BioMed Realty Trust Inc
Form 10-Q
May 04, 2010

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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, 2010
Commission File Number: 1-32261
BIOMED REALTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	**20-1142292**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
17190 Bernardo Center Drive San Diego, California	**92128**
(Address of Principal Executive Offices)	*(Zip Code)*

(858) 485-9840
(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 þ No o

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 o No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of outstanding shares of the registrant s common stock, par value $0.01 per share, as of May 3, 2010 was 113,532,981.

BIOMED REALTY TRUST, INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010
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PART I FINANCIAL INFORMATION

ITEM 1. *CONSOLIDATED FINANCIAL STATEMENTS*

BIOMED REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Investments in real estate, net	$ 3,015,632	$ 2,971,767
Investments in unconsolidated partnerships	55,968	56,909
Cash and cash equivalents	36,800	19,922
Restricted cash	15,304	15,355
Accounts receivable, net	2,501	4,135
Accrued straight-line rents, net	88,981	82,066
Acquired above-market leases, net	2,741	3,047
Deferred leasing costs, net	81,539	83,274
Deferred loan costs, net	12,124	8,123
Other assets	48,605	38,676
Total assets	$ 3,360,195	$ 3,283,274
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$ 667,175	$ 669,454
Secured term loan	150,000	250,000
Exchangeable senior notes due 2026, net	38,804	44,685
Exchangeable senior notes due 2030	180,000	
Unsecured line of credit	394,564	397,666
Security deposits	8,003	7,929
Dividends and distributions payable	18,710	18,531
Accounts payable, accrued expenses, and other liabilities	49,532	47,388
Derivative instruments	9,568	12,551
Acquired below-market leases, net	10,062	11,138
Total liabilities	1,526,418	1,459,342
Equity:		
Stockholders equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized: 7.375% Series A cumulative redeemable preferred stock, $230,000,000 liquidation preference ($25.00 per share), 9,200,000 shares issued and outstanding at March 31, 2010 and December 31, 2009	222,413	222,413
Common stock, $.01 par value, 150,000,000 shares authorized, 100,312,423 and 99,000,269 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	1,003	990
Additional paid-in capital	1,858,212	1,843,551
Accumulated other comprehensive loss	(81,380)	(85,183)
Dividends in excess of earnings	(177,173)	(167,429)

Total stockholders equity	1,823,075	1,814,342
Noncontrolling interests	10,702	9,590
Total equity	1,833,777	1,823,932
Total liabilities and equity	$ 3,360,195	$ 3,283,274

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data)
(Unaudited)

	For the Three Months Ended March 31, 2010	2009
Revenues:		
Rental	$ 70,600	$ 68,419
Tenant recoveries	20,826	21,081
Other income	1,330	4,451
Total revenues	92,756	93,951
Expenses:		
Rental operations	17,851	22,152
Real estate taxes	8,722	7,233
Depreciation and amortization	28,915	27,313
General and administrative	6,419	5,280
Total expenses	61,907	61,978
Income from operations	30,849	31,973
Equity in net loss of unconsolidated partnerships	(277)	(301)
Interest income	20	63
Interest expense	(21,260)	(12,080)
Gain/(loss) on derivative instruments	150	(56)
(Loss)/gain on extinguishment of debt	(821)	4,371
Net income	8,661	23,970
Net income attributable to noncontrolling interests	(121)	(705)
Net income attributable to Company	8,540	23,265
Preferred stock dividends	(4,241)	(4,241)
Net income available to common stockholders	$ 4,299	$ 19,024
Net income per share available to common stockholders:		
Basic and diluted earnings per share	$ 0.04	$ 0.23
Weighted-average common shares outstanding:		
Basic	98,229,996	80,261,363
Diluted	102,577,329	84,499,365

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share data)
(Unaudited)

	Series A Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)/Income	Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2009	$ 222,413	99,000,269	$ 990	$ 1,843,551	$ (85,183)	$ (167,429)	$ 1,814,342	$ 9,590	$ 1,823,932
Net proceeds from sale of common stock		951,000	10	15,416			15,426		15,426
Net issuances of unvested restricted common stock		322,367	3	(1,241)			(1,238)		(1,238)
Conversion of operating partnership units to common stock		38,787		34			34	(34)	
Vesting of share-based awards				1,789			1,789		1,789
Allocation of equity to noncontrolling interests				(1,337)			(1,337)	1,337	
Common stock dividends						(14,043)	(14,043)		(14,043)
Net income						8,540	8,540	121	8,661
Preferred stock dividends						(4,241)	(4,241)		(4,241)
OP unit distributions								(425)	(425)
Unrealized loss on marketable securities					(523)		(523)	(15)	(538)
Amortization of deferred interest costs					1,735		1,735	51	1,786
Unrealized gain on derivative instruments					2,591		2,591	77	2,668

