MID AMERICA APARTMENT COMMUNITIES INC
Form 10-Q
August 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý 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: 001-12762

MID-AMERICA APARTMENT COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| TENNESSEE | 62-1543819 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 6584 POPLAR AVENUE | |
| MEMPHIS, TENNESSEE | 38138 |
| (Address of principal executive offices) | (Zip Code) |

(901) 682-6600
(Registrant's telephone number, including area code)

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.
þ 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).
þ 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 company” in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer þ | 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 þ No

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

| Class | Number of Shares Outstanding at July 29, 2013 |
|---|---|
| Common Stock, $0.01 par value | 42,735,722 |

MID-AMERICA APARTMENT COMMUNITIES, INC. (MAA)

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MAA
Condensed Consolidated Balance Sheets
June 30, 2013 and December 31, 2012
(Unaudited)
(Dollars in thousands, except share data)

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| Assets: | | |
| Real estate assets: | | |
| Land | $396,734 | $386,670 |
| Buildings and improvements | 3,237,281 | 3,170,413 |
| Furniture, fixtures and equipment | 100,513 | 98,044 |
| Development and capital improvements in progress | 47,662 | 52,455 |
| | 3,782,190 | 3,707,582 |
| Less accumulated depreciation | (1,051,801) | (1,027,618) |
| | 2,730,389 | 2,679,964 |
| | | |
| Land held for future development | 5,450 | 1,205 |
| Commercial properties, net | 7,880 | 8,065 |
| Investments in real estate joint ventures | 3,178 | 4,837 |
| Real estate assets, net | 2,746,897 | 2,694,071 |
| | | |
| Cash and cash equivalents | 8,792 | 9,075 |
| Restricted cash | 12,989 | 808 |
| Deferred financing costs, net | 12,492 | 13,842 |
| Other assets | 43,060 | 29,166 |
| Goodwill | 4,106 | 4,106 |
| Assets held for sale | 5,881 | — |
| Total assets | $2,834,217 | $2,751,068 |
| | | |
| Liabilities and Shareholders' Equity: | | |
| Liabilities: | | |
| Secured notes payable | $1,106,541 | $1,190,848 |
| Unsecured notes payable | 585,000 | 483,000 |
| Accounts payable | 10,085 | 4,586 |
| Fair market value of interest rate swaps | 11,907 | 21,423 |
| Accrued expenses and other liabilities | 96,284 | 94,719 |
| Security deposits | 6,934 | 6,669 |
| Liabilities associated with assets held for sale | 148 | — |
| Total liabilities | 1,816,899 | 1,801,245 |
| | | |
| Redeemable stock | 5,521 | 4,713 |
| | | |
| Shareholders' equity: | | |
| Common stock, $0.01 par value per share, 100,000,000 shares authorized; 42,736,134 and 42,316,398 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively [1] | 427 | 422 |
| Additional paid-in capital | 1,569,090 | 1,542,999 |
| Accumulated distributions in excess of net income | (582,884) | (603,315) |

| | | |
|---|---|---|
| Accumulated other comprehensive losses | (6,336) | (26,054) |
| Total MAA shareholders' equity | 980,297 | 914,052 |
| Noncontrolling interest | 31,500 | 31,058 |
| Total equity | 1,011,797 | 945,110 |
| Total liabilities and equity | $2,834,217 | $2,751,068 |

(1) Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares classified as redeemable stock on the consolidated balance sheet for June 30, 2013 and December 31, 2012 are 78,154 and 72,786, respectively.

See accompanying notes to consolidated financial statements.

