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Whitestone REIT
Form 10-Q
November 03, 2017
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, 2017

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 001-34855

WHITESTONE REIT

(Exact Name of Registrant as Specified in Its Charter)

Maryland 76-0594970
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

2600 South Gessner, Suite 500 77063
Houston, Texas
(Address of Principal Executive Offices) (Zip Code)

(713) 827-9595
(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. 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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

As of November 1, 2017, there were 38,486,707 common shares of beneficial interest, \$0.001 par value per share, outstanding.

PART I - FINANCIAL INFORMATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

| | September 30, 2017 | December 31, 2016 |
|--|-----------------------|----------------------|
| | (unaudited) | |
| ASSETS ⁽¹⁾ | | |
| Real estate assets, at cost | | |
| Property | \$ 1,144,558 | \$ 920,310 |
| Accumulated depreciation | (124,268) | (107,258) |
| Total real estate assets | 1,020,290 | 813,052 |
| Cash and cash equivalents | 6,338 | 4,168 |
| Restricted cash | 105 | 56 |
| Marketable securities | 242 | 517 |
| Escrows and acquisition deposits | 9,116 | 6,620 |
| Accrued rents and accounts receivable, net of allowance for doubtful accounts | 22,212 | 19,951 |
| Unamortized lease commissions and loan costs | 8,397 | 8,083 |
| Prepaid expenses and other assets | 3,448 | 2,762 |
| Total assets | \$ 1,070,148 | \$ 855,209 |
| LIABILITIES AND EQUITY ⁽²⁾ | | |
| Liabilities: | | |
| Notes payable | \$ 662,675 | \$ 544,020 |
| Accounts payable and accrued expenses | 35,041 | 28,692 |
| Tenants' security deposits | 6,746 | 6,125 |
| Dividends and distributions payable | 11,401 | 8,729 |
| Total liabilities | 715,863 | 587,566 |
| Commitments and contingencies: | — | — |
| Equity: | | |
| Preferred shares, \$0.001 par value per share; 50,000,000 shares authorized; none issued and outstanding as of September 30, 2017 and December 31, 2016, respectively | — | — |
| Common shares, \$0.001 par value per share; 400,000,000 shares authorized; 38,524,480 and 29,468,563 issued and outstanding as of September 30, 2017 and December 31, 2016, respectively | 38 | 29 |
| Additional paid-in capital | 509,774 | 396,494 |
| Accumulated deficit | (167,397) | (141,695) |
| Accumulated other comprehensive gain | 1,004 | 859 |
| Total Whitestone REIT shareholders' equity | 343,419 | 255,687 |
| Noncontrolling interests: | | |
| Redeemable operating partnership units | 11,002 | 11,941 |
| Noncontrolling interest in Consolidated Partnership | (136) | 15 |
| Total noncontrolling interests | 10,866 | 11,956 |
| Total equity | 354,285 | 267,643 |
| Total liabilities and equity | \$ 1,070,148 | \$ 855,209 |

See accompanying notes to Consolidated Financial Statements.

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Whitestone REIT and Subsidiaries
 CONSOLIDATED BALANCE SHEETS - Continued
 (in thousands, except share and per share data)

| | September | December |
|---|-------------|-----------|
| | 30, 2017 | 31, 2016 |
| | (unaudited) | |
| (1) Assets of consolidated Variable Interest Entities included in the total assets above: | | |
| Real estate assets, at cost | | |
| Property | \$93,505 | \$92,338 |
| Accumulated depreciation | (35,089) | (32,533) |
| Total real estate assets | 58,416 | 59,805 |
| Cash and cash equivalents | 2,246 | 1,236 |
| Escrows and acquisition deposits | 2,087 | 2,274 |
| Accrued rents and accounts receivable, net of allowance for doubtful accounts | 2,556 | 2,313 |
| Unamortized lease commissions and loan costs | 1,180 | 1,150 |
| Prepaid expenses and other assets | 130 | 82 |
| Total assets | \$66,615 | \$66,860 |

(2) Liabilities of consolidated Variable Interest Entities included in the total liabilities above:

Notes payable