Balance at March 31, 2010	$ 222,413	100,312,423	$ 1,003	$ 1,858,212	$ (81,380)	$ (177,173)	$ 1,823,075	$ 10,702	$ 1,833,777

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net income available to common stockholders and noncontrolling interests	$ 4,420	$ 19,729
Other comprehensive income:		
Unrealized gain on derivative instruments	2,927	12,787
Amortization of deferred interest costs	1,786	
Equity in other comprehensive loss of unconsolidated partnerships	(14)	(213)
Deferred settlement payments on interest rate swaps, net	(245)	(875)
Unrealized (loss)/gain on marketable securities	(538)	570
Total other comprehensive income	3,916	12,269
Comprehensive income	8,336	31,998
Comprehensive income attributable to noncontrolling interests	(113)	(1,162)
Comprehensive income attributable to common stockholders	$ 8,223	$ 30,836

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Operating activities:		
Net income	$ 8,661	$ 23,970
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss/(gain) on extinguishment of debt	821	(4,371)
(Gain)/loss on derivative instruments	(150)	56
Gain on sale of marketable securities	(865)	
Depreciation and amortization	28,915	27,313
Allowance for doubtful accounts	115	3,739
Revenue reduction attributable to acquired above-market leases	306	320
Revenue recognized related to acquired below-market leases	(1,201)	(3,902)
Revenue reduction attributable to lease incentives	500	331
Compensation expense related to restricted common stock and LTIP units	1,789	1,404
Amortization of deferred loan costs	1,204	1,143
Amortization of debt premium on mortgage notes payable	(467)	(455)
Amortization of debt discount on exchangeable senior notes due 2026	177	483
Loss from unconsolidated partnerships	277	301
Distributions representing return on capital from unconsolidated partnerships	348	32
Amortization of deferred interest costs	1,786	
Changes in operating assets and liabilities:		
Restricted cash	51	2,926
Accounts receivable	1,519	(5,830)
Accrued straight-line rents	(6,915)	(7,143)
Deferred leasing costs	(379)	(2,909)
Other assets	(11,036)	1,251
Security deposits	74	18
Accounts payable, accrued expenses and other liabilities	2,195	4,619
Net cash provided by operating activities	27,725	43,296
Investing activities:		
Purchases of interests in and additions to investments in real estate and related intangible assets	(71,542)	(45,231)
Contributions to unconsolidated partnerships, net		(32,267)
Proceeds from the sale of marketable securities	1,227	
Additions to non-real estate assets	(185)	(125)
Net cash used in investing activities	(70,500)	(77,623)
Financing activities:		
Proceeds from common stock offering	15,797	
Payment of common stock offering costs	(371)	

Payment of deferred loan costs	(5,773)	(17)
Unsecured line of credit proceeds	178,742	95,567
Unsecured line of credit payments	(181,844)	
Principal payments on mortgage notes payable	(1,812)	(1,237)
Payments on secured term loan	(100,000)	
Repurchases of exchangeable senior notes due 2026	(6,311)	(6,910)
Proceeds from exchangeable senior notes due 2030	180,000	
Settlement of derivative instruments		(8,860)
Deferred settlement payments, net on interest rate swaps	(245)	(875)
Distributions to operating partnership unit and LTIP unit holders	(429)	(1,151)
Dividends paid to common stockholders	(13,860)	(27,053)
Dividends paid to preferred stockholders	(4,241)	(4,241)
Net cash provided by financing activities	59,653	45,223
Net increase in cash and cash equivalents	16,878	10,896
Cash and cash equivalents at beginning of period	19,922	21,422
Cash and cash equivalents at end of period	$ 36,800	$ 32,318
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $1,645 and $4,130, respectively)	$ 17,507	$ 10,821
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for preferred stock dividends declared	$ 4,241	$ 4,241
Accrual for common stock dividends declared	14,043	27,196
Accrual for distributions declared for operating partnership unit and LTIP unit holders	425	1,126
Accrued additions to real estate and related intangible assets	10,588	37,048

See accompanying notes to consolidated financial statements.

BIOMED REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Description of Business

BioMed Realty Trust, Inc., a Maryland corporation (the Company), was incorporated in Maryland on April 30, 2004. On August 11, 2004, the Company commenced operations after completing its initial public offering. The Company operates as a fully integrated, self-administered and self-managed real estate investment trust (REIT) focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry principally through its subsidiary, BioMed Realty, L.P., a Maryland limited partnership (the Operating Partnership). The Company s tenants primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. The Company s properties are generally located in markets with well established reputations as centers for scientific research, including Boston, San Diego, San Francisco, Seattle, Maryland, Pennsylvania and New York/New Jersey.

