

CAMDEN PROPERTY TRUST  
Form 10-Q  
November 02, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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: 1-12110

CAMDEN PROPERTY TRUST  
(Exact Name of Registrant as Specified in Its Charter)

Texas 76-6088377  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

3 Greenway Plaza, Suite 1300 77046  
Houston, Texas (Zip Code)  
(Address of principal executive offices)  
(713) 354-2500  
(Registrant's Telephone Number, Including Area Code)

N/A  
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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 "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

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Non-accelerated filer

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

On October 26, 2012, 84,115,681 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

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Table of Contents

## CAMDEN PROPERTY TRUST

## Table of Contents

	Page
PART I	<u>3</u>
	<u>3</u>
Item 1	<u>3</u>
	<u>3</u>
	<u>3</u>
	<u>4</u>
	<u>6</u>
	<u>8</u>
	<u>10</u>
Item 2	<u>27</u>
Item 3	<u>44</u>
Item 4	<u>44</u>
Part II	<u>44</u>
Item 1	<u>44</u>
Item 1A	<u>44</u>
Item 2	<u>45</u>
Item 3	<u>45</u>
Item 4	<u>45</u>
Item 5	<u>45</u>
Item 6	<u>46</u>
<u>SIGNATURES</u>	
Exhibit 31.1	
Exhibit 31.2	

Exhibit 32.1  
Exhibit 101.INS  
Exhibit 101.SCH  
Exhibit 101.CAL  
Exhibit 101.DEF  
Exhibit 101.LAB  
Exhibit 101.PRE

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CAMDEN PROPERTY TRUST

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)	September 30, 2012	December 31, 2011
Assets		
Real estate assets, at cost		
Land	\$929,289	\$768,016
Buildings and improvements	5,359,707	4,751,654
	6,288,996	5,519,670
Accumulated depreciation	(1,542,530 )	(1,432,799 )
Net operating real estate assets	4,746,466	4,086,871
Properties under development, including land	280,948	299,870
Investments in joint ventures	46,566	44,844
Properties held for sale	6,373	11,131
Total real estate assets	5,080,353	4,442,716
Accounts receivable – affiliates	28,874	31,035
Other assets, net	96,401	88,089
Cash and cash equivalents	5,590	55,159
Restricted cash	6,742	5,076
Total assets	\$5,217,960	\$4,622,075
Liabilities and equity		
Liabilities		
Notes payable		
Unsecured	\$1,415,354	\$1,380,755
Secured	978,371	1,051,357
Accounts payable and accrued expenses	118,879	93,747
Accrued real estate taxes	43,757	21,883
Distributions payable	49,940	39,364
Other liabilities	78,551	109,276
Total liabilities	2,684,852	2,696,382
Commitments and contingencies		
Perpetual preferred units	—	97,925
Equity		
Common shares of beneficial interest; \$0.01 par value per share; 175,000 and 100,000 shares authorized; 98,974 and 87,377 issued; 95,867 and 84,517 outstanding at September 30, 2012 and December 31, 2011, respectively	959	845
Additional paid-in capital	3,580,528	2,901,024
Distributions in excess of net income attributable to common shareholders	(692,235 )	(690,466 )
Treasury shares, at cost (11,782 and 12,509 common shares at September 30, 2012 and December 31, 2011, respectively)	(425,756 )	(452,003 )
Accumulated other comprehensive loss	(660 )	(683 )
Total common equity	2,462,836	1,758,717
Noncontrolling interests	70,272	69,051
Total equity	2,533,108	1,827,768
Total liabilities and equity	\$5,217,960	\$4,622,075

See Notes to Condensed Consolidated Financial Statements.

