LEXINGTON REALTY TRUST
Form 10-Q
May 07, 2013

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

FORM 10-Q

(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2013.
or
o 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 1-12386

LEXINGTON REALTY TRUST
(Exact name of registrant as specified in its charter)

Maryland	13-3717318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Penn Plaza – Suite 4015 New York, NY	10119
(Address of principal executive offices)	(Zip Code)
(212) 692-7200	
(Registrant's telephone number, including area code)	

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 x No o

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 x No o

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 214,035,727 common shares of beneficial interest, par value $0.0001 per share, as of May 3, 2013.

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION:

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We file information electronically with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is http://www.sec.gov. We also maintain a website at http://www.lxp.com through which you can obtain copies of documents that we file with the SEC. The contents of that website are not incorporated by reference in or otherwise a part of this Quarterly Report on Form 10-Q or any other document that we file with the SEC.

Table of Contents

PART 1. - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2013 (unaudited)	December 31, 2012
Assets:		
Real estate, at cost	$3,644,726	$3,564,466
Real estate - intangible assets	693,335	685,914
Investments in real estate under construction	47,041	65,122
	4,385,102	4,315,502
Less: accumulated depreciation and amortization	1,175,812	1,150,417
	3,209,290	3,165,085
Cash and cash equivalents	111,404	34,024
Restricted cash	23,007	26,741
Investment in and advances to non-consolidated entities	11,825	27,129
Deferred expenses, net	59,520	57,549
Loans receivable, net	82,660	72,540
Rent receivable	8,499	7,355
Other assets	28,721	27,780
Total assets	$3,534,926	$3,418,203
Liabilities and Equity:		
Liabilities:		
Mortgages and notes payable	$1,268,654	$1,415,961
Term loan payable	255,000	255,000
Convertible notes payable	38,491	78,127
Trust preferred securities	129,120	129,120
Dividends payable	36,612	31,351
Accounts payable and other liabilities	59,004	70,367
Accrued interest payable	7,330	11,980
Deferred revenue - including below market leases, net	74,353	79,908
Prepaid rent	24,808	13,224
Total liabilities	1,893,372	2,085,038
Commitments and contingencies		
Equity:		
Preferred shares, par value $0.0001 per share; authorized 100,000,000 shares,		
Series C Cumulative Convertible Preferred, liquidation preference $96,770; 1,935,400 shares issued and outstanding	94,016	94,016
Series D Cumulative Redeemable Preferred, liquidation preference $155,000; 6,200,000 shares issued and outstanding	149,774	149,774
Common shares, par value $0.0001 per share; authorized 400,000,000 shares, 213,653,183 and 178,616,664 shares issued and outstanding in 2013 and 2012, respectively	21	18
Additional paid-in-capital	2,560,662	2,212,949
Accumulated distributions in excess of net income	(1,182,969)	(1,143,803)

Accumulated other comprehensive loss	(5,522)	(6,224)
Total shareholders’ equity	1,615,982	1,306,730
Noncontrolling interests	25,572	26,435
Total equity	1,641,554	1,333,165
Total liabilities and equity	$3,534,926	$3,418,203

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

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except share and per share data)

	Three months ended March 31, 2013	2012
Gross revenues:		
Rental	$88,982	$70,543
Advisory and incentive fees	174	323
Tenant reimbursements	7,911	7,369
Total gross revenues	97,067	78,235
Expense applicable to revenues:		
Depreciation and amortization	(44,967)	(37,174)
Property operating	(16,200)	(13,886)
General and administrative	(7,162)	(5,373)
Non-operating income	1,962	2,619
Interest and amortization expense	(24,045)	(24,171)
Debt satisfaction charges, net	(10,996)	(1,649)
Impairment charges	(2,413)	—
Loss before provision for income taxes, equity in earnings of non-consolidated entities and discontinued operations	(6,754)	(1,399)
Provision for income taxes	(407)	(182)
Equity in earnings of non-consolidated entities	135	7,393
Income (loss) from continuing operations	(7,026)	5,812
Discontinued operations:		
Income from discontinued operations	1,698	504
Provision for income taxes	—	(5)
Debt satisfaction gains, net	10,549	1,728
Impairment charges	(7,344)	(2,561)
Total discontinued operations	4,903	(334)
Net income (loss)	(2,123)	5,478
Less net income attributable to noncontrolling interests	(497)	(1,867)
Net income (loss) attributable to Lexington Realty Trust shareholders	(2,620)	3,611
Dividends attributable to preferred shares – Series B	—	(1,379)
Dividends attributable to preferred shares – Series C	(1,572)	(1,572)
Dividends attributable to preferred shares – Series D	(2,926)	(2,926)
Allocation to participating securities	(177)	(150)
Redemption discount – Series C	—	229
Net loss attributable to common shareholders	$(7,295)	$(2,187)
Income (loss) per common share – basic and diluted:		
Loss from continuing operations	$(0.07)	$—
Income (loss) from discontinued operations	0.03	(0.01)
Net loss attributable to common shareholders	$(0.04)	$(0.01)
Weighted-average common shares outstanding – basic and diluted	189,232,274	154,149,034
Amounts attributable to common shareholders:		
Loss from continuing operations	$(12,198)	$(726)
Income (loss) from discontinued operations	4,903	(1,461)
Net loss attributable to common shareholders	$(7,295)	$(2,187)

