERTIFICATION

I, Yanela C. Frias, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pruco Life Variable Contract Real Property Account;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2013

/s/ Yanela C. Frias

Yanela C. Frias

Chief Financial Officer

Pruco Life Insurance Company

**Exhibit 32.1**

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, I, Robert F. O' Donnell, Chief Executive Officer of Pruco Life Insurance Company, hereby certify that the accompanying Annual Report on Form 10-K for the year ended December 31, 2012, containing the financial statements of Pruco Life Variable Contract Real Property Account (a separate account of Pruco Life Insurance Company) and The Prudential Variable Contract Real Property Partnership (the "Report"), fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Pruco Life Variable Contract Real Property Account and The Prudential Variable Contract Real Property Partnership.

Date: March 19, 2013

/s/ Robert F. O' Donnell

Robert F. O' Donnell

Chief Executive Officer

Pruco Life Insurance Company

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Exhibit 32.2**

CERTIFICATION

Pursuant to 18 U.S.C. § 1350, I, Yanela C. Frias , Chief Financial Officer of Pruco Life Insurance Company, hereby certify that the accompanying Annual Report on Form 10-K for the year ended December 31, 2012, containing the financial statements of Pruco Life Variable Contract Real Property Account (a separate account of Pruco Life Insurance Company) and The Prudential Variable Contract Real Property Partnership (the “Report”), fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Pruco Life Variable Contract Real Property Account and The Prudential Variable Contract Real Property Partnership.

Date: March 19, 2013

/s/ Yanela C. Frias

Yanela C. Frias  
Chief Financial Officer  
Pruco Life Insurance Company

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document

Unit Activity (Details) (USD \$)	12 Months Ended		
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Company [Member]			
<a href="#">Unit Activity [Line Items]</a>			
<a href="#">Contributions</a>	\$ 1,237,145	\$ 1,203,538	\$ 1,272,554
<a href="#">Redemptions</a>	(1,255,760)	(3,561,739)	(4,476,027)
Contract Owner [Member]   Appreciable Product [Member]			
<a href="#">Unit Activity [Line Items]</a>			
<a href="#">Contributions</a>	1,640,833	1,797,079	1,959,202
<a href="#">Redemptions</a>	(2,361,514)	(2,505,000)	(2,753,017)
Contract Owner [Member]   Variable [Member]			
<a href="#">Unit Activity [Line Items]</a>			
<a href="#">Contributions</a>	98,557	106,082	120,611
<a href="#">Redemptions</a>	(165,240)	(151,001)	(155,857)
Contract Owner [Member]   DiscoPlus [Member]			
<a href="#">Unit Activity [Line Items]</a>			
<a href="#">Contributions</a>	0	0	0
<a href="#">Redemptions</a>	(395)	(19,032)	(3,200)
Contract Owner [Member]   DiscoLifePlus [Member]			
<a href="#">Unit Activity [Line Items]</a>			
<a href="#">Contributions</a>	35,451	306,025	109,412
<a href="#">Redemptions</a>	\$ (82,166)	\$ (277,379)	\$ (221,825)

## Partnership Distributions

**12 Months Ended  
Dec. 31, 2012**

### [Partnership Distributions](#)

#### [\[Abstract\]](#)

### [Partnership Distributions](#)

#### **Note 5: Partnership Distributions**

For the year ended December 31, 2012, the Partnership made one distribution, \$5 million on March 28, 2012. The Account's share of this distribution was \$2.9 million. During the year ended December 31, 2011, the Partnership made a total of \$15 million in distributions. The distributions occurred on May 31st, September 26th, and December 27th for \$5 million each. The Account's share of these distributions were \$2.9 million each or a total of \$8.8 million. During the year ended December 31, 2010, the Partnership made distribution of \$7.5 million on May 3rd and \$10 million on October 27th. The Account's share of these distributions was \$4.3 and \$5.8 million respectively.

