

COLUMBIA PROPERTY TRUST, INC.

Form 10-Q

November 05, 2013

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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, 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 000-51262

COLUMBIA PROPERTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of incorporation or organization)

20-0068852

(I.R.S. Employer Identification Number)

One Glenlake Parkway, Suite 1200  
Atlanta, GA 30328  
(Address of principal executive offices)  
(Zip Code)

(404) 465-2200  
(Registrant's telephone number, including area code)

(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 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

Number of shares outstanding of the registrant's  
only class of common stock, as of October 31, 2013: 134,192,610 shares

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Form 10-Q of Columbia Property Trust, Inc. ("Columbia Property Trust," "we," "our" or "us") other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the U.S. Securities and Exchange Commission ("SEC"). We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Any such forward-looking statements are subject to risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual conditions, our ability to accurately anticipate results expressed in such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. See Item 1A in Columbia Property Trust's Annual Report on Form 10-K for the year ended December 31, 2012 and Part II, Item IA in this Quarterly Report on Form 10-Q for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. The risk factors described in our Annual Report and this Quarterly Report are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in the accompanying consolidated balance sheets, and related consolidated statements of operations, comprehensive income, equity and cash flows, reflects all normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements.

The accompanying consolidated financial statements should be read in conjunction with the condensed notes to Columbia Property Trust's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this quarterly report on Form 10-Q, and with Columbia Property Trust's Annual Report on Form 10-K filed for the year ended December 31, 2012. Columbia Property Trust's results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the operating results expected for the full year.

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CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per-share amounts)

	(Unaudited) September 30, 2013	(Unaudited) December 31, 2012
Assets:		
Real estate assets, at cost:		
Land	\$784,381	\$789,237
Buildings and improvements, less accumulated depreciation of \$666,162 and \$580,334, as of September 30, 2013 and December 31, 2012, respectively	3,340,143	3,468,218
Intangible lease assets, less accumulated amortization of \$344,274 and \$315,840, as of September 30, 2013 and December 31, 2012, respectively	305,499	341,460
Construction in progress	5,900	12,680
Total real estate assets	4,435,923	4,611,595
Cash and cash equivalents	59,908	53,657
Tenant receivables, net of allowance for doubtful accounts of \$823 and \$117, as of September 30, 2013 and December 31, 2012, respectively	11,103	14,426
Straight line rent receivable	137,980	119,673
Prepaid expenses and other assets	33,679	29,373
Deferred financing costs, less accumulated amortization of \$11,235 and \$8,527, as of September 30, 2013 and December 31, 2012, respectively	11,129	10,490
Intangible lease origination costs, less accumulated amortization of \$257,694 and \$230,930, as of September 30, 2013 and December 31, 2012, respectively	177,029	206,927
Deferred lease costs, less accumulated amortization of \$32,015 and \$24,222, as of September 30, 2013 and December 31, 2012, respectively	109,874	98,808
Investment in development authority bonds	586,000	586,000
Total assets	\$5,562,625	\$5,730,949
Liabilities:		
Line of credit and notes payable	\$1,461,040	\$1,401,618
Bonds payable, net of discount of \$1,133 and \$1,322, as of September 30, 2013 and December 31, 2012, respectively	248,867	248,678
Accounts payable, accrued expenses, and accrued capital expenditures	93,965	102,858
Due to affiliates	8,875	1,920
Deferred income	28,290	28,071
Intangible lease liabilities, less accumulated amortization of \$93,130 and \$84,326, as of September 30, 2013 and December 31, 2012, respectively	87,226	98,298
Obligations under capital leases	586,000	586,000
Total liabilities	2,514,263	2,467,443
Commitments and Contingencies (Note 6)	—	—
Redeemable Common Stock	—	99,526
Equity:		
Common stock, \$0.01 par value, 900,000,000 shares authorized, 134,192,610 and 136,900,911 shares issued and outstanding as of September 30, 2013 and	1,342	1,369

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December 31, 2012, respectively		
Additional paid-in capital	4,836,291	4,901,889
Cumulative distributions in excess of earnings	(1,785,762)	) (1,634,531 )
Redeemable common stock	—	(99,526 )
Other comprehensive loss	(3,509)	) (5,221 )
Total equity	3,048,362	3,163,980
Total liabilities, redeemable common stock, and equity	\$5,562,625	\$5,730,949
See accompanying notes.		

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COLUMBIA PROPERTY TRUST, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per-share amounts)