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

4

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

	Three months ended March 31,	
	2013	2012
Net income (loss)	$(2,123)	$5,478
Other comprehensive income (loss):		
Change in unrealized gain (loss) on interest rate swaps, net	702	(56)
Other comprehensive income (loss)	702	(56)
Comprehensive income (loss)	(1,421)	5,422
Comprehensive income attributable to noncontrolling interests	(497)	(1,867)
Comprehensive income (loss) attributable to Lexington Realty Trust shareholders	$(1,918)	$3,555

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

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands)

Three Months ended March 31, 2013	Lexington Realty Trust Shareholders						
	Total	Preferred Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance December 31, 2012	$1,333,165	$243,790	$18	$ 2,212,949	$(1,143,803)	$ (6,224)	$ 26,435
Redemption of noncontrolling OP units for common shares	—	—	—	458	—	—	(458)
Issuance of common shares upon conversion of Convertible Notes	47,128	—	—	47,128	—	—	—
Issuance of common shares and deferred compensation amortization, net	300,130	—	3	300,127	—	—	—
Dividends/distributions	(37,448)	—	—	—	(36,546)	—	(902)
Net income (loss)	(2,123)	—	—	—	(2,620)	—	497
Other comprehensive income	702	—	—	—	—	702	—
Balance March 31, 2013	$1,641,554	$243,790	$21	$ 2,560,662	$(1,182,969)	$ (5,522)	$ 25,572

Three Months ended March 31, 2012	Lexington Realty Trust Shareholders						
	Total	Preferred Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance December 31, 2011	$1,170,203	$311,673	$15	$ 2,010,850	$(1,212,630)	$ 1,938	$ 58,357
Repurchase of preferred shares	(1,461)	(1,690)	—	—	229	—	—
Issuance of common shares and deferred compensation amortization, net	3,119	—	1	3,118	—	—	—
Contributions from noncontrolling interests	889	—	—	—	—	—	889
Dividends/distributions	(26,494)	—	—	—	(25,276)	—	(1,218)
Net income	5,478	—	—	—	3,611	—	1,867
	(56)	—	—	—	—	(56)	—

Other comprehensive loss							
Balance March 31, 2012	$1,151,678	$309,983	$16	$ 2,013,968	$(1,234,066)	$ 1,882	$ 59,895