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MAA
Condensed Consolidated Statements of Operations
Three and six months ended June 30, 2013 and 2012
(Unaudited)
(Dollars in thousands, except per share data)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Operating revenues: | | | | |
| Rental revenues | $123,204 | $108,959 | $243,008 | $212,518 |
| Other property revenues | 10,766 | 9,840 | 21,029 | 19,319 |
| Total property revenues | 133,970 | 118,799 | 264,037 | 231,837 |
| Management fee income | 142 | 209 | 319 | 478 |
| Total operating revenues | 134,112 | 119,008 | 264,356 | 232,315 |
| Property operating expenses: | | | | |
| Personnel | 14,735 | 13,603 | 29,027 | 27,151 |
| Building repairs and maintenance | 3,953 | 3,743 | 7,147 | 7,333 |
| Real estate taxes and insurance | 16,094 | 13,862 | 31,720 | 27,054 |
| Utilities | 6,974 | 6,553 | 13,677 | 12,445 |
| Landscaping | 2,898 | 2,593 | 5,819 | 5,295 |
| Other operating | 9,098 | 8,370 | 17,759 | 16,424 |
| Depreciation and amortization | 32,730 | 30,246 | 65,406 | 59,228 |
| Total property operating expenses | 86,482 | 78,970 | 170,555 | 154,930 |
| Acquisition expense | 489 | 865 | 499 | 231 |
| Property management expenses | 5,446 | 5,570 | 10,777 | 11,024 |
| General and administrative expenses | 3,389 | 3,462 | 6,628 | 6,909 |
| Merger related expenses | 5,737 | — | 5,737 | — |
| Income from continuing operations before non-operating items | 32,569 | 30,141 | 70,160 | 59,221 |
| Interest and other non-property income | 23 | 112 | 70 | 254 |
| Interest expense | (15,271) | (14,073) | (30,906) | (28,058) |
| (Loss) gain on debt extinguishment/modification | — | (15) | (169) | 5 |
| Amortization of deferred financing costs | (803) | (869) | (1,607) | (1,640) |
| Net casualty gain (loss) after insurance and other settlement proceeds | 439 | 2 | 455 | (2) |
| Loss on sale of non-depreciable assets | — | (3) | — | (3) |
| Income from continuing operations before gain (loss) from real estate joint ventures | 16,957 | 15,295 | 38,003 | 29,777 |
| Gain (loss) from real estate joint ventures | 47 | (67) | 101 | (98) |
| Income from continuing operations | 17,004 | 15,228 | 38,104 | 29,679 |
| Discontinued operations: | | | | |
| Income from discontinued operations before gain on sale | 907 | 1,293 | 1,812 | 2,535 |
| Net casualty loss after insurance and other settlement proceeds on discontinued operations | (4) | (2) | (4) | (56) |
| Gain on sale of discontinued operations | 43,121 | 12,953 | 43,121 | 22,382 |
| Consolidated net income | 61,028 | 29,472 | 83,033 | 54,540 |
| Net income attributable to noncontrolling interests | 1,939 | 1,312 | 2,764 | 2,490 |
| Net income available for MAA common shareholders | $59,089 | $28,160 | $80,269 | $52,050 |
| | | | | |
| Earnings per common share - basic: | | | | |
| Income from continuing operations available for common shareholders | $0.38 | $0.36 | $0.86 | $0.70 |

| | | | | |
|---|---|---|---|---|
| Discontinued property operations | 1.00 | 0.33 | 1.02 | 0.59 |
| Net income available for common shareholders | $1.38 | $0.69 | $1.88 | $1.29 |
| | | | | |
| Earnings per share - diluted: | | | | |
| Income from continuing operations available for common shareholders | $0.38 | $0.36 | $0.86 | $0.70 |
| Discontinued property operations | 0.99 | 0.33 | 1.01 | 0.59 |
| Net income available for common shareholders | $1.37 | $0.69 | $1.87 | $1.29 |
| | | | | |
| Dividends declared per common share | $0.6950 | $0.6600 | $1.3900 | $1.3200 |

See accompanying notes to consolidated financial statements.

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MAA
Condensed Consolidated Statements of Comprehensive Income
Three and six months ended June 30, 2013 and 2012
(Unaudited)
(Dollars in thousands)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Consolidated net income | $61,028 | $29,472 | $83,033 | $54,540 |
| Other comprehensive income: | | | | |
| Unrealized gains(losses) from the effective portion of derivative instruments | 12,101 | (3,991) | 11,922 | (5,293) |
| Reclassification adjustment for losses included in net income for the effective portion of derivative instruments | 3,932 | 4,944 | 8,477 | 10,492 |
| Total comprehensive income | 77,061 | 30,425 | 103,432 | 59,739 |
| Less: comprehensive income attributable to noncontrolling interests | (2,442) | (1,354) | (3,445) | (2,732) |
| Comprehensive income attributable to MAA | $74,619 | $29,071 | $99,987 | $57,007 |

See accompanying notes to consolidated financial statements.