2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying interim financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments necessary for a fair presentation of the financial statements for these interim periods have been recorded. These financial statements should be read in conjunction with the audited consolidated financial statements and notes therein included in the Company s annual report on Form 10-K for the year ended December 31, 2009.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, partnerships and limited liability companies it controls, and variable interest entities (VIE) for which the Company has determined itself to be the primary beneficiary. All material intercompany transactions and balances have been eliminated. The Company consolidates entities the Company controls and records a noncontrolling interest for the portions not owned by the Company. Control is determined, where applicable, by the sufficiency of equity invested and the rights of the equity holders, and by the ownership of a majority of the voting interests, with consideration given to the existence of approval or veto rights granted to the minority stockholder. If the minority stockholder holds substantive participating rights, it overcomes the presumption of control by the majority voting interest holder. In contrast, if the minority stockholder simply holds protective rights (such as consent rights over certain actions), it does not overcome the presumption of control by the majority voting interest holder.

Investments in Partnerships

The Company evaluates its investments in limited liability companies and partnerships to determine whether such entities may be a variable interest entity and, if a VIE, whether the Company is the primary beneficiary. Generally, an entity is determined to be a VIE when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity s activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The primary beneficiary is the entity that has both (1) the power to direct matters that most significantly impact the VIE s economic performance and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company considers a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIE s economic performance including, but not limited to, the ability to direct financing, leasing, construction and other operating decisions and activities. In addition, the Company considers the rights of other investors to participate in policy making decisions, to replace or remove the manager and to liquidate or sell the entity. The obligation to absorb losses and the right to receive benefits when a reporting entity is affiliated with a VIE must be based on ownership, contractual, and/or other pecuniary interests in that VIE. The Company has determined that it is the primary beneficiary in five VIEs, consisting of single-tenant properties in which the tenant has a fixed-price purchase option, which are consolidated and reflected in the accompanying consolidated financial statements.

If the above conditions do not apply, the Company considers whether a general partner or managing member controls a limited partnership or limited liability company. The general partner in a limited partnership or managing member in a limited liability company is presumed to control that limited partnership or limited liability company. The presumption may be overcome if the limited partners or members have either (1) the substantive ability to dissolve the limited partnership or limited liability company or otherwise remove the general partner or managing member without cause or (2) substantive participating rights, which provide the limited partners or members with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership s or limited liability company s business and thereby preclude the general partner or managing member from exercising unilateral control over the partnership or company. If these criteria are met and the Company is the general partner or the managing member, as applicable, the consolidation of the partnership or limited liability company is required.

Except for investments that are consolidated, the Company accounts for investments in entities over which it exercises significant influence, but does not control, under the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions. Under the equity method of accounting, the Company s net equity in the investment is reflected in the consolidated balance sheets and its share of net income or loss is included in the Company s consolidated statements of income.

On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company s investments in unconsolidated partnerships or limited liability companies may be impaired on a more than temporary basis. An investment is impaired only if management s estimate of the fair-value of the investment is less than the carrying value of the investment on a more than temporary basis. To the extent impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the fair-value of the investment. Management does not believe that the value of any of the Company s unconsolidated investments in partnerships or limited liability companies was impaired as of March 31, 2010.

Investments in Real Estate

Investments in real estate, net consisted of the following (in thousands):

	March 31, 2010	December 31, 2009
Land	$ 389,675	$ 388,292
Land under development	42,736	31,609
Buildings and improvements	2,495,313	2,485,972
Construction in progress	89,250	87,810
Tenant improvements	267,866	222,858
	3,284,840	3,216,541
Accumulated depreciation	(269,208)	(244,774)
	$ 3,015,632	$ 2,971,767

During the three months ended March 31, 2010, the Company identified and recorded an adjustment for a cumulative understatement of depreciation expense related to an operating property of approximately $1.0 million that it determined was not material to its previously issued consolidated financial statements.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset s use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair-value of the property. The Company is required to make subjective assessments as to whether there are impairments in the values of its investments in long-lived assets. These assessments have a direct impact on the Company s net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Although the Company s strategy is to hold its properties over the long-term, if the Company s strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair-value, and such loss could be material. If the Company determines that impairment has occurred, the affected assets must be reduced to their fair-value. As of and through March 31, 2010, no assets have been identified as impaired and no such impairment losses have been recognized.

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Deferred Leasing Costs

Leasing commissions and other direct costs associated with new or renewal lease activity are recorded at cost and amortized on a straight-line basis over the terms of the respective leases, with remaining terms ranging from less than one year to approximately 15 years as of March 31, 2010. Deferred leasing costs also include the net carrying value of acquired in-place leases and acquired management agreements.

Deferred leasing costs, net at March 31, 2010 consisted of the following (in thousands):

	Balance at March 31, 2010	Accumulated Amortization	Net
Acquired in-place leases	$ 170,068	$ (116,079)	