

CAMDEN PROPERTY TRUST
Form 10-Q
April 29, 2016

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 March 31, 2016

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.)

11 Greenway Plaza, Suite 2400 77046
Houston, Texas (Address of principal executive offices) (Zip Code)
(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 website, 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

Edgar Filing: CAMDEN PROPERTY TRUST - Form 10-Q

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 y

On April 22, 2016, 86,998,140 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

1

Table of Contents

CAMDEN PROPERTY TRUST
Table of Contents

	Page
PART I <u>FINANCIAL INFORMATION</u>	<u>3</u>
Item 1 <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets (Unaudited) as of March 31, 2016 and December 31, 2015</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2016 and 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Equity (Unaudited) for the Three Months Ended March 31, 2016 and 2015</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2016 and 2015</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>9</u>
Item 2 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
Item 4 <u>Controls and Procedures</u>	<u>36</u>
PART II <u>OTHER INFORMATION</u>	<u>37</u>
Item 1 <u>Legal Proceedings</u>	<u>37</u>
Item 1A <u>Risk Factors</u>	<u>37</u>
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>37</u>
Item 3 <u>Defaults Upon Senior Securities</u>	<u>37</u>
Item 4 <u>Mine Safety Disclosures</u>	<u>37</u>
Item 5 <u>Other Information</u>	<u>37</u>
Item 6 <u>Exhibits</u>	<u>43</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

2

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)	March 31, 2016	December 31, 2015
Assets		
Real estate assets, at cost		
Land	\$998,519	\$ 989,247
Buildings and improvements	5,978,843	5,911,432
	\$6,977,362	\$ 6,900,679
Accumulated depreciation	(1,841,107)	(1,780,694)
Net operating real estate assets	\$5,136,255	\$ 5,119,985
Properties under development, including land	489,730	486,918
Investments in joint ventures	32,568	33,698
Properties held for sale, including land	238,417	239,063
Total real estate assets	\$5,896,970	\$ 5,879,664
Accounts receivable – affiliates	24,011	25,100
Other assets, net	107,161	116,260
Cash and cash equivalents	6,935	10,617
Restricted cash	5,378	5,971
Total assets	\$6,040,455	\$ 6,037,612
Liabilities and equity		
Liabilities		
Notes payable		
Unsecured	\$ 1,866,502	\$ 1,824,930
Secured	899,315	899,757
Accounts payable and accrued expenses	140,991	133,353
Accrued real estate taxes	25,499	45,223
Distributions payable	69,020	64,275
Other liabilities	86,423	97,814
Total liabilities	\$3,087,750	\$ 3,065,352
Commitments and contingencies (Note 10)		
Non-qualified deferred compensation share awards	88,550	79,364
Equity		
Common shares of beneficial interest; \$0.01 par value per share; 175,000 shares authorized; 100,635 and 100,636 issued; 97,455 and 97,571 outstanding at March 31, 2016 and December 31, 2015, respectively	6975	976
Additional paid-in capital	3,658,372	3,662,864
Distributions in excess of net income attributable to common shareholders	(491,275)	(458,577)
Treasury shares, at cost (10,460 and 10,703 common shares at March 31, 2016 and December 31, 2015, respectively)	(378,032)	(386,793)
Accumulated other comprehensive loss	(1,881)	(1,913)
Total common equity	\$2,788,159	\$ 2,816,557
Non-controlling interests	75,996	76,339
Total equity	\$2,864,155	\$ 2,892,896
Total liabilities and equity	\$6,040,455	\$ 6,037,612

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2016	2015
Property revenues		
Rental revenues	\$187,119	\$175,220
Other property revenues	30,476	26,388
Total property revenues	\$217,595	\$201,608
Property expenses		
Property operating and maintenance	\$50,269	\$48,851
Real estate taxes	26,880	24,677
Total property expenses	\$77,149	\$73,528
Non-property income		
Fee and asset management	\$1,765	\$1,563
Interest and other income	224	60
Income on deferred compensation plans	63	1,864
Total non-property income	\$2,052	\$3,487
Other expenses		
Property management	\$7,140	\$5,792
Fee and asset management	952	1,076
General and administrative	12,223	9,748
Interest	23,790	25,052
Depreciation and amortization	62,091	57,984
Expense on deferred compensation plans	63	1,864
Total other expenses	\$106,259	\$101,516
Gain on sale of operating properties, including land	443	85,192
Equity in income of joint ventures	1,497	1,382
Income from continuing operations before income taxes	\$38,179	\$116,625
Income tax expense	(315)	(429)
Income from continuing operations	\$37,864	\$116,196
Income from discontinued operations	5,076	4,869
Net income	\$42,940	\$121,065
Less income allocated to non-controlling interests from continuing operations	(1,210)	(5,466)
Net income attributable to common shareholders	\$41,730	\$115,599

See Notes to Condensed Consolidated Financial Statements.

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 March 31,	
	2016	2015
Earnings per share – basic		
Earnings per common share from continuing operations	\$0.41	\$1.23
Earnings per common share from discontinued operations	0.05	0.06
Total earnings per common share - basic	\$0.46	\$1.29
Earnings per share – diluted		
Earnings per common share from continuing operations	\$0.41	\$1.22
Earnings per common share from discontinued operations	0.05	0.05
Total earnings per common share – diluted	\$0.46	\$1.27
Distributions declared per common share	\$0.75	\$0.70
Weighted average number of common shares outstanding – basic	89,344	88,987
Weighted average number of common shares outstanding – diluted	90,509	90,464
Condensed Consolidated Statements of Comprehensive Income:		
Net income	\$42,940	\$121,065
Other comprehensive income		
Reclassification of net loss on cash flow hedging activities, prior service cost and net loss on post-retirement obligation	32	37
Comprehensive income	\$42,972	\$121,102
Less income allocated to non-controlling interests from continuing operations	(1,210)	(5,466)
Comprehensive income attributable to common shareholders	\$41,762	\$115,636
See Notes to Condensed Consolidated Financial Statements.		