**Fair Value Disclosures  
(Details) (USD \$)**

**12 Months Ended**  
**Dec. 31, Dec. 31, Dec. 31,**  
**2012 2011 2010**

**Fair Value, Assets and Liabilities Measured on Recurring and  
Nonrecurring Basis [Line Items]**

Investment in The Prudential Variable Contract Real Property Partnership

\$ \$  
96,815,891 93,491,282

Net Investment Income from Partnership operations

\$ \$ \$  
(4,555,404) (4,488,212) (4,371,539)

**Charges and Expense  
(Details) (USD \$)**

**12 Months Ended  
Dec. 31, 2012**

VAL

<u>Effective annual rate used to determine daily the mortality risk and expense risk charges</u>	0.60%
<u>Maximum percent of deferred sales charges</u>	45.00%
<u>Partial withdrawal charge, amount</u>	\$ 15
<u>Partial withdrawal charge, percent</u>	2.00%
<u>Maximum Percent of Sales Charge</u>	5.00%

VLI

<u>Effective annual rate used to determine daily the mortality risk and expense risk charges</u>	0.35%
--	-------

SPVA

<u>Effective annual rate used to determine daily the mortality risk and expense risk charges</u>	0.90%
<u>Effective annual rate used to determine daily the administrative charges</u>	0.35%

SPVL

<u>Effective annual rate used to determine daily the mortality risk and expense risk charges</u>	0.90%
<u>Effective annual rate used to determine daily the administrative charges</u>	0.35%
<u>Maximum percent of deferred sales charges</u>	9.00%



**Net Contributions  
(Withdrawals) By Contract  
Owners**

**12 Months Ended**

**Dec. 31, 2012**

[Net Contributions Withdrawals By  
Contract Owners \[Abstract\]](#)

[Net Contributions Withdrawals By Contract  
Owners](#)

**Note 4: Net Withdrawals by Contract Owners**

Net contract owner withdrawals for the account by product for the years ended  
December 31, 2012, 2011 and 2010 were as follows:

**Statements Of Net Assets**  
**(USD \$)**

**Dec. 31, 2012 Dec. 31, 2011**

**ASSETS**

Investment in The Prudential Variable Contract Real Property Partnership \$ 96,815,891 \$ 93,491,282

**NET ASSETS, representing:**

<u>Equity of contract owners</u>	71,084,830	69,236,373
<u>Equity of The Pruco Life Insurance Company</u>	\$ 25,731,061	\$ 24,254,909
<u>Units outstanding</u>	33,007,302	33,860,393
<u>Portfolio shares held</u>	2,807,408	2,896,826
<u>Portfolio net asset value per share</u>	\$ 34.49	\$ 32.27

**Summary Of Significant  
Accounting Policies And  
Pronouncements**

**12 Months Ended**

**Dec. 31, 2012**

[Summary Of Significant  
Accounting Policies And  
Pronouncements \[Abstract\]](#)

[Summary Of Significant  
Accounting Policies And  
Pronouncements](#)

**Note 2: Summary of Significant Accounting Policies and Pronouncements**

**A. Basis of Accounting**

The Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Account has transactions and relationships with Prudential and other affiliates. Due to these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include valuation of Investments in the Prudential Variable Contract Real Property Partnership.

**Adoption of Accounting Pronouncements**

Effective January 1, 2012, the Account adopted, prospectively, updated guidance regarding the fair value measurements and disclosure requirements. The updated guidance clarifies existing guidance related to the application of fair value measurement methods and requires expanded disclosures. The expanded disclosures required by this guidance are included in Note 10. Adoption of this guidance did not have a material effect on the Account's financial position or results of operations.

**Note 2: Summary of Significant Accounting Policies and Pronouncements (continued)**

**B. Investment in Partnership Interest**

The investment in the Partnership is based on the Account's proportionate interest of the Partnership's fair value. At December 31, 2012 and December 31, 2011 the Account's interest in the General Partners Controlling Interest was as 54.2% or 2,807,408 shares and 54.3% or 2,896,826 shares, respectively. Properties owned by the Partnership are illiquid and their fair value is based on estimated fair value as discussed in the notes to the Partnership's consolidated financial statements.