4

MAA
Condensed Consolidated Statements of Cash Flows
Six months ended June 30, 2013 and 2012
(Unaudited)
(Dollars in thousands)

| | Six months ended June 30, | |
|---|---|---|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Consolidated net income | $83,033 | $54,540 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Retail revenue accretion | (20) | — |
| Depreciation and amortization | 68,236 | 64,341 |
| Stock compensation expense | 1,171 | 1,231 |
| Redeemable stock issued | 377 | 285 |
| Amortization of debt premium | (505) | (316) |
| (Gain) loss from investments in real estate joint ventures | (101) | 98 |
| Loss (gain) on debt extinguishment | 169 | (5) |
| Derivative interest expense | 484 | 358 |
| Loss on sale of non-depreciable assets | — | 3 |
| Gain on sale of discontinued operations | (43,121) | (22,453) |
| Net casualty (gain) loss and other settlement proceeds | (451) | 58 |
| Changes in assets and liabilities: | | |
| Restricted cash | (279) | 102 |
| Other assets | (3,176) | (63) |
| Accounts payable | 5,527 | 3,498 |
| Accrued expenses and other | (2,239) | (1,118) |
| Security deposits | 277 | 305 |
| Net cash provided by operating activities | 109,382 | 100,864 |
| Cash flows from investing activities: | | |
| Purchases of real estate and other assets | (89,871) | (96,906) |
| Normal capital improvements | (22,494) | (26,380) |
| Construction capital and other improvements | (2,137) | (2,304) |
| Renovations to existing real estate assets | (5,112) | (6,896) |
| Development | (20,816) | (42,592) |
| Distributions from real estate joint ventures | 8,197 | 10,779 |
| Contributions to real estate joint ventures | (183) | (73) |
| Proceeds from disposition of real estate assets | 73,089 | 51,133 |
| Funding of escrow for exchange acquisitions | (11,902) | — |
| Net cash used in investing activities | (71,229) | (113,239) |
| Cash flows from financing activities: | | |
| Net change in credit lines | 2,000 | (232,064) |
| Proceeds from notes payable | — | 150,000 |
| Principal payments on notes payable | (2,799) | (1,757) |
| Payment of deferred financing costs | (426) | (1,997) |
| Repurchase of common stock | (673) | (1,640) |
| Proceeds from issuances of common shares | 24,968 | 120,148 |
| Distributions to noncontrolling interests | (2,391) | (2,559) |
| Dividends paid on common shares | (59,115) | (52,732) |

| | | |
|---|---|---|
| Net cash used in financing activities | (38,436) | (22,601) |
| Net decrease in cash and cash equivalents | (283) | (34,976) |
| Cash and cash equivalents, beginning of period | 9,075 | 57,317 |
| Cash and cash equivalents, end of period | $8,792 | $22,341 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $33,610 | $30,441 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Conversion of units to shares of common stock | $444 | $2,516 |
| Accrued construction in progress | $7,126 | $6,818 |
| Interest capitalized | $872 | $1,289 |
| Marked-to-market adjustment on derivative instruments | $19,916 | $4,841 |
| Fair value adjustment on debt assumed | $704 | $2,578 |
| Debt assumed | $18,293 | $30,290 |

See accompanying notes to consolidated financial statements.

MAA
Notes to Condensed Consolidated Financial Statements
June 30, 2013 and 2012
(Unaudited)

1. Consolidation and Basis of Presentation and Significant Accounting Policies

Consolidation and Basis of Presentation

Mid-America Apartment Communities, Inc., or we, or our, or MAA, is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops and manages apartment communities in the Sunbelt region of the United States. As of June 30, 2013, we owned or owned interests in a total of 164 multifamily apartment communities comprising 49,113 apartments located in 13 states including four communities comprising 1,156 apartments owned through our joint venture, Mid-America Multifamily Fund II, LLC. We also had two development communities under construction totaling 564 units as of June 30, 2013. A total of 96 units for the development projects were completed as of June 30, 2013, and therefore have been included in the totals above. Total expected costs for the development projects are $73.8 million, of which $37.8 million has been incurred through June 30, 2013. We expect to complete construction on one of the projects by the fourth quarter of 2013 and the other by the fourth quarter of 2014. Four of our properties include retail components with approximately 107,000 square feet of gross leasable area.