Table of Contents

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(in thousands)	Common Shareholders				Accumulated other comprehensive loss	Non-controlling interests	Total equity
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost			
Equity, December 31, 2015	\$976	\$3,662,864	\$(458,577)	\$(386,793)	\$ (1,913)	\$ 76,339	\$2,892,896
Net income			41,730			1,210	42,940
Other comprehensive income					32		32
Net share awards		(2,306)		8,759			6,453
Employee share purchase plan		63		2			65
Change in classification of deferred compensation plan		(2,376)					(2,376)
Change in redemption value of non-qualified share awards			(6,810)				(6,810)
Conversions of operating partnership units		134				(134)	—
Cash distributions declared to equity holders			(67,618)			(1,419)	(69,037)
Other	(1)	(7)					(8)
Equity, March 31, 2016	\$975	\$3,658,372	\$(491,275)	\$(378,032)	\$ (1,881)	\$ 75,996	\$2,864,155

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Continued)
 (Unaudited)

(in thousands)	Common Shareholders Common		Distributions	Treasury	Accumulated	Non-controlling	Total equity
	shares of	Additional paid-in	in excess of	shares, at	other	interests	
	beneficial	capital	net income	cost	comprehensive		
	interest				loss		
Equity, December 31, 2014	\$976	\$3,667,448	\$(453,777)	\$(396,626)	\$ (2,419)	\$ 72,807	\$2,888,409
Net income			115,599			5,466	121,065
Other comprehensive income					37		37
Net share awards	(2,726)			8,444			5,718
Employee share purchase plan	65			1			66
Common share options exercised	176						176
Change in classification of deferred compensation plan	(1,024)						(1,024)
Change in redemption value of non-qualified share awards			(3,764)				(3,764)
Diversification of share awards within deferred compensation plan	1,668		1,352				3,020
Conversions of operating partnership units	16					(16)	—
Cash distributions declared to equity holders			(62,928)			(1,328)	(64,256)
Purchase of non-controlling interests	(9,480)					(20)	(9,500)
Other	(38)						(38)
Equity, March 31, 2015	\$976	\$3,656,105	\$(403,518)	\$(388,181)	\$ (2,382)	\$ 76,909	\$2,939,909

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

(in thousands)	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net income	\$42,940	\$121,065
Income from discontinued operations	(5,076)	(4,869)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	62,091	57,984
Gain on sale of operating properties, including land	(443)	(85,192)
Distributions of income from joint ventures	1,483	1,203
Equity in income of joint ventures	(1,497)	(1,382)
Share-based compensation	4,759	3,919
Net change in operating accounts and other	(16,920)	(25,060)
Net cash from continuing operating activities	\$87,337	\$67,668
Net cash from discontinued operating activities	9,173	8,868
Net cash from operating activities	\$96,510	\$76,536
Cash flows from investing activities		
Development and capital improvements	\$(73,065)	\$(96,245)
Proceeds from sales of operating properties, including land	2,000	112,180
Other	(2,664)	(284)
Net cash from continuing investing activities	\$(73,729)	\$15,651
Net cash from discontinued investing activities	(3,671)	(1,509)
Net cash from investing activities	\$(77,400)	\$14,142
Cash flows from financing activities		
Borrowings on unsecured credit facility and other short-term borrowings	\$966,000	\$—
Repayments on unsecured credit facility, other short-term borrowings and notes payable	(925,610)	(714)
Distributions to common shareholders and non-controlling interests	(64,249)	(60,386)
Purchase of non-controlling interests	—	(9,500)
Other	1,067	357
Net cash from continuing financing activities	\$(22,792)	\$(70,243)
Net increase (decrease) in cash and cash equivalents	(3,682)	20,435
Cash and cash equivalents, beginning of period	10,617	153,918
Cash and cash equivalents, end of period	\$6,935	\$174,353
Supplemental information		
Cash paid for interest, net of interest capitalized	\$16,552	\$14,420
Supplemental schedule of noncash investing and financing activities		
Distributions declared but not paid	\$69,020	\$64,261
Value of shares issued under benefit plans, net of cancellations	17,545	17,297
Net change in redemption of non-qualified share awards	6,810	2,412
Accrual associated with construction and capital expenditures	30,157	25,637
See Notes to Condensed Consolidated Financial Statements.		

Table of Contents

CAMDEN PROPERTY TRUST

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business

Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust ("REIT"), is primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. Our multifamily apartment communities are referred to as "communities," "multifamily communities," "properties," or "multifamily properties" in the following discussion. As of March 31, 2016, we owned interests in, operated, or were developing 180 multifamily properties comprised of 62,649 apartment homes across the United States, including 4,918 apartment homes located in Las Vegas, Nevada, which were held for sale at March 31, 2016, and subsequently sold to an unaffiliated third party on April 26, 2016. Of the 180 properties, seven properties were under construction, and when completed will consist of a total of 2,477 apartment homes. We also own land holdings which we may develop into multifamily communities in the future.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Principles of Consolidation. Our condensed consolidated financial statements include our accounts and the accounts of other subsidia