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

6

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Three months ended March 31,	
	2013	2012
Net cash provided by operating activities:	$57,132	$43,798
Cash flows from investing activities:		
Acquisition of real estate, including intangible assets	(81,535)	—
Investment in real estate under construction	(18,047)	(21,976)
Capital expenditures	(17,372)	(7,196)
Net proceeds from sale of properties	1,861	2,357
Principal payments received on loans receivable	716	1,444
Investment in loans receivable	(10,596)	—
Distributions from non-consolidated entities in excess of accumulated earnings	14,975	—
Increase in deferred leasing costs	(2,794)	(2,644)
Change in escrow deposits and restricted cash	308	5,006
Real estate deposits	(192)	(225)
Net cash used in investing activities	(112,676)	(23,234)
Cash flows from financing activities:		
Dividends to common and preferred shareholders	(31,285)	(25,244)
Repurchase of exchangeable notes	—	(62,150)
Conversion of convertible notes	(2,663)	—
Principal amortization payments	(18,733)	(15,049)
Principal payments on debt, excluding normal amortization	(147,291)	(115,712)
Change in revolving credit facility borrowings, net	—	20,000
Proceeds from term loan	—	161,000
Increase in deferred financing costs	(4,025)	(4,091)
Proceeds of mortgages and notes payable	40,000	6,500
Cash distributions to noncontrolling interests	(902)	(1,218)
Contributions from noncontrolling interests	—	889
Repurchase of preferred shares	—	(1,461)
Issuance of common shares, net	297,823	2,145
Net cash provided by (used in) financing activities	132,924	(34,391)
Change in cash and cash equivalents	77,380	(13,827)
Cash and cash equivalents, at beginning of period	34,024	63,711
Cash and cash equivalents, at end of period	$111,404	$49,884

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

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(1) The Company and Financial Statement Presentation

Lexington Realty Trust (the "Company") is a self-managed and self-administered Maryland statutory real estate investment trust ("REIT") that invests in and acquires, owns, finances and manages a geographically diversified portfolio of predominately single-tenant office, industrial and retail properties. The Company also provides investment advisory and asset management services to investors in the single-tenant area. As of March 31, 2013, the Company had equity ownership interests in approximately 220 consolidated properties in 41 states. A majority of the real properties in which the Company has an equity ownership interest are generally subject to net or similar leases where the tenant bears all or substantially all of the cost, including cost increases, for real estate taxes, insurance, utilities and ordinary maintenance of the property. However, certain leases provide that the landlord is responsible for certain or all operating expenses. In addition, we acquire, originate and hold investments in loan assets related to single-tenant real estate.

The Company believes it has qualified as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, the Company will not be subject to federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. The Company is permitted to participate in certain activities in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable REIT subsidiaries ("TRS") under the Code. As such, the TRS are subject to federal income taxes on the income from these activities.

The Company conducts its operations either directly or indirectly through (1) property owner subsidiaries and lender subsidiaries, (2) operating partnerships in which the Company is the sole unit holder of the general partner and the sole unit holder of the limited partner that holds a majority of the limited partner interests ("OP units"), (3) a wholly-owned TRS, or (4) investments in joint ventures. Property owner subsidiaries are landlords under leases for properties in which the Company has an interest and/or borrowers under loan agreements secured by properties in which the Company has an investment and lender subsidiaries are lenders under loan agreements where the Company made an investment in a loan asset, but in all cases are separate and distinct legal entities.

Basis of Presentation and Consolidation. The Company's unaudited condensed consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"). The financial statements reflect the accounts of the Company and its consolidated subsidiaries. The Company consolidates its wholly-owned subsidiaries and its partnerships and joint ventures which it controls (1) through voting rights or similar rights or (2) by means other than voting rights if the Company is the primary beneficiary of a variable interest entity ("VIE"). Entities which the Company does not control and entities which are VIEs in which the Company is not the primary beneficiary are accounted for under appropriate GAAP.

The financial statements contained herein have been prepared by the Company in accordance with GAAP for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. However, in the opinion of management, the interim financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the periods presented. The results of operations for the three months ended March 31, 2013 and 2012, are not necessarily indicative of the results that may be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2012 filed with the SEC on February 25, 2013 (“Annual Report”).

Use of Estimates. Management has made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these unaudited condensed consolidated financial statements in conformity with GAAP. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, the allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the determination of VIEs and which entities should be consolidated, the

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

determination of impairment of long-lived assets, loans receivable and equity method investments, the valuation of derivative financial instruments and the useful lives of long-lived assets. Actual results could differ materially from those estimates.
Fair Value Measurements. The Company follows the guidance in the Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, as amended (“Topic 820”), to determine the fair value of financial and non-financial instruments. Topic 820 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. Topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 - observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 - unobservable inputs, which are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk. The Company has formally elected to apply the portfolio exception within Topic 820 with respect to measuring counterparty risk for all of its derivative transactions subject to master netting arrangements.