- **Income Recognition**

Net investment income, realized and unrealized gains and losses are recognized daily for the investments in the Partnership. Amounts are based on the Account's proportionate interest in the Partnership.

- **Equity of Pruco Life Insurance Company**

Pruco Life maintains a position in the Account for property liquidity purposes, including unit purchases and redemptions, Partnership share transactions, and expense processing. The position does not have an effect on the contract owners' accounts or the related unit values.

**Summary Of Significant  
Accounting Policies And  
Pronouncements (Details)**

**Dec. 31, 2012 Dec. 31, 2011**

**[Summary Of Significant Accounting Policies And Pronouncements \[Abstract\]](#)**

<u><a href="#">Percent of interest in the General Partners Controlling Interest</a></u>	54.20%	54.30%
---	--------	--------

Partnership Distributions (Details) (USD \$) In Millions, unless otherwise specified	3 Months Ended		12 Months Ended	
	Sep. 30, 2010	Jun. 30, 2010	Dec. 31, 2012	Dec. 31, 2011
<a href="#">Partnership Distributions [Abstract]</a>				
<a href="#">Partnership distribution made</a>	\$ 10.0	\$ 7.5	\$ 5.0	\$ 15.0
<a href="#">The Account's share of Partnership distribution</a>	\$ 5.8	\$ 4.3	\$ 2.9	\$ 8.8

## Taxes

**12 Months Ended  
Dec. 31, 2012**

[Taxes \[Abstract\]](#)

[Taxes](#)

### **Note 3: Taxes**

Pruco Life is taxed as a “life insurance company”, as defined by the Internal Revenue Code. The results of operations of the Account form a part of PFI's consolidated federal tax return. Under current federal, state and local law, no federal, state or local income taxes are payable by the Account. As such, no provision for the tax liability has been recorded in these financial statements.

**Statements Of Operations**  
**(USD \$)**

**12 Months Ended**  
**Dec. 31,    Dec. 31,    Dec. 31,**  
**2012        2011        2010**

**INVESTMENT INCOME**

Net investment income from Partnership operations

\$                    \$                    \$  
4,555,404    4,488,212    4,371,539

**EXPENSES**

Charges to contract owners for assuming mortality risk and expense risk and for administration

422,625    397,048    365,083

NET INVESTMENT INCOME

4,132,779    4,091,164    4,006,456

**NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS**

Net change in unrealized gain (loss) on investments in Partnership

1,525,714    7,604,820    2,753,040

Net realized gain (loss) on sale of investments in Partnership

188,999    0            1,276,007

NET (LOSS) GAIN ON INVESTMENTS

1,714,713    7,604,820    4,029,047

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS

\$                    \$                    \$  
5,847,492    11,695,984    8,035,503



**Net Contributions  
Withdrawals By Contract  
Owners (Tables)**

**12 Months Ended**

**Dec. 31, 2012**

[Net Contributions Withdrawals By  
Contract Owners \[Abstract\]](#)

[Schedule of Net Contributions Withdrawals  
by Contract Owners](#)

**Note 4: Net Withdrawals by Contract Owners**

Net contract owner withdrawals for the account by product for the years ended  
December 31, 2012, 2011 and 2010 were as follows:

**Document And Entity  
Information (USD \$)**

**12 Months Ended  
Dec. 31, 2012**

**Document And Entity Information**

**[Abstract]**

<u>Document Type</u>	10-K
<u>Amendment Flag</u>	false
<u>Document Period End Date</u>	Dec. 31, 2012
<u>Document Fiscal Period Focus</u>	Q4
<u>Document Fiscal Year Focus</u>	2012
<u>Entity Registrant Name</u>	PRUCO LIFE VARIABLE CONTRACT REAL PROPERTY ACCOUNT
<u>Entity Central Index Key</u>	0000801348
<u>Current Fiscal Year End Date</u>	--12-31
<u>Entity Filer Category</u>	Non-accelerated Filer
<u>Entity Common Stock, Shares Outstanding</u>	0
<u>Entity WellknownSeasonedIssuer</u>	No
<u>Entity Public Float</u>	\$ 0
<u>Entity Current Reporting Status</u>	Yes
<u>Entity Voluntary Filers</u>	No

