

BOSTON PROPERTIES INC
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2012

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1-13087

BOSTON PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation or organization)
Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103

04-2473675
(I.R.S. Employer Identification No.)

(Address of principal executive offices) (Zip Code)

(617) 236-3300

(Registrant's telephone number, including area code)

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 (§232.405 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$.01 per share
(Class)

150,762,982
(Outstanding on August 2, 2012)

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FORM 10-Q

for the quarter ended June 30, 2012

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Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1 Financial Statements.****BOSTON PROPERTIES, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(in thousands, except for share and par value amounts)**

| | June 30, 2012 | December 31, 2011 |
|---|--------------------------|------------------------------|
| ASSETS | | |
| Real estate, at cost | \$ 13,143,487 | \$ 12,303,965 |
| Construction in progress | 732,734 | 818,685 |
| Land held for future development | 270,169 | 266,822 |
| Less: accumulated depreciation | (2,781,218) | (2,642,986) |
| Total real estate | 11,365,172 | 10,746,486 |
| Cash and cash equivalents | 1,671,997 | 1,823,208 |
| Cash held in escrows | 31,381 | 40,332 |
| Investments in securities | 11,036 | 9,548 |
| Tenant and other receivables (net of allowance for doubtful accounts of \$1,834 and \$1,766, respectively) | 43,507 | 79,838 |
| Related party notes receivable | 282,416 | 280,442 |
| Interest receivable from related party notes receivable | 98,866 | 89,854 |
| Accrued rental income (net of allowance of \$2,693 and \$2,515, respectively) | 559,646 | 522,675 |
| Deferred charges, net | 504,475 | 445,403 |
| Prepaid expenses and other assets | 41,480 | 75,458 |
| Investments in unconsolidated joint ventures | 670,653 | 669,722 |
| Total assets | \$ 15,280,629 | \$ 14,782,966 |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Mortgage notes payable | \$ 2,877,125 | \$ 3,123,267 |
| Unsecured senior notes (net of discount of \$11,587 and \$9,814, respectively) | 4,863,413 | 3,865,186 |
| Unsecured exchangeable senior notes (net of discount of \$2,368 and \$3,462, respectively) | 1,155,669 | 1,715,685 |
| Unsecured line of credit | | |
| Accounts payable and accrued expenses | 163,496 | 155,139 |
| Dividends and distributions payable | 93,353 | 91,901 |
| Accrued interest payable | 61,947 | 69,105 |
| Other liabilities | 308,354 | 293,515 |
| Total liabilities | 9,523,357 | 9,313,798 |
| Commitments and contingencies | | |
| Noncontrolling interest: | | |
| Redeemable preferred units of the Operating Partnership | 51,537 | 55,652 |
| Equity: | | |
| Stockholders' equity attributable to Boston Properties, Inc.: | | |
| Excess stock, \$.01 par value, 150,000,000 shares authorized, none issued or outstanding | | |
| Preferred stock, \$.01 par value, 50,000,000 shares authorized, none issued or outstanding | | |
| Common stock, \$.01 par value, 250,000,000 shares authorized, 150,794,602 and 148,186,511 issued and 150,715,702 and 148,107,611 outstanding at June 30, 2012 and December 31, 2011, respectively | 1,507 | 1,481 |

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| | | |
|---|---------------|---------------|
| Additional paid-in capital | 5,184,710 | 4,936,457 |
| Dividends in excess of earnings | (34,463) | (53,080) |
| Treasury common stock at cost, 78,900 shares at June 30, 2012 and December 31, 2011 | (2,722) | (2,722) |
| Accumulated other comprehensive loss | (14,978) | (16,138) |
| Total stockholders' equity attributable to Boston Properties, Inc. | 5,134,054 | 4,865,998 |
| Noncontrolling interests: | | |
| Common units of the Operating Partnership | 573,241 | 548,581 |
| Property partnerships | (1,560) | (1,063) |
| Total equity | 5,705,735 | 5,413,516 |
| Total liabilities and equity | \$ 15,280,629 | \$ 14,782,966 |

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

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--|------------|------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands, except for per share amounts) | | | |
| Revenue | | | | |
| Rental | | | | |
| Base rent | \$ 372,285 | \$ 346,515 | \$ 728,376 | \$ 684,122 |
| Recoveries from tenants | 57,475 | 48,255 | 109,222 | 93,495 |
| Parking and other | 23,524 | 21,098 | 45,951 | 40,159 |
| Total rental revenue | 453,284 | 415,868 | 883,549 | 817,776 |
| Hotel revenue | 10,049 | 8,904 | 16,865 | 14,852 |
| Development and management services | 9,564 | 9,095 | 17,710 | 16,521 |
| Total revenue | 472,897 | 433,867 | 918,124 | 849,149 |
| Expenses | | | | |
| Operating | | | | |
| Rental | 161,853 | 143,633 | 318,299 | 282,524 |
| Hotel | 6,616 | 6,281 | 12,715 | 12,020 |
| General and administrative | 19,066 | 18,721 | 46,685 | 43,364 |
| Transaction costs | 8 | 1,361 | 2,112 | 1,433 |
| Depreciation and amortization | 111,643 | 110,259 | 220,583 | 218,852 |
| Total expenses | 299,186 | 280,255 | 600,394 | 558,193 |
| Operating income | 173,711 | 153,612 | 317,730 | 290,956 |
| Other income (expense) | | | | |
| Income from unconsolidated joint ventures | 21,191 | 8,882 | 32,912 | 16,858 |
| Interest and other income | 2,382 | 1,953 | 4,028 | 2,927 |
| Gains (losses) from investments in securities | (186) | 6 | 615 | 379 |
| Gains from early extinguishments of debt | 274 | | 1,041 | |
| Interest expense | (99,901) | (94,583) | (203,138) | (193,108) |
| Income from continuing operations | 97,471 | 69,870 | 153,188 | 118,012 |
| Discontinued operations | | | | |
| Income (loss) from discontinued operations | 398 | (132) | 884 | (80) |
| Gain on sale of real estate from discontinued operations | 36,877 | | 36,877 | |
| Gain on forgiveness of debt from discontinued operations | | | 17,807 | |
| Net income | 134,746 | 69,738 | 208,756 | 117,932 |
| Net income attributable to noncontrolling interests | | | | |
| Noncontrolling interests in property partnership | (457) | (503) | (1,003) | (1,032) |
| Noncontrolling interest redeemable preferred units of the Operating Partnership | (765) | (842) | (1,566) | |