3

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Table of Contents

CAMDEN PROPERTY TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME  
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Property revenues				
Rental revenues	\$ 166,179	\$ 140,332	\$ 477,501	\$ 412,794
Other property revenues	28,025	23,892	79,322	68,605
Total property revenues	194,204	164,224	556,823	481,399
Property expenses				
Property operating and maintenance	54,008	48,731	153,491	138,974
Real estate taxes	19,096	16,892	56,586	51,596
Total property expenses	73,104	65,623	210,077	190,570
Non-property income				
Fee and asset management	3,041	2,646	9,572	6,955
Interest and other income (loss)	3	(108	) (750	) 4,749
Income (loss) on deferred compensation plans	(1,781	) (6,096	) 3,820	1,233
Total non-property income (loss)	1,263	(3,558	) 12,642	12,937
Other expenses				
Property management	5,509	5,050	15,644	15,478
Fee and asset management	1,864	1,330	5,051	4,220
General and administrative	9,303	8,572	27,712	26,392
Interest	25,865	27,354	78,795	85,472
Depreciation and amortization	52,588	43,367	155,579	133,547
Amortization of deferred financing costs	909	1,344	2,721	4,761
Expense (benefit) on deferred compensation plans	(1,781	) (6,096	) 3,820	1,233
Total other expenses	94,257	80,921	289,322	271,103
Gain on acquisition of controlling interest in joint ventures	—	—	40,191	—
Gain on sale of properties, including land	—	—	—	4,748
Gain on sale of unconsolidated joint venture interests	—	—	—	1,136
Loss on discontinuation of hedging relationship	—	—	—	(29,791
Equity in income (loss) of joint ventures	3,688	(556	) 4,686	(166
Income from continuing operations before income taxes	31,794	13,566	114,943	8,590
Income tax expense – current	(334	) (313	) (992	) (1,889
Income from continuing operations	31,460	13,253	113,951	6,701
Income from discontinued operations	343	1,098	1,262	3,196
Gain on sale of discontinued operations, net of tax	—	—	32,541	—
Net income	31,803	14,351	147,754	9,897
Less income allocated to noncontrolling interests from continuing operations	(1,100	) (752	) (3,009	) (2,089
Less income, including gain on sale, allocated to noncontrolling interests from discontinued operations	—	(9	) (670	) (29
Less income allocated to perpetual preferred units	—	(1,750	) (776	) (5,250
Less write off of original issuance costs of redeemed perpetual preferred units	—	—	(2,075	) —

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Net income attributable to common shareholders	\$30,703	\$11,840	\$141,224	\$2,529
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See Notes to Condensed Consolidated Financial Statements.

4

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Table of Contents

CAMDEN PROPERTY TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME (continued)  
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Earnings per share – basic				
Income (loss) from continuing operations attributable to common shareholders	\$0.35	\$0.14	\$1.29	\$(0.01 )
Income from discontinued operations, including gain on sale, attributable to common shareholders	0.01	0.02	0.40	0.04
Net income attributable to common shareholders	\$0.36	\$0.16	\$1.69	\$0.03
Earnings per share – diluted				
Income (loss) from continuing operations attributable to common shareholders	\$0.35	\$0.14	\$1.27	\$(0.01 )
Income from discontinued operations, including gain on sale, attributable to common shareholders	—	0.02	0.39	0.04
Net income attributable to common shareholders	\$0.35	\$0.16	\$1.66	\$0.03
Distributions declared per common share	\$0.56	\$0.49	\$1.68	\$1.47
Weighted average number of common shares outstanding – basic	85,631	73,242	82,923	72,502
Weighted average number of common shares outstanding – diluted	86,293	74,274	84,694	72,502
Net income attributable to common shareholders				
Income from continuing operations	\$31,460	\$13,253	\$113,951	\$6,701
Less income allocated to noncontrolling interests from continuing operations	(1,100 )	(752 )	(3,009 )	(2,089 )
Less income allocated to perpetual preferred units	—	(1,750 )	(776 )	(5,250 )
Less write off of original issuance costs of redeemed perpetual preferred units	—	—	(2,075 )	—
Income (loss) from continuing operations attributable to common shareholders	30,360	10,751	108,091	(638 )
Income from discontinued operations, including gain on sale	343	1,098	33,803	3,196
Less income, including gain on sale, allocated to noncontrolling interests from discontinued operations	—	(9 )	(670 )	(29 )
Income from discontinued operations, including gain on sale, attributable to common shareholders	343	1,089	33,133	3,167
Net income attributable to common shareholders	\$30,703	\$11,840	\$141,224	\$2,529
Condensed Consolidated Statements of Comprehensive Income:				
Net income	\$31,803	\$14,351	\$147,754	\$9,897
Other comprehensive income				
Unrealized loss on cash flow hedging activities	—	—	—	(2,692 )
Reclassification of net losses on cash flow hedging activities	—	108	—	39,660
Reclassification of gain on available-for-sale investment to earnings, net of tax	—	—	—	(3,309 )
Reclassification of prior service cost on post retirement obligations	7	—	23	—
Comprehensive income	31,810	14,459	147,777	43,556
	(1,100 )	(752 )	(3,009 )	(2,089 )

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Less income allocated to noncontrolling interests from continuing operations				
Less income, including gain on sale, allocated to noncontrolling interests from discontinued operations	—	(9 )	(670 )	(29 )
Less income allocated to perpetual preferred units	—	(1,750 )	(776 )	(5,250 )
Less write off of original issuance costs of redeemed perpetual preferred units	—	—	(2,075 )	—
Comprehensive income attributable to common shareholders	\$30,710	\$11,948	\$141,247	\$36,188
See Notes to Condensed Consolidated Financial Statements.				