## Unit Activity (Tables)

**12 Months Ended  
Dec. 31, 2012**

[Unit Information \[Abstract\]](#)

[Schedule Of Units Of Partnership Interest](#)

[\[Table Text Block\]](#)

### **Note 6: Unit Activity**

All products referred to in Note 1 for outstanding units at December 31, 2012, 2011, and 2010 were as follows:

**Statements Of Changes In  
Net Assets (USD \$)**

**12 Months Ended**  
**Dec. 31,    Dec. 31,    Dec. 31,**  
**2012        2011        2010**

**OPERATIONS**

<u>Net investment income</u>	\$	\$	\$
	4,132,779	4,091,164	4,006,456
<u>Net change in unrealized gain (loss) on investments in Partnership</u>	1,525,714	7,604,820	2,753,040
<u>Net realized gain (loss) on sale of investments in Partnership</u>	188,999	0	1,276,007
<b><u>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</u></b>	<b>5,847,492</b>	<b>11,695,984</b>	<b>8,035,503</b>

**CAPITAL TRANSACTIONS**

<u>Net contributions (withdrawals) by contract owners</u>	2,386,962	1,953,771	2,162,856
<u>Net contributions (withdrawals) by Pruco Life Insurance Company of America</u>	135,921	6,446,130	7,601,883
<b><u>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS</u></b>	<b>(2,522,883)</b>	<b>(8,399,901)</b>	<b>(9,764,739)</b>
<b><u>TOTAL INCREASE (DECREASE) IN NET ASSETS</u></b>	<b>3,324,609</b>	<b>3,296,083</b>	<b>(1,729,236)</b>

**NET ASSETS**

<u>Beginning of period</u>		90,195,199	91,924,435
<u>End of period</u>			\$ 90,195,199

## Financial Highlights

12 Months Ended  
Dec. 31, 2012

[Financial Highlights](#)

[\[Abstract\]](#)

[Financial Highlights](#)

### Note 8: Financial Highlights

Pruco Life sells a number of variable annuity and variable life insurance products. These products have unique combinations of features and fees that are charged against the contract owner's account balance. Differences in the fee structures result in a variety of unit values, expense ratios and total returns.

The following table was developed by determining which products offered by Pruco Life have the lowest and highest total expense ratio. The summary may not reflect the minimum and maximum contract charges offered by the Company as contract owners may not have selected all available and applicable products as discussed in Note 1. The table reflects contract owner units only.

The table above reflects information for units held by contract owners. Pruco Life also maintains a position in the Real Property Account, to provide for property acquisitions and capital expenditure funding needs. Pruco Life held 8,883,406, 8,902,021, 11,260,223, 14,463,696, and 14,533,069 units representing \$25,731,061, \$24,254,909, \$27,112,090, \$31,957,972, and \$39,468,030 of net assets as of December 31, 2012, 2011, 2010, 2009, and 2008 respectively. Charges for mortality risk, expense risk and administrative expenses are used by Pruco Life to purchase additional units in its account resulting in no impact to its net assets.

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\* This amount represents the proportionate share of the net investment income from the underlying Partnership divided by the total average assets of the Account. This ratio excludes those expenses, such as mortality risk, expense risk and administrative charges that result in direct reductions in the unit values.

\*\* These ratios represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying Partnership are excluded.

\*\*\* These amounts represent the total return for the periods indicated, including changes in the value of the underlying Partnership, and reflect deductions for all items included in the expense ratio. The total return does not include any expense assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented.

