

ESSEX PROPERTY TRUST INC
Form 10-Q
May 07, 2012

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

FORM 10-Q

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

For the quarterly period ended March 31, 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 001-13106

ESSEX PROPERTY TRUST, INC.
(Exact name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or
Organization)

77-0369576
(I.R.S. Employer Identification Number)

925 East Meadow Drive
Palo Alto, California 94303
(Address of Principal Executive Offices including Zip Code)

(650) 494-3700
(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 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

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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 the 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

(Do not check if a 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 35,214,497 shares of Common Stock as of May 3, 2012.

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Part I -- Financial Information

Item 1: Condensed Financial Statements (Unaudited)

"Essex" or the "Company" means Essex Property Trust, Inc., a real estate investment trust incorporated in the State of Maryland, or where the context otherwise requires, Essex Portfolio, L.P., a limited partnership (the "Operating Partnership") in which Essex Property Trust, Inc. is the sole general partner.

The information furnished in the accompanying unaudited condensed consolidated balance sheets, statements of operations and comprehensive income, equity, and cash flows of the Company reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the aforementioned condensed consolidated financial statements for the interim periods and are normal and recurring in nature, except as otherwise noted.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the notes to such unaudited condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations herein. Additionally, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2011.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except per share amounts)

| | March 31, 2012 | December 31, 2011 |
|--|-------------------|-------------------------|
| Assets | | |
| Real estate: | | |
| Rental properties: | | |
| Land and land improvements | \$865,321 | \$860,661 |
| Buildings and improvements | 3,477,935 | 3,452,403 |
| | 4,343,256 | 4,313,064 |
| Less accumulated depreciation | (954,243) | (920,026) |
| | 3,389,013 | 3,393,038 |
| Real estate under development | 45,632 | 44,280 |
| Co-investments | 401,531 | 383,412 |
| | 3,836,176 | 3,820,730 |
| Cash and cash equivalents-unrestricted | 13,744 | 12,889 |
| Cash and cash equivalents-restricted | 23,603 | 22,574 |
| Marketable securities | 80,000 | 74,275 |
| Funds held by 1031 exchange facilitator | 10,984 | - |
| Notes and other receivables | 48,053 | 66,369 |
| Prepaid expenses and other assets | 21,795 | 22,682 |
| Deferred charges, net | 17,023 | 17,445 |
| Total assets | \$4,051,378 | \$4,036,964 |
| Liabilities and Equity | | |
| Mortgage notes payable | \$1,724,317 | \$1,745,858 |
| Unsecured debt | 465,000 | 465,000 |
| Lines of credit | 153,566 | 150,000 |
| Accounts payable and accrued liabilities | 62,092 | 48,324 |
| Construction payable | 3,337 | 6,505 |
| Dividends payable | 42,096 | 39,611 |
| Derivative liabilities | 2,725 | 3,061 |
| Other liabilities | 20,446 | 20,528 |
| Total liabilities | 2,473,579 | 2,478,887 |
| Commitments and contingencies | | |
| Cumulative convertible Series G preferred stock | 4,349 | 4,349 |
| Equity: | | |
| Cumulative redeemable Series H preferred stock at liquidation value | 73,750 | 73,750 |
| Common stock, \$.0001 par value, 656,020,000 shares authorized 34,132,502 and 33,888,082 shares issued and outstanding | 3 | 3 |
| Additional paid-in capital | 1,877,373 | 1,844,611 |
| Distributions in excess of accumulated earnings | (422,919) | (408,066) |
| Accumulated other comprehensive loss, net | (70,565) | (72,771) |
| Total stockholders' equity | 1,457,642 | 1,437,527 |

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| | | |
|------------------------------|-------------|-------------|
| Noncontrolling interest | 115,808 | 116,201 |
| Total equity | 1,573,450 | 1,553,728 |
| Total liabilities and equity | \$4,051,378 | \$4,036,964 |

