

HOME PROPERTIES INC
Form 10-Q
October 31, 2014
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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 September 30, 2014

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: 1-13136

HOME PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of incorporation or organization)

16-1455126
(I.R.S. Employer Identification No.)

850 Clinton Square, Rochester, New York
(Address of principal executive offices)

14604
(Zip Code)

(585) 546-4900

(Registrant's telephone number, including area code)

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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 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.

Large accelerated filer

Accelerated filer

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock
\$.01 par value

Outstanding at October 22, 2014
57,367,362

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HOME PROPERTIES, INC.

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HOME PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2014 AND DECEMBER 31, 2013

(Dollars in thousands, except per share data)

(Unaudited)

	September 30, <u>2014</u>	December 31, <u>2013</u>
ASSETS		
Real estate:		
Land	\$ 816,478	\$ 786,868
Land held for sale	13,734	-
Construction in progress	129,704	187,976
Buildings, improvements and equipment	4,767,930	4,645,921
	5,727,846	5,620,765
Less: accumulated depreciation	(1,349,206)	(1,243,243)
Real estate, net	4,378,640	4,377,522
Cash and cash equivalents	13,145	9,853
Cash in escrows	25,088	23,738
Accounts receivable, net	13,205	14,937
Prepaid expenses	25,667	22,089
Deferred charges, net	9,632	11,945
Other assets	5,749	7,793
Total assets	\$ 4,471,126	\$ 4,467,877
LIABILITIES AND EQUITY		
Mortgage notes payable	\$ 1,654,394	\$ 1,814,217
Unsecured notes payable	450,000	450,000
Unsecured line of credit	371,000	193,000
Accounts payable	30,160	27,540
Accrued interest payable	9,949	8,392
Accrued expenses and other liabilities	34,414	33,936
Security deposits	19,079	18,479
Total liabilities	2,568,996	2,545,564
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.01 par value; 160,000,000 and 80,000,000 shares authorized with 57,366,912 and 56,961,646 shares issued and outstanding at September 30, 2014 and	574	570

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December 31, 2013, respectively

Excess stock, \$0.01 par value; 10,000,000 shares authorized; no shares issued or outstanding

Additional paid-in capital	2,027,309	2,007,300
Distributions in excess of accumulated earnings	(411,357)	(380,168)
Accumulated other comprehensive income	(134)	1,551
Total common stockholders' equity	1,616,392	1,629,253
Noncontrolling interest	285,738	293,060
Total equity	1,902,130	1,922,313
Total liabilities and equity	\$ 4,471,126	\$ 4,467,877

The accompanying notes are an integral part of these consolidated financial statements.

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HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Rental income	\$ 158,535	\$ 149,588	\$ 465,910	\$ 446,194
Property other income	12,754	12,140	41,484	39,149
Other income	22	207	344	671
Total revenues	171,311	161,935	507,738	486,014
Expenses:				
Operating and maintenance	62,245	57,060	189,006	175,061
General and administrative	5,288	6,152	21,672	22,571
Interest	25,062	27,499	75,586	86,184
Depreciation and amortization	46,463	42,793	136,009	126,207
Other expenses	335	16	617	48
Impairment and other charges	1,024	-	4,866	-
Total expenses	140,417	133,520	427,756	410,071
Income from continuing operations	30,894	28,415	79,982	75,943
Discontinued operations:				
Income from discontinued operations	-	1,209	40	3,402
Gain on disposition of property	-	-	31,306	45,004
Discontinued operations	-	1,209	31,346	48,406
Net income	30,894	29,624	111,328	124,349
Net income attributable to noncontrolling interest	(4,650)	(4,586)	(16,824)	(20,395)
Net income attributable to common stockholders	\$ 26,244	\$ 25,038	\$ 94,504	\$ 103,954
Basic earnings per share:				
Income from continuing operations	\$ 0.46	\$ 0.42	\$ 1.19	\$ 1.19
Discontinued operations	-	0.02	0.46	0.76
Net income attributable to common stockholders	\$ 0.46	\$ 0.44	\$ 1.65	\$ 1.95
Diluted earnings per share:				
Income from continuing operations	\$ 0.45	\$ 0.42	\$ 1.18	\$ 1.18
Discontinued operations	-	0.02	0.46	0.74
Net income attributable to common stockholders	\$ 0.45	\$ 0.44	\$ 1.64	\$ 1.92
Weighted average number of shares outstanding:				
Basic	57,412,623	56,370,122	57,248,084	53,444,202
Diluted	57,970,448	56,943,806	57,735,295	54,051,510

The accompanying notes are an integral part of these consolidated financial statements.

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HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 30,894	\$ 29,624	\$ 111,328	\$ 124,349
Other comprehensive income (loss):				
Unrealized gain (loss) on interest rate swap agreements	1,337	(1,219)	(1,987)	1,770
Other comprehensive income (loss)	1,337	(1,219)	(1,987)	1,770
Comprehensive income	32,231	28,405	109,341	126,119
Net income attributable to noncontrolling interest	(4,650)	(4,586)	(16,824)	(20,395)
Other comprehensive (income) loss attributable to noncontrolling interest	(201)	189	302	(306)
Comprehensive income attributable to common stockholders	\$ 27,380	\$ 24,008	\$ 92,819	\$ 105,418

The accompanying notes are an integral part of these consolidated financial statements.

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HOME PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Dollars in thousands)

(Unaudited)

	<u>Common Stock</u>		Additional	Distributions	Accumulated	Non-	
	<u>Shares</u>	<u>Amount</u>	Paid-In	in Excess of	Other	controlling	
			<u>Capital</u>	Accumulated	<u>Income (Loss)</u>	<u>Interest</u>	<u>Total</u>
				<u>Earnings</u>			
Balance, December 31, 2013	56,961,646	\$ 570	\$ 2,007,300	\$ (380,168)			