Acquisition, Development and Construction Arrangements. The Company evaluates loans receivable where the Company participates in residual profits through loan provisions or other contracts to ascertain whether the Company has the same risks and rewards as an owner or a joint venture partner. Where the Company concludes that such arrangements are more appropriately treated as an investment in real estate, the Company reflects such loan receivable as an equity investment in real estate under construction in the unaudited condensed consolidated balance sheets. In these cases, no interest income is recorded on the loan receivable and the Company records capitalized interest during the construction period. In arrangements where the Company engages a developer to construct a property or provides funds to a tenant to develop a property, the Company will capitalize the funds provided to the developer/tenant and internal costs of interest and real estate taxes, if applicable, during the construction period.

Reclassifications. Certain amounts included in the 2012 unaudited condensed consolidated financial statements have been reclassified to conform to the 2013 presentation.

Recently Issued Accounting Guidance. In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02: Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting the reclassifications of significant amounts out of accumulated other comprehensive income. This guidance requires entities to present the effects on the line items of net income of significant reclasses from accumulated other comprehensive income, either where net income is presented or in the notes, as well as cross-reference to other disclosures currently required under GAAP for other reclassification items (that are not required under GAAP) to be reclassified directly to net income in their entirety in the same reporting period. The new disclosure requirements are effective for annual reporting periods beginning after December 15, 2012. The new disclosures are required for both interim and annual reporting. The implementation of this guidance did not have an impact on the Company's financial position, results of operations or cash flows.

(2) Earnings Per Share

A significant portion of the Company's non-vested share-based payment awards are considered participating securities and as such, the Company is required to use the two-class method for the computation of basic and diluted earnings per share. Under the two-class computation method, net losses are not allocated to participating securities unless the holder of the security has a contractual obligation to share in the losses. The non-vested share-based payment awards are not allocated losses as the awards do not have a contractual obligation to share in losses of the Company.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three months ended March 31, 2013 and 2012:

	Three months ended March 31, 2013	2012
BASIC AND DILUTED		
Loss from continuing operations attributable to common shareholders	$(12,198)	$(726)
Income (loss) from discontinued operations attributable to common shareholders	4,903	(1,461)
Net loss attributable to common shareholders	$(7,295)	$(2,187)
Weighted-average number of common shares outstanding	189,232,274	154,149,034
Income (loss) per common share:		
Loss from continuing operations	$(0.07)	$—
Income (loss) from discontinued operations	0.03	(0.01)
Net loss attributable to common shareholders	$(0.04)	$(0.01)

For per common share amounts, all incremental shares are considered anti-dilutive for periods that have a loss from continuing operations attributable to common shareholders. In addition, other common share equivalents may be anti-dilutive in certain periods.

During the three months ended March 31, 2012, the Company repurchased and retired 34,800 shares, respectively, of its 6.50% Series C Cumulative Convertible Preferred Stock at an aggregate discount of $229 to the historical cost basis. The discount constitutes a deemed negative dividend, offsetting other dividends, and is accretive to common shareholders. Accordingly, net income (loss) was adjusted for the dividends to arrive at net loss attributable to common shareholders.

(3) Investments in Real Estate and Real Estate Under Construction

The Company, through property owner subsidiaries, completed the following acquisition and build-to-suit transactions during the three months ended March 31, 2013:

Property Type	Location	Acquisition/Completion Date	Initial Cost Basis	Lease Expiration	Land and Land Estate	Building and Improvements	Lease in-place Value Intangible
Industrial	Long Island City, NY	February 2013	$41,872	03/2028	$—	$41,872	$—
Industrial	Houston, TX	March 2013	$81,400	03/2038	$15,055	$57,949	$8,396
			$123,272		$15,055	$99,821	$8,396

The Company's consolidated partnership, which owns the Long Island City, New York property, currently provides for the Company to receive distributions of operating cash flows as follows: (1) a 6.3% priority return on its invested capital up to $25,000, (2) an 11% priority return on its invested capital in excess of $25,000 and (3) approximately 50% of any excess return.

The Company recognized aggregate acquisition expenses of $193 and $3 for the three months ended March 31, 2013 and 2012, respectively, which are included as operating expenses within the Company's unaudited condensed consolidated statements of operations.