See accompanying notes to the unaudited condensed consolidated financial statements.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARES
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(Dollars in thousands, except per share amounts)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2012 | 2011 |
| Revenues: | | |
| Rental and other property | \$125,474 | \$111,208 |
| Management and other fees | 2,444 | 1,224 |
| | 127,918 | 112,432 |
| Expenses: | | |
| Property operating, excluding real estate taxes | 28,751 | 27,837 |
| Real estate taxes | 11,413 | 10,587 |
| Depreciation | 40,734 | 36,658 |
| General and administrative | 5,400 | 5,274 |
| Cost of management and other fees | 1,640 | 925 |
| | 87,938 | 81,281 |
| Earnings from operations | 39,980 | 31,151 |
| Interest expense before amortization | (24,658) | (21,811) |
| Amortization expense | (2,871) | (2,851) |
| Interest and other income | 2,413 | 6,987 |
| Equity income (loss) in co-investments | 2,340 | (1,373) |
| Income from continuing operations | 17,204 | 12,103 |
| Income from discontinued operations | 10,037 | 404 |
| Net income | 27,241 | 12,507 |
| Net income attributable to noncontrolling interest | (3,151) | (3,546) |
| Net income attributable to controlling interest | 24,090 | 8,961 |
| Dividends to preferred stockholders | (1,368) | (543) |
| Net income available to common stockholders | \$22,722 | \$8,418 |
| Comprehensive income | \$29,592 | \$11,898 |
| Comprehensive income attributable to noncontrolling interest | (3,296) | (3,505) |
| Comprehensive income attributable to controlling interest | \$26,296 | \$8,393 |
| Per common share data: | | |
| Basic: | | |
| Income from continuing operations | \$0.39 | \$0.25 |
| Income from discontinued operations | 0.28 | 0.02 |
| Net income available to common stockholders | \$0.67 | \$0.27 |
| Weighted average number of common shares outstanding during the period | 34,027,890 | 31,465,817 |
| Diluted: | | |
| Income from continuing operations | \$0.39 | \$0.25 |
| Income from discontinued operations | 0.28 | 0.02 |
| Net income available to common stockholders | \$0.67 | \$0.27 |
| Weighted average number of common shares outstanding during the period | 34,151,475 | 31,546,953 |

| | | |
|---------------------------|--------|--------|
| Dividend per common share | \$1.10 | \$1.04 |
|---------------------------|--------|--------|

See accompanying notes to the unaudited condensed consolidated financial statements.

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ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Equity for the three months ended March 31, 2012
(Unaudited)
(Dollars and shares in thousands)

| | Series H | | Additional | | | Distributions | Accumulated | Noncontrolling | | |
|---|-----------------|--------------|------------|--------|--------------|---------------|-------------|----------------|----------|--------------|
| | Preferred stock | Common stock | Shares | Amount | paid-in | in excess | of other | comprehensive | Interest | Total |
| | Shares | Amount | Shares | Amount | capital | accumulated | earnings | loss, net | | |
| Balances at December 31, 2011 | 2,950 | \$ 73,750 | 33,888 | \$ 3 | \$ 1,844,611 | \$ (408,066) | \$ (72,771) | \$ | 116,201 | \$ 1,553,728 |
| Comprehensive income: | | | | | | | | | | |
| Net income | - | - | - | - | - | 24,090 | - | - | 3,151 | 27,241 |
| Change in fair value of cash flow hedges and amortization of swap settlements | - | - | - | - | - | - | 1,880 | 124 | - | 2,004 |
| Change in fair value of marketable securities | - | - | - | - | - | - | 326 | 21 | - | 347 |
| Issuance of common stock under: | | | | | | | | | | |
| Stock option and restricted stock plans | - | - | 24 | - | 1,348 | - | - | - | - | 1,348 |
| Sale of common stock | - | - | 221 | - | 31,590 | - | - | - | - | 31,590 |
| Equity based compensation costs | - | - | - | - | (176) | - | - | - | 596 | 420 |
| Distributions to noncontrolling interest | - | - | - | - | - | - | - | - | (3,850) | (3,850) |
| Redemptions of noncontrolling interest | - | - | - | - | - | - | - | - | (435) | (435) |
| Common and preferred stock dividends | - | - | - | - | - | (38,943) | - | - | - | (38,943) |
| Balances at March 31, 2012 | 2,950 | \$ 73,750 | 34,133 | \$ 3 | \$ 1,877,373 | \$ (422,919) | \$ (70,565) | \$ | 115,808 | \$ 1,573,450 |