On June 3, 2013, we entered into an agreement and plan of merger with Colonial Properties Trust, or Colonial, a Birmingham, Alabama-based REIT operating primarily in the multifamily apartment sector, in which we will merge with Colonial in a stock-for-stock transaction. We expect the merger to be completed during the third quarter of 2013. The combined company will operate under the name "MAA" and will be run by our existing management team.

The accompanying unaudited condensed consolidated financial statements have been prepared by our management in accordance with United States generally accepted accounting principles, or GAAP, for interim financial information and applicable rules and regulations of the Securities and Exchange Commission, or the SEC, and our accounting policies as set forth in our December 31, 2012 annual consolidated financial statements. The consolidated financial statements presented herein include the accounts of MAA, Mid-America Apartments, L.P, or the Operating Partnership, and all other subsidiaries in which MAA has a controlling financial interest. MAA owns approximately 96% to 100% of all consolidated subsidiaries. In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included, and all such adjustments were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three- and six-month periods ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 22, 2013. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

MAA invests in entities which may qualify as variable interest entities, or VIE. A VIE is a legal entity in which the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack the power to direct the activities of a legal entity as well as the obligation to absorb its expected losses or the right to receive its expected residual returns. MAA consolidates all VIEs for which it is the primary beneficiary and uses the equity method to account for investments that qualify as VIEs but for which we are not the primary beneficiary. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including but not limited to, those activities that most significantly impact the VIE's economic performance and which party controls such activities.

MAA uses the equity method of accounting for its investments in entities for which we exercise significant influence, but do not have the ability to exercise control. These entities are not variable interest entities. The factors considered in determining that MAA does not have the ability to exercise control include ownership of voting interests and participatory rights of investors.

Earnings per Common Share

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with common shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share. Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis with our diluted earnings per share being the more dilutive of the treasury stock or two-class methods. Operating partnership units are included in dilutive earnings per share calculations when they are dilutive to earnings per share. For the three- and six-month periods ended June 30, 2013 and 2012, our basic earnings per share is computed using the two-class method, and our diluted earnings per share is computed using the more dilutive of the treasury stock method or two-class method:

| (dollars and shares in thousands, except per share amounts) | Three months ended June 30, 2013 | 2012 | Six months ended June 30, 2013 | 2012 |
|---|---|---|---|---|
| Shares Outstanding | | | | |
| Weighted average common shares - basic | 42,690 | 40,983 | 42,523 | 40,243 |
| Weighted average partnership units outstanding | — [(1)] | — [(1)] | 1,711 | 1,898 |
| Effect of unvested shares assumed | — [(1)] | 45 | 60 | 84 |
| Weighted average common shares - diluted | 42,690 | 41,028 | 44,294 | 42,225 |
| | | | | |
| Calculation of Earnings per Share - basic | | | | |
| Income from continuing operations | $17,004 | $15,228 | $38,104 | $29,679 |
| Income from continuing operations attributable to noncontrolling interests | (613) | (665) | (1,409) | (1,327) |
| Income from continuing operations allocated to unvested restricted shares | (15) | (13) | (34) | (28) |
| Income from continuing operations available for common shareholders, adjusted | $16,376 | $14,550 | $36,661 | $28,324 |
| | | | | |
| Income from discontinued operations | $44,024 | $14,244 | $44,929 | $24,861 |
| Income from discontinued operations attributable to noncontrolling interest | (1,326) | (647) | (1,355) | (1,163) |
| Income from discontinued operations allocated to unvested restricted shares | (39) | (12) | (40) | (23) |
| Income from discontinued operations available for common shareholders, adjusted | $42,659 | $13,585 | $43,534 | $23,675 |
| | | | | |
| Weighted average common shares - basic | 42,690 | 40,983 | 42,523 | 40,243 |
| Earnings per share - basic | $1.38 | $0.69 | $1.88 | $1.29 |
| | | | | |
| Calculation of Earnings per Share - diluted | | | | |
| Income from continuing operations | $17,004 | $15,228 | $38,104 | $29,679 |
| Income from continuing operations attributable to noncontrolling interests | (653) [(1)] | (665) [(1)] | — | — |
| Income from continuing operations allocated to unvested restricted shares | (15) [(1)] | — | — | — |
| Income from continuing operations available for common shareholders, adjusted | $16,336 | $14,563 | $38,104 | $29,679 |
| | | | | |
| Income from discontinued operations | $44,024 | $14,244 | $44,929 | $24,861 |
| Income from discontinued operations attributable to noncontrolling interest | (1,692) [(1)] | (647) [(1)] | — | — |
| Income from discontinued operations allocated to unvested restricted shares | (38) [(1)] | — | — | — |
| Income from discontinued operations available for common shareholders, adjusted | $42,294 | $13,597 | $44,929 | $24,861 |
| | | | | |
| Weighted average common shares - diluted | 42,690 | 41,028 | 44,294 | 42,225 |
| Earnings per share - diluted | $1.37 | $0.69 | $1.87 | $1.29 |