**Purchases and Distributions  
of Investments**

**12 Months Ended  
Dec. 31, 2012**

[Purchases And Distributions Of  
Investments \[Abstract\]](#)

[Purchases And Distributions Of  
Investments \[Text Block\]](#)

**Note 7: Purchases and Distributions of Investments**

The aggregate costs of purchases and proceeds from distributions of investments in the Partnership for the years ended December 31, 2012, 2011 and 2010 were as follows:

Net Withdrawals by Contract Owners (USD \$)	12 Months Ended		
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Appreciable Life [Member]			
<b><u>Net Withdrawals By CO [Line Items]</u></b>			
<u>Contract Owner Net Payments</u>	\$ 2,503,913	\$ 2,595,469	\$ 2,781,436
<u>Policy Loans</u>	(1,284,170)	(1,184,757)	(1,195,956)
<u>Policy Loan Repayments And Interest</u>	1,872,116	1,841,016	1,717,999
<u>Surrenders Withdrawals And Death Benefits</u>	(2,690,563)	(2,891,506)	(2,534,904)
<u>Net Transfers From To Other Subaccounts or Fixed Rate Option</u>	(517,949)	(265,821)	(665,035)
<u>Administrative And Other Charges</u>	(1,951,656)	(1,940,418)	(1,951,484)
<u>Net Withdrawals By CO</u>	(2,068,309)	(1,846,017)	(1,847,944)
Variable Life {Domain}			
<b><u>Net Withdrawals By CO [Line Items]</u></b>			
<u>Contract Owner Net Payments</u>	204,434	215,012	223,857
<u>Policy Loans</u>	(61,499)	(60,209)	(64,697)
<u>Policy Loan Repayments And Interest</u>	91,954	62,529	63,172
<u>Surrenders Withdrawals And Death Benefits</u>	(203,232)	(165,020)	(117,396)
<u>Net Transfers From To Other Subaccounts or Fixed Rate Option</u>	(77,676)	(25,519)	(46,365)
<u>Administrative And Other Charges</u>	(158,495)	(152,955)	(145,224)
<u>Net Withdrawals By CO</u>	(204,514)	(126,162)	(86,653)
Appreciable Life Product [Member]			
<b><u>Net Withdrawals By CO [Line Items]</u></b>			
<u>Contract Owner Net Payments</u>	0	0	
<u>Policy Loans</u>	0	0	0
<u>Policy Loan Repayments And Interest</u>	0	0	0
<u>Surrenders Withdrawals And Death Benefits</u>	(958)	(38,457)	(6,262)
<u>Net Transfers From To Other Subaccounts or Fixed Rate Option</u>	0	(3,964)	0
<u>Administrative And Other Charges</u>	0	0	0
<u>Net Withdrawals By CO</u>	(958)	(42,421)	(6,262)
DiscoveryLifePlusMember [Member]			
<b><u>Net Withdrawals By CO [Line Items]</u></b>			
<u>Contract Owner Net Payments</u>	(804)	(211)	253
<u>Policy Loans</u>	(19,611)	(25,959)	(28,134)
<u>Policy Loan Repayments And Interest</u>	63,289	67,336	181,541
<u>Surrenders Withdrawals And Death Benefits</u>	(118,331)	(83,480)	(364,561)
<u>Net Transfers From To Other Subaccounts or Fixed Rate Option</u>	(22,952)	117,534	1,972
<u>Administrative And Other Charges</u>	(14,772)	(14,391)	(13,068)
<u>Net Withdrawals By CO</u>	\$ (113,181)	\$ 60,829	\$ (221,997)

**Purchases And Distributions  
of Investments (Tables)**

**12 Months Ended  
Dec. 31, 2012**

**[Purchases and Distributions](#)**

**[\[Abstract\]](#)**

**[Schedule Purchases And  
Redemptions Of Inv](#)**

Note 7: Purchases and Distributions of Investments The aggregate costs of purchases and proceeds from distributions of investments in the Partnership for the years ended December 31, 2012, 2011 and 2010 were as follows:



## Fair Value Disclosure

**12 Months Ended  
Dec. 31, 2012**

[Fair Value Disclosure](#)

[\[Abstract\]](#)

[Fair Value Disclosure](#)

### **Note 10: Fair Value Disclosure**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and should be used to measure fair value whenever available. The Account had no Level 1 assets or liabilities.

