

AVALONBAY COMMUNITIES INC

Form 10-Q

August 08, 2014

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 June 30, 2014

Commission file number 1-12672

AVALONBAY COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

77-0404318

(I.R.S. Employer
Identification No.)

Ballston Tower

671 N. Glebe Rd, Suite 800

Arlington, Virginia 22203

(Address of principal executive offices, including zip code)

(703) 329-6300

(Registrant's telephone number, including area code)

(Former name, 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 twelve (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 ninety (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 (Section 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 Exchange 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

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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:

131,186,540 shares of common stock, par value \$0.01 per share, were outstanding as of July 31, 2014

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AVALONBAY COMMUNITIES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollars in thousands, except per share data)

	6/30/2014 (unaudited)	12/31/2013
ASSETS		
Real estate:		
Land	\$3,417,425	\$3,299,686
Buildings and improvements	11,739,025	11,108,241
Furniture, fixtures and equipment	374,802	341,423
	15,531,252	14,749,350
Less accumulated depreciation	(2,695,462)	(2,482,409)
Net operating real estate	12,835,790	12,266,941
Construction in progress, including land	1,478,306	1,582,986
Land held for development	195,673	300,364
Operating real estate assets held for sale, net	—	133,918
Total real estate, net	14,509,769	14,284,209
Cash and cash equivalents	425,741	281,355
Cash in escrow	93,385	98,564
Resident security deposits	29,538	26,672
Investments in unconsolidated real estate entities	318,640	367,866
Deferred financing costs, net	40,928	40,677
Deferred development costs	34,810	31,592
Prepaid expenses and other assets	205,140	197,208
Total assets	\$15,657,951	\$15,328,143
LIABILITIES AND EQUITY		
Unsecured notes, net	\$2,695,112	\$2,594,709
Variable rate unsecured credit facility	—	—
Mortgage notes payable	3,559,762	3,539,642
Dividends payable	152,113	138,476
Payables for construction	96,021	94,632
Accrued expenses and other liabilities	227,917	242,418
Accrued interest payable	40,468	43,175
Resident security deposits	48,942	44,872
Liabilities related to real estate assets held for sale	—	13,172
Total liabilities	6,820,335	6,711,096
Redeemable noncontrolling interests	16,084	17,320
Equity:		
Preferred stock, \$0.01 par value; \$25 liquidation preference; 50,000,000 shares authorized at both June 30, 2014 and December 31, 2013; zero shares issued and outstanding at both June 30, 2014 and December 31, 2013	—	—
Common stock, \$0.01 par value; 280,000,000 shares authorized at both June 30, 2014 and December 31, 2013; 131,129,795 and 129,416,695 shares issued and outstanding	1,311	1,294

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at June 30, 2014 and December 31, 2013, respectively

Additional paid-in capital	9,213,433	8,988,723
Accumulated earnings less dividends	(347,592) (345,254)
Accumulated other comprehensive loss	(45,620) (48,631)
Total stockholders' equity	8,821,532	8,596,132
Noncontrolling interests	—	3,595
Total equity	8,821,532	8,599,727
Total liabilities and equity	\$15,657,951	\$15,328,143

See accompanying notes to Condensed Consolidated Financial Statements.

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AVALONBAY COMMUNITIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME

(unaudited)

(Dollars in thousands, except per share data)

	For the three months ended		For the six months ended	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenue:				
Rental and other income	\$411,134	\$375,294	\$808,131	\$674,379
Management, development and other fees	2,672	2,913	5,750	5,185
Total revenue	413,806	378,207	813,881	679,564
Expenses:				
Operating expenses, excluding property taxes	101,059	87,865	199,601	159,692
Property taxes	42,439	41,011	86,924	72,912
Interest expense, net	43,722	43,169	86,255	81,342
Loss on extinguishment of debt, net	412	—	412	—
Depreciation expense	110,395	189,977	216,762	295,536
General and administrative expense	10,220	11,345	19,456	21,384
Expensed acquisition, development and other pursuit costs	2,017	3,806	2,732	43,865
Total expenses	310,264	377,173	612,142	674,731
Equity in income (loss) of unconsolidated real estate entities	7,710	(940)	12,933	(19,503)
Gain on sale of land	—	240	—	240
Gain on sale of communities	60,945	—	60,945	—
Income (loss) from continuing operations	172,197	334	275,617	(14,430)
Discontinued operations:				
Income from discontinued operations	—	2,081	310	7,827
Gain on sale of discontinued operations	—	33,682	37,869	118,173
Total discontinued operations	—	35,763	38,179	126,000
Net income	172,197	36,097	313,796	111,570
Net (income) loss attributable to noncontrolling interests	(14,111)) 121	(13,971)) 78
Net income attributable to common stockholders	\$158,086	\$36,218	\$299,825	\$111,648
Other comprehensive income:				
Cash flow hedge losses reclassified to earnings	1,438	1,574	3,011	2,965
Comprehensive income	\$159,524	\$37,792	\$302,836	\$114,613
Earnings per common share - basic:				
Income (loss) from continuing operations attributable to common stockholders	\$1.22	\$—	\$2.02	\$(0.11)
Discontinued operations attributable to common stockholders	—	0.28	0.29	1.01

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Net income attributable to common stockholders	\$ 1.22	\$ 0.28	\$ 2.31	\$ 0.90
Earnings per common share - diluted:				
Income (loss) from continuing operations attributable to common stockholders	\$ 1.21	\$—	\$ 2.02	\$(0.11)
Discontinued operations attributable to common stockholders	—	0.28	0.29	1.00
Net income attributable to common stockholders	\$ 1.21	\$ 0.28	\$ 2.31	\$ 0.89
Dividends per common share	\$ 1.16	\$ 1.07	\$ 2.32	\$ 2.14

See accompanying notes to Condensed Consolidated Financial Statements.

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AVALONBAY COMMUNITIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited)
 (Dollars in thousands)

	For the six months ended	
	6/30/2014	6/30/2013
Cash flows from operating activities:		
Net income	\$313,796	\$111,570
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation expense	216,762	295,536
Depreciation expense from discontinued operations	—	10,619
Amortization of deferred financing costs	3,164	3,658
Amortization of debt premium	(17,554)	(12,048)
Loss on extinguishment of debt, net	412	—
Amortization of stock-based compensation	6,190	3,581
Equity in (income) loss of, and return on, unconsolidated real estate entities and noncontrolling interests, net of eliminations	(1,363)	22,310
Abandonment of development pursuits	1,455	—
Cash flow hedge losses reclassified to earnings	3,011	2,965
Gain on sale of real estate assets	(98,814)	(118,413)
Decrease (increase) in cash in operating escrows	3,489	(8,291)
Increase in resident security deposits, prepaid expenses and other assets	(8,094)	(46,464)
(Decrease) increase in accrued expenses, other liabilities and accrued interest payable	(12,743)	2,188
Net cash provided by operating activities	409,711	267,211
Cash flows from investing acti		