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Douglas Emmett Inc  
Form 10-Q  
November 04, 2011

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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 September 30, 2011

Commission file number 001-33106

DOUGLAS EMMETT, INC.  
(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of incorporation or  
organization)

20-3073047  
(I.R.S. Employer Identification No.)

808 Wilshire Boulevard, Suite 200, Santa Monica,  
California  
(Address of principal executive offices)

90401  
(Zip Code)

(310) 255-7700  
(Registrant's telephone number, including area code)

None  
(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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

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.

Class	Outstanding at October 31, 2011
Common Stock, \$0.01 par value per share	127,816,384 shares

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Douglas Emmett, Inc.  
Consolidated Balance Sheets  
(in thousands, except shares and per share data)

	September 30, 2011 (unaudited)	December 31, 2010
<b>Assets</b>		
Investment in real estate:		
Land	\$ 851,679	\$ 851,679
Buildings and improvements	5,230,898	5,226,269
Tenant improvements and lease intangibles	625,705	592,735
Investment in real estate, gross	6,708,282	6,670,683
Less: accumulated depreciation	(1,074,062 )	(913,923 )
Investment in real estate, net	5,634,220	5,756,760
Cash and cash equivalents	349,607	272,419
Tenant receivables, net	1,558	1,591
Deferred rent receivables, net	55,889	48,933
Interest rate contracts	14,270	52,528
Acquired lease intangible assets, net	6,958	9,356
Investment in unconsolidated real estate funds	117,625	110,920
Other assets	36,553	26,782
<b>Total assets</b>	<b>\$ 6,216,680</b>	<b>\$ 6,279,289</b>
<b>Liabilities</b>		
Secured notes payable, including loan premium	\$ 3,624,497	\$ 3,668,133
Accounts payable and accrued expenses	60,328	57,793
Security deposits	33,664	31,850
Acquired lease intangible liabilities, net	92,109	110,244
Interest rate contracts	123,096	99,687
Dividends payable	16,616	12,413
<b>Total liabilities</b>	<b>3,950,310</b>	<b>3,980,120</b>
<b>Equity</b>		
Douglas Emmett, Inc. stockholders' equity:		
Common Stock, \$0.01 par value 750,000,000 authorized, 127,816,178 and 124,131,557 outstanding at September 30, 2011 and December 31, 2010, respectively	1,278	1,241
Additional paid-in capital	2,403,054	2,332,307
Accumulated other comprehensive income (loss)	(93,907 )	(58,765 )
Accumulated deficit	(495,054 )	(447,722 )
<b>Total Douglas Emmett, Inc. stockholders' equity</b>	<b>1,815,371</b>	<b>1,827,061</b>
Noncontrolling interests	450,999	472,108
<b>Total equity</b>	<b>2,266,370</b>	<b>2,299,169</b>
<b>Total liabilities and equity</b>	<b>\$ 6,216,680</b>	<b>\$ 6,279,289</b>

See notes to consolidated financial statements.



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Douglas Emmett, Inc.  
 Consolidated Statements of Operations  
 (unaudited and in thousands, except shares and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Revenues</b>				
<b>Office rental</b>				
Rental revenues	\$ 97,740	\$ 101,509	\$ 295,059	\$ 298,951
Tenant recoveries	11,601	12,087	33,670	26,275
Parking and other income	17,100	17,485	51,006	48,874
Total office revenues	126,441	131,081	379,735	374,100
<b>Multifamily rental</b>				
Rental revenues	16,372	15,824	48,647	47,602
Parking and other income	1,246	1,165	3,676	3,364
Total multifamily revenues	17,618	16,989	52,323	50,966
<b>Total revenues</b>	<b>144,059</b>	<b>148,070</b>	<b>432,058</b>	<b>425,066</b>
<b>Operating Expenses</b>				
Office expense	44,294	43,441	127,081	116,753
Multifamily expense	4,832	4,596	14,317	13,598
General and administrative	6,954	7,101	21,260	18,895
Depreciation and amortization	45,872	57,621	160,139	167,874
Total operating expenses	101,952	112,759	322,797	317,120
<b>Operating income</b>	<b>42,107</b>	<b>35,311</b>	<b>109,261</b>	<b>107,946</b>
<b>Other income</b>	<b>299</b>	<b>257</b>	<b>898</b>	<b>654</b>
Loss including depreciation, from unconsolidated real estate funds	(285 )	(1,810 )	(2,064 )	(5,514 )
Interest expense	(37,717 )	(38,498 )	(110,245 )	(129,308 )
Acquisition-related expenses	-	(3 )	-	(295 )
Net income (loss)	4,404	(4,743 )	(2,150 )	(26,517 )
Less: Net (income) loss attributable to noncontrolling interests	(1,007 )	847	182	5,343
Net income (loss) attributable to common stockholders	\$ 3,397	\$ (3,896 )	\$ (1,968 )	\$ (21,174 )
Net income (loss) attributable to common stockholders per share – basic and diluted	\$ 0.03	\$ (0.03 )	\$ (0.02 )	\$ (0.17 )
Dividends declared per common share	\$ 0.13	\$ 0.10	\$ 0.36	\$ 0.30
Weighted average shares of common stock				

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outstanding – basic	127,462,277	123,076,660	125,439,386	122,355,970
Weighted average shares of common stock				
outstanding – diluted	161,186,227	123,076,660	125,439,386	122,355,970

See notes to consolidated financial statements.

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Douglas Emmett, Inc.  
 Consolidated Statements of Cash Flows  
 (unaudited and in thousands)

	Nine Months Ended September 30,	
	2011	2010
<b>Operating Activities</b>		
Net loss	\$ (2,150 )	\$ (26,517 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss, including depreciation, from unconsolidated real estate funds	2,064	5,514
Depreciation and amortization	160,139	167,874
Net accretion of acquired lease intangibles	(15,737 )	(20,431 )
Amortization of deferred loan costs	3,555	1,336
Amortization of loan premium	(8,732 )	(3,965 )
Non-cash market value adjustments on interest rate contracts	14,662	12,565
Non-cash amortization of stock-based compensation	5,708	4,258
Change in working capital components:		
Tenant receivables	33	436
Deferred rent receivables	(6,956 )	(6,542 )
Accounts payable and accrued expenses	8,100	(2,977 )
Security deposits	1,814	(466 )
Other	75	5,850
Net cash provided by operating activities	162,575	136,935
<b>Investing Activities</b>		
Capital expenditures and property acquisitions	(39,950 )	(267,413 )
Contributions to unconsolidated real estate funds	(9,211 )	(8,731 )
Distributions from unconsolidated real estate funds	4,026	-
Net cash used in investing activities	(45,135 )	(276,144 )
<b>Financing Activities</b>		
Proceeds from long-term borrowings	1,745,000	400,000
Payment of deferred loan costs	(13,187 )	(4,683 )
Repayment of borrowings	(1,779,904 )	-
Distributions to noncontrolling interests	(10,964 )	(10,141 )
Distributions of capital to noncontrolling interests	-	(400 )
Cash dividends	(41,161 )	-