(1) Operating partnership units, unvested shares assumed, and the related income with each are not included in dilutive earnings per share calculations as they were not dilutive.

2. Segment Information

As of June 30, 2013, we owned or had an ownership interest in 164 multifamily apartment communities in 13 different states from which we derived all significant sources of earnings and operating cash flows. Senior management evaluates performance and determines resource allocations by reviewing apartment communities individually and in the following reportable operating segments:

- Large market same store communities are generally communities:
  - in markets with a population of at least one million and at least 1% of the total public multifamily REIT units; and
  - that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.
- Secondary market same store communities are generally communities:
  - in markets with populations of more than one million but less than 1% of the total public multifamily REIT units or in markets with a population of less than one million; and
  - that we have owned and have been stabilized for at least a full 12 months and have not been classified as held for sale.
- Non same store communities and other includes recent acquisitions, communities in development or lease-up and communities that have been identified for disposition. Also included in non same store communities are non multifamily activities, which represent less than 1% of our portfolio.

On the first day of each calendar year, we determine the composition of our same store operating segments for that year as well as adjusting the previous year, which allows us to evaluate full period-over-period operating comparisons. Properties in development or lease-up will be added to the same store portfolio on the first day of the calendar year after they have been owned and stabilized for at least a full 12 months. Communities are considered stabilized after achieving 90% occupancy for 90 days. Communities that have been identified for disposition are excluded from our same store portfolio. We utilize net operating income, or NOI, in evaluating the performance of the segments. Total NOI represents total property revenues less total property operating expenses, excluding depreciation and amortization, for all properties held during the period regardless of their status as held for sale. We believe NOI is a helpful tool in evaluating the operating performance of our segments because it measures the core operations of property performance by excluding corporate level expenses and other items not related to property operating performance.