The Company is engaged in various forms of build-to-suit development activities. The Company, through lender subsidiaries and property owner subsidiaries, may enter into the following acquisition, development and construction arrangements: (1) lend funds to construct build-to-suit projects subject to a single-tenant lease and agree to purchase the properties upon completion of construction and commencement of a single-tenant lease, (2) hire developers to construct built-to-suit projects on owned properties leased to single tenants, (3) fund the construction of build-to-suit projects on owned properties pursuant to the terms in single-tenant lease agreements or (4) enter into purchase and sale agreements with developers to acquire single-tenant build-to-suit properties upon completion.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

As of March 31, 2013, the Company had the following development arrangements outstanding:

Location	Property Type	Square Feet	Expected Maximum Commitment/Contribution ($ millions)	Lease Term (Years)	Estimated Completion Date
Denver, CO	Office	167,000	$ 39.0	15	2Q 13
Tuscaloosa, AL	Retail	42,000	$ 8.8	15	3Q 13
Rantoul, IL	Industrial	813,000	$ 42.6	20	4Q 13
Bingen, WA(1)	Industrial	124,000	$ 20.8	10-20	2Q 14
		1,146,000	$ 111.2		

(1) Commitment may be terminated by the tenant prior to the commencement of construction.

The Company has variable interests in certain developer entities constructing the facilities but is not the primary beneficiary of the entities as the Company does not have a controlling financial interest. As of March 31, 2013 and December 31, 2012, the Company's aggregate investment in development arrangements was $47,041 and $65,122, respectively, and are presented as investments in real estate under construction in the accompanying unaudited condensed consolidated balance sheets. The Company capitalized interest of $833 and $435 during the three months ended March 31, 2013 and 2012, respectively, relating to build-to-suit activities.

In addition, the Company has committed to acquire, upon its completion, an office property in Omaha, Nebraska for $39,125, which is subject to a net lease that will have a 20-year term upon completion. Construction is expected to be completed in the fourth quarter of 2013. The Company can give no assurances that any of these acquisitions under contract or build-to-suit transactions will be consummated.

On September 1, 2012, the Company, together with an operating partnership subsidiary, acquired the remaining common equity interest in Net Lease Strategic Assets Fund L.P. ("NLS") from Inland American (Net Lease) Sub, LLC that the Company did not already own for a cash payment of $9,438 and the assumption of all outstanding liabilities. Immediately prior to the acquisition, the Company owned 15% of NLS's common equity and 100% of NLS's preferred equity. At the date of acquisition, NLS owned 41 properties totaling 5.8 million square feet in 23 states, plus a 40% tenant-in-common interest in an office property. The Company's investment in NLS had previously been accounted for under the equity method and is now consolidated.

The Company recognized gross revenues from continuing operations of $10,778 and a net loss of $(1,395) from NLS properties during the three months ended March 31, 2013. The Company recognized $6,383 of equity in earnings relating to NLS during the three months ended March 31, 2012.

The following unaudited condensed consolidated pro forma information is presented as if the Company acquired the remaining equity in NLS on January 1, 2012. The information presented below is not necessarily indicative of what the actual results of operations would have been had the transaction been completed on January 1, 2012, nor does it purport to represent the Company's future operations:

	Three Months Ended March 31, 2012
Gross revenues	$89,674
Net loss attributable to Lexington Realty Trust shareholders	$(4,844)
Net loss attributable to common shareholders	$(10,642)
Net loss per common share - basic and diluted	$(0.07)

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(4) Discontinued Operations and Real Estate Impairment

During the three months ended March 31, 2013, the Company disposed of its interest in a property to an unrelated third party for a gross disposition price of $1,900. In addition, the Company transferred two properties in foreclosure in satisfaction of the aggregate $23,281 non-recourse mortgage loans and recognized aggregate net gains on debt satisfaction of $10,549. During the three months ended March 31, 2012, the Company sold its interests in one property to an unrelated third party for a gross disposition price of $2,500. In addition, the Company transferred a property in foreclosure in satisfaction of the $7,119 non-recourse mortgage loan and recognized a net gain on debt satisfaction of $1,728. As of March 31, 2013 and 2012, the Company had no properties classified as held for sale.