5

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Table of Contents

CAMDEN PROPERTY TRUST  
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND PERPETUAL PREFERRED UNITS  
 (Unaudited)

(in thousands)	Common Shareholders				Accumulated other comprehensive loss	Noncontrolling interests	Total equity	Perpetual preferred units
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost				
December 31, 2011	\$845	\$2,901,024	\$(690,466)	\$(452,003)	\$ (683 )	\$ 69,051	\$1,827,768	\$97,925
Net income			141,224			3,679	144,903	2,851
Other comprehensive income					23		23	
Common shares issued	112	693,263					693,375	
Net share awards		(2,477 )		14,096			11,619	
Employee stock purchase plan		613		718			1,331	
Common share options exercised		1,840		11,433			13,273	
Conversions of operating partnership units	2	(450 )				448		
Cash distributions declared to perpetual preferred units								(776 )
Cash distributions declared to equity holders			(142,993 )			(5,950 )	(148,943 )	
Redemption of perpetual preferred units								(100,000)
Purchase of noncontrolling interests		(13,285 )				3,044	(10,241 )	
September 30, 2012	\$959	\$3,580,528	\$(692,235)	\$(425,756)	\$ (660 )	\$ 70,272	\$2,533,108	\$—

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND PERPETUAL PREFERRED UNITS  
(continued)  
(Unaudited)

(in thousands)	Common Shareholders				Accumulated other comprehensive income (loss)	Noncontrolling interests	Total equity	Perpetual preferred units
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost				
December 31, 2010	\$824	\$2,775,625	\$ (595,317 )	\$ (461,255 )	\$ (33,458 )	\$ 70,954	\$1,757,373	\$97,925
Net income			2,529			2,118	4,647	5,250
Other comprehensive income					33,659		33,659	
Common shares issued	11	69,852					69,863	
Net share awards	4	9,597		703			10,304	
Employee stock purchase plan		482		1,335			1,817	
Common share options exercised	1	4,990		6,973			11,964	
Conversions of operating partnership units	1	591				(592 )		
Cash distributions declared to perpetual preferred units								(5,250 )
Cash distributions declared to equity holders			(108,109 )			(3,669 )	(111,778 )	
Other	(2 )	2						
September 30, 2011	\$839	\$2,861,139	\$ (700,897 )	\$ (452,244 )	\$ 201	\$ 68,811	\$1,777,849	\$97,925

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(in thousands)	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 147,754	\$ 9,897
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization, including discontinued operations	156,423	136,733
Gain on acquisition of controlling interest in joint ventures	(40,191)	) —
Gain on sale of discontinued operations, net of tax	(32,541)	) —
Gain on sale of properties, including land	—	(4,748)
Gain on sale of unconsolidated joint venture interests	—	(1,136)
Gain on sale of available-for-sale investment	—	(4,301)
Loss on discontinuation of hedging relationship	—	29,791
Distributions of income from joint ventures	3,064	3,673
Equity in (income) loss of joint ventures	(4,686)	) 166
Share-based compensation	9,950	9,254
Amortization of deferred financing costs	2,721	4,761
Net change in operating accounts and other	7,501	16,707
Net cash from operating activities	249,995	200,797
Cash flows from investing activities		
Development and capital improvements	(202,730)	) (155,077)
Acquisition of operating properties, including joint venture interests, net of cash acquired	(305,258)	) —
Proceeds from sale of properties, including land and discontinued operations	54,125	19,095
Proceeds from sale of joint venture interests	—	19,310
Proceeds from sale of available-for-sale investment	—	4,510
Decrease in notes receivable – affiliates	—	3,279
Investments in joint ventures	(6,706)	) (35,280)
Distributions of investments from joint ventures	9,230	2,453
Other	(7,104)	) (4,464)
Net cash from investing activities	(458,443)	) (146,174)
Cash flows from financing activities		
Borrowings on unsecured line of credit	79,000	—
Repayments on unsecured line of credit	(45,000)	) —
Repayment of notes payable	(345,592)	) (626,432)
Proceeds from notes payable	—	495,705
Proceeds from issuance of common shares	693,375	