Level 2 – Fair value is based on inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. The Account had no Level 2 assets or liabilities.

Level 3 – Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Account's Level 3 assets consist of the investment in the Partnership which is based on the Account's proportionate interest of the Partnership's fair value which approximates the Partnership's net asset value. Properties owned by the Partnership are illiquid and fair value is based on estimates from property appraisal reports prepared by independent real estate appraisers as discussed in the notes to the Partnership's financial statements.

The purpose of an appraisal is to estimate the fair value of real estate as of a specific date.

The estimate of fair value is based on the conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: (1) current cost of reproducing the real estate less deterioration and functional and economic obsolescence; (2) discounting a series of income streams and reversion at a specific yield or by directly capitalizing a single year income estimate by an appropriate factor; and (3) value indicated by recent sales of comparable real estate in the market. In the reconciliation of these three approaches, the one most heavily relied upon is the one then recognized as the most appropriate by the independent appraiser for the type of real estate in the market.

In general, the input values used in the appraisal process are unobservable, therefore unless indicated otherwise; the underlying investments in the Partnership are classified as Level 3 under the fair value hierarchy. The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

Table 1 below summarizes the assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy.

Table 2 below provides a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2012 and December 31, 2011.

## Charges And Expenses

12 Months Ended  
Dec. 31, 2012

### [Charges And Expenses](#)

#### [\[Abstract\]](#)

### [Charges And Expenses](#)

#### Note 8: Financial Highlights: (continued)

##### Charges and Expenses

- **Mortality Risk and Expense Risk Charges**

Mortality risk and expense risk charges are determined daily using an effective annual rate of 0.6%, 0.35%, 0.9% and 0.9% for VAL, VLI, SPVA and SPVL, respectively. Mortality risk is the risk that life insurance contract owners may not live as long as estimated or annuitants may live longer than estimated and expense risk is the risk that the cost of issuing and administering the policies may exceed related charges by Pruco Life. The mortality risk and expense risk charges are assessed through reduction in unit values.

- **Administrative Charges**

Administrative charges are determined daily using an effective annual rate of 0.35% applied daily against the net assets representing equity of contract owners held in each subaccount for SPVA and SPVL. Administrative charges include costs associated with issuing the contract, establishing and maintaining records, and providing reports to contract owners. The administrative charge is assessed through reduction in unit values.

- **Cost of Insurance and Other Related Charges**

Contract owner contributions are subject to certain deductions prior to being invested in the Account. The deductions for VAL and VLI are (1) state premium taxes; (2) sales charges, not to exceed 5% for VAL, which are deducted in order to compensate Pruco Life for the cost of selling the contract and (3) transaction costs, applicable to VAL, which are deducted from each premium payment to cover premium collection and processing costs. Contracts are subject to charges on each basic premium for assuming a guaranteed minimum death benefit risk. This charge compensates Pruco Life for the risk that an insured may die at a time when the death benefit exceeds the benefit that would have been payable in the absence of a minimum guarantee. These charges are assessed through the redemption of units.

- **Deferred Sales Charge**

A deferred sales charge is imposed upon the surrender of certain variable life insurance contracts to compensate Pruco Life for sales and other marketing expenses. The amount of any sales charge will depend on the number of years that have elapsed since the contract was issued but will not exceed 45% of one scheduled annual premium for VAL contracts and 9% of the initial premium payment for SPVL. No sales charge will be imposed after the sixth and tenth year of the contract for SPVL and VAL, respectively. No sales charge will be imposed on death benefits. This deferred sales charge is assessed through the redemption of units. For SPVA, there is a deferred sales charge that applies at the time of a full or partial withdrawal, and the amount of the charge (which declines over time) depends on the number of years that have elapsed since the contract was issued.