The following presents the operating results for the properties sold for the applicable periods:

	Three months ended March 31,		
	2013	2012	
Total gross revenues	$—	$4,499	
Pre-tax income (loss)	$4,903	$(329	)

The Company assesses on a regular basis whether there are any indicators that the carrying value of its real estate assets may be impaired. Potential indicators may include an increase in vacancy at a property, tenant reduction in utilization of a property, tenant financial instability and the potential sale of the property in the near future. An asset is determined to be impaired if the asset's carrying value is in excess of its estimated fair value. During the three months ended March 31, 2013 and 2012, the Company recognized $7,344 and $2,561, respectively, of impairment charges in discontinued operations, relating to real estate assets that were sold below their carrying value.

In addition, the Company recognized an impairment charge of $2,413 in continuing operations during the three months ended March 31, 2013. The Company is exploring the possible disposition of a non-core retail property and determined that the expected undiscounted cash flows based upon a revised estimated holding period of the property was below the current carrying value. Accordingly, the Company reduced the carrying value of this property to its estimated fair value.

(5) Loans Receivable

As of March 31, 2013 and December 31, 2012, the Company's loans receivable, including accrued interest and net of origination fees and loan loss reserves were comprised primarily of first and second mortgage loans and mezzanine loans on real estate aggregating $82,660 and $72,540, respectively. The loans bear interest, including imputed interest, at rates ranging from 4.6% to 20.0% and mature at various dates through 2022.

The following is a summary of our loans receivable as of March 31, 2013 and December 31, 2012:

	Loan carrying-value[1]				
Loan	3/31/2013	12/31/2012	Interest Rate		Maturity Date
Norwalk, CT[2]	$14,249	$3,479	7.50	%	11/2014
Homestead, FL	7,974	8,036	7.50	%	08/2014
Schaumburg, IL[3]	21,579	21,885	20.00	%	01/2012
Westmont, IL	26,810	26,902	6.45	%	10/2015
Southfield, MI	7,181	7,364	4.55	%	02/2015
Austin, TX	2,120	2,038	16.00	%	10/2018
Other	2,747	2,836	8.00	%	2021-2022
	$82,660	$72,540			

(1) Loan carrying value includes accrued interest and is net of origination costs and fee eliminations, if any.

(2) The Company is committed to lend up to $32,600.

(3) Loan is in default. The Company did not record interest income of $933 and $2,647 during the three months ended March 31, 2013 and the year ended December 31, 2012, respectively. The Company believes the office property collateral has an estimated fair value in excess of the Company's investment and the Company has initiated foreclosure proceedings.

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

The Company has two types of financing receivables: loans receivable and a capitalized financing lease. The Company determined that its financing receivables operate within one portfolio segment as they are within the same industry and use the same impairment methodology. The Company's loans receivable are secured by commercial real estate assets and the capitalized financing lease is for a commercial office property located in Greenville, South Carolina. In addition, the Company assesses all financing receivables for impairment, when warranted, based on an individual analysis of each receivable.

The Company's financing receivables operate within one class of financing receivables as these assets are collateralized by commercial real estate and similar metrics are used to monitor the risk and performance of these assets. The Company's management uses credit quality indicators to monitor financing receivables such as quality of collateral, the underlying tenant's credit rating and collection experience. As of March 31, 2013, the financing receivables were performing as anticipated and there were no significant delinquent amounts outstanding, other than the Schaumburg, Illinois loan as disclosed above.

(6) Fair Value Measurements

The following tables present the Company's assets and liabilities from continuing operations measured at fair value on a recurring and non-recurring basis as of March 31, 2013 and December 31, 2012, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Balance	Fair Value Measurements Using		
Description	March 31, 2013	(Level 1)	(Level 2)	(Level 3)
Interest rate swap liability	$(5,522)	$—	$(5,522)	$—
Impaired real estate assets*	$4,277	$—	$—	$4,277

	Balance	Fair Value Measurements Using		
Description	December 31, 2012	(Level 1)	(Level 2)	(Level 3)
Interest rate swap liability	$(6,556)	$—	$(6,556)	$—
Impaired real estate assets*	$3,327	$—	$—	$3,327

*Represents a non-recurring fair value measurement.

The table below sets forth the carrying amounts and estimated fair values of the Company's financial instruments as of March 31, 2013 and December 31, 2012.