	(Unaudited) Three months ended September 30,		(Unaudited) Nine months ended September 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Rental income	\$ 116,005	\$ 107,355	\$ 348,075	\$ 327,398
Tenant reimbursements	26,429	26,582	76,312	75,855
Hotel income	6,788	6,689	18,304	17,527
Other property income	782	4,082	2,328	6,239
	150,004	144,708	445,019	427,019
<b>Expenses:</b>				
Property operating costs	46,314	44,370	133,156	125,631
Hotel operating costs	4,693	4,913	13,774	14,006
Asset and property management fees:				
Related-party	—	8,381	5,541	25,874
Other	380	711	1,760	2,061
Depreciation	30,911	28,156	91,771	84,023
Amortization	22,027	23,423	66,264	75,893
Impairment loss on real estate assets	12,870	—	29,737	—
General and administrative	7,943	6,789	53,963	18,273
Listing costs	756	—	756	—
	125,894	116,743	396,722	345,761
Operating income	24,110	27,965	48,297	81,258
<b>Other income (expense):</b>				
Interest expense	(27,694	) (26,749	) (82,129	) (79,556
Interest and other income	9,168	10,011	27,553	30,039
Loss on interest rate swaps	(419	) (29	) (198	) (118
	(18,945	) (16,767	) (54,774	) (49,635
Income before income tax expense	5,165	11,198	(6,477	) 31,623
Income tax expense	(428	) (252	) (656	) (553
Income (loss) from continuing operations	4,737	10,946	(7,133	) 31,070
<b>Discontinued operations:</b>				
Operating income (loss) from discontinued operations	63	(16,805	) (88	) (11,827
Gains on disposition of discontinued operations	—	—	10,014	16,947
Income (loss) from discontinued operations	63	(16,805	) 9,926	5,120
Net income (loss)	4,800	(5,859	) 2,793	36,190
Less: net income attributable to nonredeemable noncontrolling interests	—	—	—	(4
Net income (loss) attributable to the common stockholders of Columbia Property Trust, Inc.	\$ 4,800	\$ (5,859	) \$ 2,793	\$ 36,186
<b>Per-share information – basic and diluted:</b>				
Income (loss) from continuing operations	\$ 0.04	\$ 0.08	\$ (0.05	) \$ 0.23
Income (loss) from discontinued operations	\$ 0.00	\$ (0.12	) \$ 0.07	\$ 0.04
Net income (loss) attributable to the common stockholders of Columbia Property Trust, Inc.	\$ 0.04	\$ (0.04	) \$ 0.02	\$ 0.26

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Weighted-average common shares outstanding – basic and diluted	134,668	136,741	135,661	136,559
Dividends per share	\$0.380	\$0.500	\$1.140	\$1.500
See accompanying notes.				

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COLUMBIA PROPERTY TRUST, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (in thousands)

	(Unaudited) Three months ended September 30,		(Unaudited) Nine months ended September 30,		
	2013	2012	2013	2012	
Net income (loss) attributable to the common stockholders of Columbia Property Trust, Inc.	\$4,800	\$(5,859)	) \$2,793	\$36,186	
Foreign currency translation adjustment realized in discontinued operations	—	—	(83	) —	
Market value adjustment to interest rate swap	(922	) (2,475	) 1,795	(5,883	)
Comprehensive income attributable to the common stockholders of Columbia Property Trust, Inc.	3,878	(8,334	) 4,505	30,303	
Comprehensive income attributable to noncontrolling interests	—	—	—	4	
Comprehensive income (loss)	\$3,878	\$(8,334	) \$4,505	\$30,307	

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.  
CONSOLIDATED STATEMENTS OF EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UNAUDITED)  
(in thousands, except per-share amounts)

	Stockholders' Equity Common Stock		Additional Paid-In Capital <sup>(1)</sup>	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Income (Loss)	Total Equity
	Shares <sup>(1)</sup>	Amount <sup>(1)</sup>					
Balance, December 31, 2012	136,901	\$1,369	\$4,901,889	\$(1,634,531)	\$(99,526)	\$(5,221)	\$3,163,980
Issuance of common stock	1,665	17	46,585	—	—	—	46,602
Redemptions of common stock	(4,373)	(44)	(112,062)	—	—	—	(112,106)
Decrease in redeemable common stock	—	—	—	—	99,526	—	99,526
Distributions to common stockholders (\$1.14 per share)	—	—	—	(154,024)	—	—	(154,024)
Offering costs	—	—	(121)	—	—	—	(121)
Net income attributable to the common stockholders of Columbia Property Trust, Inc.	—	—	—	2,793	—	—	2,793
Foreign currency translation adjustment	—	—	—	—	—	(83)	(83)
Market value adjustment to interest rate swap	—	—	—	—	—	1,795	1,795
Balance, September 30, 2013	134,193	\$1,342	\$4,836,291	\$(1,785,762)	\$—	\$(3,509)	\$3,048,362

<sup>(1)</sup> All share amounts and computations using such amounts have been retroactively adjusted to reflect the August 14, 2013 four-for-one reverse stock split (see Note 7, Equity).

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COLUMBIA PROPERTY TRUST, INC.  
CONSOLIDATED STATEMENTS OF EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 (UNAUDITED)  
(in thousands, except per-share amounts)

	Stockholders' Equity			Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Income (Loss)	Total Columbia Property Trust, Inc. Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Equity
	Common Stock	Additional Paid-In Capital <sup>(1)</sup>							
	Shares <sup>(1)</sup>	Amount <sup>(1)</sup>							
Balance, December 31, 2011	136,550	\$ 1,365	\$ 4,884,903	\$(1,426,550)	\$(113,147)	\$ 84	\$ 3,346,655	\$ 317	\$ 3,346,972
Issuance of common stock	3,310	33	94,369	—	—	—	94,402	—	94,402
Redemptions of common stock	(2,647 )	(26 )	(70,085 )	—	—	—	(70,111 )	—	(70,111 )
Increase in redeemable common stock	—	—	—	—	(15,886 )	—	(15,886 )	—	(15,886 )
Distributions to common stockholders (\$1.50 per share)	—	—	—	(204,141 )	—	—	(204,141 )	—	(204,141 )
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(15 )	(15 )
Offering costs	—	—	(17 )	—	—	—	(17 )	—	(17 )
Acquisition of noncontrolling interest in consolidated joint ventures	—	—	5	—	—	—	5	(306 )	(301 )
Net income attributable to common stockholders of Columbia Property Trust, Inc.	—	—	—	36,186	—	—	36,186	—	36,186
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	4	4