- **Partial Withdrawal Charge**

A charge is imposed by Pruco Life on partial withdrawals of the cash surrender value for VAL. A charge equal to the lesser of \$15 or 2% will be made in connection with each partial withdrawal of the cash surrender value of a contract. This charge is assessed through the redemption of units.

## Related Parties

**12 Months Ended  
Dec. 31, 2012**

[Related Party Transactions](#)

[\[Abstract\]](#)

[Related Party Transactions](#)

[Disclosure \[Text Block\]](#)

### **Note 9: Related Party**

Prudential and its affiliates perform various services on behalf of the Partnership in which the Account invests and may receive fees for the services performed. These services include, among other things, shareholder communications, document preparation, postage, fund transfer agency and various other record keeping and customer service functions.

## Summary Of Significant Accounting Policies And Pronouncements (Policies)

12 Months Ended

Dec. 31, 2012

### [Summary Of Significant Accounting Policies And Pronouncements \[Abstract\]](#)

#### [Use of Estimates](#)

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include valuation of Investments in the Prudential Variable Contract Real Property Partnership.

#### [Adoption of Accounting Pronouncements](#)

#### Adoption of Accounting Pronouncements

Effective January 1, 2012, the Account adopted, prospectively, updated guidance regarding the fair value measurements and disclosure requirements. The updated guidance clarifies existing guidance related to the application of fair value measurement methods and requires expanded disclosures. The expanded disclosures required by this guidance are included in Note 10. Adoption of this guidance did not have a material effect on the Account's financial position or results of operations.

#### [Investment In Partnership Interest](#)

#### B. Investment in Partnership Interest

The investment in the Partnership is based on the Account's proportionate interest of the Partnership's fair value. At December 31, 2012 and December 31, 2011 the Account's interest in the General Partners Controlling Interest was as 54.2% or 2,807,408 shares and 54.3% or 2,896,826 shares, respectively. Properties owned by the Partnership are illiquid and their fair value is based on estimated fair value as discussed in the notes to the Partnership's consolidated financial statements.

#### [Income Recognition](#)

- **Income Recognition**

Net investment income, realized and unrealized gains and losses are recognized daily for the investments in the Partnership. Amounts are based on the Account's proportionate interest in the Partnership.

#### [Equity of Prudential Insurance Company of America](#)

- **Equity of Pruco Life Insurance Company**

Pruco Life maintains a position in the Account for property liquidity purposes, including unit purchases and redemptions, Partnership share transactions, and expense processing. The position does not have an effect on the contract owners' accounts or the related unit values.

[General \[Abstract\]](#)

[Minimum percent of partnership assets invested in direct ownership interests](#) 65.00%

**Purchases And Distributions  
of Investments (Details)  
(USD \$)**

**12 Months Ended**

**Dec. 31, 2012 Dec. 31, 2011 Dec. 31, 2010**

**Purchases and Distributions Of Inv [Abstract]**

<u>Distribution</u>	\$ 2,945,508	\$ 8,796,949	\$ 10,129,823
<u>Purchases</u>	\$ 0	\$ 0	\$ 0



**Note 1: General**

Pruco Life Variable Contract Real Property Account (the "Account" or the "Registrant") was established on August 27, 1986 and commenced business September 5, 1986. Pursuant to Arizona law, the Account was established as a separate investment account of Pruco Life Insurance Company ("Pruco Life" or the "Company"), a wholly-owned subsidiary of The Prudential Insurance Company of America ("Prudential"), an indirect wholly-owned subsidiary of Prudential Financial, Inc. ("PFI") and is registered under the Securities Act of 1933, as amended. The assets of the Account are segregated from Pruco Life's other assets. The Account is used to fund benefits under certain variable life insurance and variable annuity contracts issued by Pruco Life. These products are Appreciable Life ("VAL"), Variable Life ("VLI"), Discovery Plus ("SPVA"), and Discovery Life Plus ("SPVL").

