

ESSEX PROPERTY TRUST INC
Form 10-Q
August 05, 2013

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, 2013

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

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: 38,032,560 shares of Common Stock as of August 1, 2013.

ESSEX PROPERTY TRUST, INC.
 FORM 10-Q
 INDEX

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. <u>Condensed Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2013 and 2012</u>	5
<u>Condensed Consolidated Statement of Equity for the six months ended June 30, 2013</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risks</u>	30
Item 4. <u>Controls and Procedures</u>	31
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	31
Item 1A. <u>Risk Factors</u>	32
Item 6. <u>Exhibits</u>	32
<u>Signatures</u>	33
2	

Index

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, 2012.

3

Index

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

(Dollars in thousands, except per share amounts)

	June 30, 2013	December 31, 2012
<u>Assets</u>		
Real estate:		
Rental properties:		
Land and land improvements	\$1,054,178	\$1,003,171
Buildings and improvements	4,194,092	4,030,501
	5,248,270	5,033,672
Less accumulated depreciation	(1,173,333)	(1,081,517)
	4,074,937	3,952,155
Real estate under development	70,242	66,851
Co-investments	618,259	571,345
	4,763,438	4,590,351
Cash and cash equivalents-unrestricted	20,217	18,606
Cash and cash equivalents-restricted	25,167	23,520
Marketable securities	88,734	92,713
Notes and other receivables	110,544	66,163
Prepaid expenses and other assets	27,890	35,003
Deferred charges, net	23,008	20,867
Total assets	\$5,058,998	\$4,847,223
<u>Liabilities and Equity</u>		
Mortgage notes payable	\$1,511,502	\$1,565,599
Unsecured debt	1,409,744	1,112,084
Lines of credit	4,370	141,000
Accounts payable and accrued liabilities	76,410	64,858
Construction payable	7,731	5,392
Dividends payable	50,488	45,052
Derivative liabilities	1,928	6,606
Other liabilities	22,432	22,167
Total liabilities	3,084,605	2,962,758
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 37,317,622 and 36,442,994 shares issued and outstanding	3	3
Additional paid-in capital	2,331,830	2,204,778
Distributions in excess of accumulated earnings	(484,615)	(444,466)
Accumulated other comprehensive loss, net	(62,813)	(69,261)
Total stockholders' equity	1,858,155	1,764,804
Noncontrolling interest	111,889	115,312
Total equity	1,970,044	1,880,116
Total liabilities and equity	\$5,058,998	\$4,847,223

See accompanying notes to the unaudited condensed consolidated financial statements.

4

Index

ESSEX PROPERTY TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues:				
Rental and other property	\$150,170	\$129,765	\$296,565	\$255,238
Management and other fees	3,234	2,796	6,182	5,240
	153,404	132,561	302,747	260,478
Expenses:				
Property operating, excluding real estate taxes	34,489	30,718	67,097	59,470
Real estate taxes	14,248	11,699	28,404	23,112
Depreciation	48,031	41,801	95,175	82,535
General and administrative	6,224	5,764	12,850	11,164
Cost of management and other fees	1,733	1,611	3,434	3,251
	104,725	91,593	206,960	179,532
Earnings from operations	48,679	40,968	95,787	80,946
Interest expense before amortization				