	As of March 31, 2013		As of December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Loans Receivable	$82,660	$72,081	$72,540	$61,734
Liabilities				
Debt	$1,691,265	$1,640,211	$1,878,208	$1,835,157

The majority of the inputs used to value the Company's interest rate swaps fall within Level 2 of the fair value hierarchy, such as observable market interest rate curves; however, the credit valuation associated with the interest rate swaps utilizes Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. As of March 31, 2013 and December 31, 2012, the Company determined that the credit valuation adjustment relative to the overall fair value of the interest rate swaps was not significant. As a result, the interest rate swaps have been classified in Level 2 of the fair value hierarchy.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

The Company estimates the fair value of its real estate assets by using income and market valuation techniques. The Company may estimate fair values using market information such as broker opinions of value, recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of current market rates for the respective properties based upon an analysis of factors such as property and tenant quality, geographical location and local supply and demand observations. To the extent the Company under estimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or over estimates forecasted cash inflows (rental revenue rates), the estimated fair value of its real estate assets could be overstated.

The Company estimates the fair values of its loans receivable by using an estimated discounted cash flow analysis using Level 3 inputs consisting of scheduled cash flows and discount rate estimates to approximate those that a willing buyer and seller might use and/or the estimated value of the underlying collateral. The fair value of the Company's debt is estimated by using a discounted cash flow analysis using Level 3 inputs, based upon estimates of market interest rates.

Fair values cannot be determined with precision, may not be substantiated by comparison to quoted prices in active markets and may not be realized upon sale. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect the fair value measurement amounts.

Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable. The Company estimates that the fair value of cash equivalents, restricted cash, accounts receivable and accounts payable approximates carrying value due to the relatively short maturity of the instruments.

(7) Investment in and Advances to Non-Consolidated Entities

During 2012, the Company formed two joint ventures in which it has a minority interest. One joint venture acquired a 120,000 square foot retail property in Palm Beach Gardens, Florida for $29,750 which is net leased for an approximate 15-year term. The Company had a 36% interest in the venture and provided a $12,000 non-recourse mortgage loan to the venture which was repaid in full during the three months ended March 31, 2013. The Company received a distribution of $2,557 during the three months ended March 31, 2013, a portion of which represented a return of capital reducing the Company's ownership interest to 25%.

The second joint venture, in which the Company has a 15% interest, acquired a 100% economic interest in an inpatient rehabilitation hospital in Humble, Texas for $27,750, which is net leased for an approximate 17-year term. The acquisition was partially funded by a non-recourse mortgage with an original principal amount of $15,260, which bears interest at a fixed rate of 4.7% and matures in May 2017.

Pemlex LLC. In July 2012, the Company sold its interest in Pemlex LLC for $13,218 in connection with a restructuring of Pemlex LLC. In addition, the Company (1) entered into a management agreement with the purchaser that provides for a backstop guaranty to a third party who delivered a letter of credit in the amount of $2,500 as security for "bad boy" acts under the purchaser's third-party acquisition financing and (2) agreed to deliver a replacement letter of credit, if necessary, in the amount of $2,500 to the purchaser's lender during the term of the management agreement. No gain or loss was recognized in the transaction as the investment was sold at its cost basis.

Concord Debt Holdings LLC (“Concord”) and CDH CDO LLC ("CDH CDO"). The Company's investments in Concord and CDH CDO were valued at zero and the Company recognized income on the cash basis. During the three months ended March 31, 2012, the Company received aggregate distributions of $690, which were recorded as equity in earnings of non-consolidated entities. During the second quarter of 2012, the Company sold all of its interest in Concord and CDH CDO for $7,000 in cash.

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(8) Mortgages and Notes Payable

The Company had outstanding mortgages and notes payable of $1,268,654 and $1,415,961 as of March 31, 2013 and December 31, 2012, respectively. Interest rates, including imputed rates on mortgages and notes payable, ranged from 3.6% to 8.5% at March 31, 2013 and December 31, 2012 and the mortgages and notes payables mature between 2013 and 2031. The weighted-average interest rate at March 31, 2013 and December 31, 2012 was 5.5% and 5.6%, respectively.