Revenues and NOI for each reportable segment for the three- and six-month periods ended June 30, 2013 and 2012 were as follows (dollars in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| Large Market Same Store | $63,720 | $60,485 | $126,423 | $119,739 |
| Secondary Market Same Store | 51,964 | 50,318 | 103,306 | 99,965 |
| Non-Same Store and Other | 18,286 | 7,996 | 34,308 | 12,133 |
| Total property revenues | 133,970 | 118,799 | 264,037 | 231,837 |
| Management fee income | 142 | 209 | 319 | 478 |
| Total operating revenues | $134,112 | $119,008 | $264,356 | $232,315 |
| | | | | |
| NOI | | | | |
| Large Market Same Store | $37,793 | $35,376 | $75,548 | $69,975 |
| Secondary Market Same Store | 31,149 | 29,981 | 62,198 | 59,293 |
| Non-Same Store and Other | 12,722 | 8,037 | 24,331 | 13,642 |
| Total NOI | 81,664 | 73,394 | 162,077 | 142,910 |
| Discontinued operations NOI included above | (1,446) | (3,319) | (3,189) | (6,775) |
| Management fee income | 142 | 209 | 319 | 478 |
| Depreciation and amortization | (32,730) | (30,246) | (65,406) | (59,228) |
| Acquisition expense | (489) | (865) | (499) | (231) |
| Property management expense | (5,446) | (5,570) | (10,777) | (11,024) |
| General and administrative expense | (3,389) | (3,462) | (6,628) | (6,909) |
| Merger related expenses | (5,737) | — | (5,737) | — |
| Interest and other non-property income | 23 | 112 | 70 | 254 |
| Interest expense | (15,271) | (14,073) | (30,906) | (28,058) |
| (Loss) gain on debt extinguishment | — | (15) | (169) | 5 |
| Amortization of deferred financing costs | (803) | (869) | (1,607) | (1,640) |
| Net casualty gain (loss) after insurance and other settlement proceeds | 439 | 2 | 455 | (2) |
| Loss on sale of non-depreciable assets | — | (3) | — | (3) |
| Gain (loss) from real estate joint ventures | 47 | (67) | 101 | (98) |
| Discontinued operations | 44,024 | 14,244 | 44,929 | 24,861 |
| Net income attributable to noncontrolling interests | (1,939) | (1,312) | (2,764) | (2,490) |
| Net income attributable to MAA | $59,089 | $28,160 | $80,269 | $52,050 |

Assets for each reportable segment as of June 30, 2013 and December 31, 2012, were as follows (dollars in thousands):

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| Assets | | |
| Large Market Same Store | $1,272,055 | $1,108,827 |
| Secondary Market Same Store | 809,478 | 654,315 |
| Non-Same Store and Other | 692,655 | 949,398 |
| Corporate assets | 60,029 | 38,528 |
| Total assets | $2,834,217 | $2,751,068 |

3. Equity

Total equity and its components for the six-month periods ended June 30, 2013, and 2012 were as follows (dollars in thousands, except per share and per unit data):

| | Mid-America Apartment Communities, Inc. Shareholders | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock Amount | Additional Paid-In Capital | Accumulated Distributions in Excess of Net Income | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interest | Total Equity |
| EQUITY BALANCE DECEMBER 31, 2012 | $ 422 | $ 1,542,999 | $ (603,315 ) | $ (26,054 ) | $ 31,058 | $ 945,110 |
| Net income | | | 80,269 | | 2,764 | 83,033 |
| Other comprehensive income - derivative instruments (cash flow hedges) | | | | 19,718 | 681 | 20,399 |
| Issuance and registration of common shares | 4 | 24,965 | | | | 24,969 |
| Shares repurchased and retired | — | (673 ) | | | | (673 ) |
| Shares issued in exchange for units | 1 | 442 | | | (443 ) | — |
| Redeemable stock fair market value | | | (431 ) | | | (431 ) |
| Adjustment for noncontrolling interest ownership in operating partnership | | 186 | | | (186 ) | — |
| Amortization of unearned compensation | | 1,171 | | | | 1,171 |
| Dividends on common stock ($1.3900 per share) | | | (59,407 ) | | — | (59,407 ) |
| Dividends on noncontrolling interest units ($1.3900 per unit) | | | | | (2,374 ) | (2,374 ) |
| EQUITY BALANCE JUNE 30, 2013 | $ 427 | $ 1,569,090 | $ (582,884 ) | $ (6,336 ) | $ 31,500 | $ 1,011,797 |

| | Mid-America Apartment Communities, Inc. Shareholders | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock Amount | Additional Paid-In Capital | Accumulated Distributions in Excess of Net Income | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interest | Total Equity |
| EQUITY BALANCE DECEMBER 31, 2011 | $ 389 | $ 1,375,623 | $ (621,833 ) | $ (35,848 ) | $ 25,131 | $ 743,462 |
| Net income | | | 52,050 | | 2,490 | 54,540 |
| Other comprehensive income - derivative instruments (cash flow hedges) | | | | 4,957 | 242 | 5,199 |
| Issuance and registration of common shares | 20 | 120,130 | | | | 120,150 |
| Shares repurchased and retired | — | (1,640 ) | | | | (1,640 ) |

| | | |
|---|---|---|
| Shares issued in exchange for units | 1 | 2,515 |