The assets of the Account are invested in The Prudential Variable Contract Real Property Partnership (the "Partnership"). The Partnership is the investment vehicle for assets allocated to the real estate investment option under certain variable life insurance and annuity contracts. The Account, along with The Prudential Variable Contract Real Property Account and the Pruco Life of New Jersey Variable Contract Real Property Account, are the sole investors in the Partnership. These financial statements should be read in conjunction with the financial statements of the Partnership.

The Partnership has a policy of investing at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans.

## Unit Activity

**12 Months Ended  
Dec. 31, 2012**

[Unit Activity \[Abstract\]](#)  
[Unit Activity \[Text Block\]](#)

### **Note 6: Unit Activity**

All products referred to in Note 1 for outstanding units at December 31, 2012, 2011, and 2010 were as follows:

<b>Financial Highlights (Details) (USD \$)</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Units Outstanding</u>	33,007,302	33,860,393			
<u>Assets, Net</u>			90,195,199	91,924,435	
Pruco Life Company Net Assets					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Assets, Net</u>			27,112,090	31,957,972	39,468,030
Company Units					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Units Outstanding</u>			11,260,223	14,463,696	14,533,069
Units					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Units Outstanding</u>			25,702	26,646	28,295
Unit Value Lowest					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Units Of Partnership Interest</u>	2.30961	2.36048	2.10140	1.94013	2.40304
Unit Value Highest					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Units Of Partnership Interest</u>	2.63416	2.95634	2.60866	2.38693	2.93018
Net Assets					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>Assets, Net</u>					78,361
Investment Income Ratio					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>InvestmentIncomeRatio</u>	4.84%	4.79%	4.79%	3.98%	4.55%
Expense Ratio Lowest					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>ExpenseRatio</u>	0.35%	0.35%	0.35%	0.35%	0.35%
Expense Ratio Highest					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>ExpenseRatio</u>	1.25%	1.25%	1.25%	1.25%	1.25%
Total Return Lowest					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>TotalReturn</u>	5.53%	12.33%	8.31%	(19.26%)	(14.47%)
Total Return Highest					
<b><u>Financial Highlights [Line Items]</u></b>					
<u>TotalReturn</u>	6.48%	13.33%	9.29%	(18.54%)	(13.70%)

**Fair Value Disclosures  
(Tables)**

**12 Months Ended**

**Dec. 31, 2012**

**Dec.  
31,  
2011**

[Fair Value Disclosure  
\[Abstract\]](#)

[Fair Value, Assets Measured](#) \$ -

[on Recurring Basis \[Table Text](#)

[Block\]](#)

In general, the input values used in the appraisal process are unobservable, therefore unless indicated otherwise; the underlying investments in the Partnership are classified as Level 3 under the fair value hierarchy. The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

Table 1 below summarizes the assets measured at fair value on a recurring basis and their respective position in the fair value hierarchy.

Table 2:

	(\$ in 000's)
	<b>Fair Value Measurements Using Significant Unobservable Inputs for the year ended December 31, 2012 (Level 3)</b>
Beginning balance @ 01/01/12	\$ 93,491
Total gains or losses (realized/unrealized) included in earnings (or changes in net assets) from Partnership operations	-
Net Investment Income from Partnership operations	1,715
Acquisition/Additions	4,555
Equity Income	-
Contributions	-
Disposition/Settlements	-\$ -
Equity losses	-
Distributions	(2,945)
Ending balance @ 12/31/12	<u>\$ 96,816</u>
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 1,526</u>

	(\$ in 000's)
	<b>Fair Value Measurements Using Significant Unobservable Inputs for the year ended December 31, 2011 (Level 3)</b>
Beginning balance @ 01/01/11	\$ 90,195
included in earnings (or changes in net assets) from Partnership operations	7,605
Net Investment Income from Partnership operations	4,488
Acquisition/Additions	-
Equity Income	-
Contributions	-
Equity losses	-
Distributions	(8,797)
Ending balance @ 12/31/11	<u>\$ 93,491</u>

[Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation \[Table Text Block\]](#)

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date		\$ 7,605
96,816		
96,816		93,491
Table 2 below provides a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2012 and December 31, 2011.		93,491
		\$ -
\$ -		