On February 12, 2013, the Company refinanced its $300,000 secured revolving credit facility with a $300,000 unsecured revolving credit facility with KeyBank National Association ("KeyBank"), as agent. The unsecured revolving credit facility matures in February 2017 but can be extended until February 2018 at the Company's option. The unsecured revolving credit facility bears interest at LIBOR plus 1.50% to 2.05% based on the Company's leverage ratio, as defined therein. Upon the date when the Company obtains an investment grade rating from at least two of Standard & Poor's Rating Services ("S&P"), Moody's Investor Services, Inc. ("Moody's") and Fitch, Inc. ("Fitch"), the interest rate under the unsecured revolving credit facility will be dependent on the Company's debt rating. At March 31, 2013, the unsecured revolving credit facility had no amounts outstanding, outstanding letters of credit of $7,644 and availability of $292,356.

In connection with the refinancing discussed above, the Company also procured a five-year $250,000 unsecured term loan facility from KeyBank, as agent. The unsecured term loan matures in February 2018, requires regular payments of interest only at interest rates ranging from LIBOR plus 1.45% to 2.00% dependent on the Company's leverage ratio, as defined therein and can be prepaid without penalty. Upon the date when the Company obtains an investment grade rating from at least two of S&P, Moody's and Fitch, the interest rate under the unsecured term loan will be dependent on the Company's debt rating. At March 31, 2013, no amounts were drawn on the unsecured term loan.

During 2012, the Company procured a $255,000 secured term loan from Wells Fargo Bank, National Association ("Wells Fargo"), as agent. The term loan matures in January 2019. The term loan requires regular payments of interest only at interest rates ranging from LIBOR plus 2.00% to 2.85% dependent on the Company's leverage ratio, as defined therein. Upon the date when the Company obtains an investment grade debt rating from at least two of S&P, Moody's and Fitch, the interest rate under the secured term loan will be dependent on the Company's debt rating. The Company may prepay any outstanding borrowings under the term loan facility at a premium through January 12, 2016 and at par thereafter. During 2012, the Company entered into interest-rate swap agreements to fix LIBOR at a weighted-average rate of 1.42% through January 2019 on the $255,000 of outstanding LIBOR-based borrowings. The term loan was initially secured by ownership interest pledges by certain subsidiaries that collectively owned a borrowing base of properties. During the three months ended March 31, 2013, the Company amended the term loan to release the collateral as security. At March 31, 2013, the Company had $255,000 outstanding under the unsecured term loan.

The unsecured revolving credit facility and the unsecured term loans are subject to financial covenants, which the Company was in compliance with at March 31, 2013.

The Company had $25,000 and $35,551 secured term loans with KeyBank, which were satisfied in January 2012 and the Company recognized debt satisfaction charges of $1,578 as a result of the satisfaction.

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

During 2010, the Company issued $115,000 aggregate principal amount of 6.00% Convertible Guaranteed Notes due 2030. The notes pay interest semi-annually in arrears and mature in January 2030. The holders of the notes may require the Company to repurchase their notes in January 2017, January 2020 and January 2025 for cash equal to 100% of the notes to be repurchased, plus any accrued and unpaid interest. The Company may not redeem any notes prior to January 2017, except to preserve its REIT status. The notes have a current conversion rate of 144.2599 common shares per one thousand principal amount of the notes, representing a conversion price of approximately $6.93 per common share. The conversion rate is subject to adjustment under certain circumstances, including increases in the Company's dividend rate above a certain threshold and the issuance of stock dividends. The notes are convertible by the holders under certain circumstances for cash, common shares or a combination of cash and common shares at the Company's election. The notes are convertible prior to the close of business on the second business day immediately preceding the stated maturity date, at any time beginning in January 2029 and also upon the occurrence of specified events. During the three months ended March 31, 2013, $42,750 aggregate principal amount of the notes were converted for 6,167,111 common shares and aggregate cash payments of $2,663, plus accrued and unpaid interest resulting in aggregate debt satisfaction charges of $10,633.

During 2007, the Company issued an aggregate $450,000 of its 5.45% Exchangeable Guaranteed Notes due 2027. The Company prepaid $387,850 of the notes prior to 2012 and the remaining $62,150 of notes were repurchased by the Company and satisfied in January 2012 pursuant to a holder repurchase option. This resulted in debt satisfaction charges of $44.

Below is a summary of additional disclosures related to the 6.00% Convertible Guaranteed Notes due 2030.

	6.00% Convertible Guaranteed Notes			
Balance Sheets:	March 31, 2013		December 31, 2012	
Principal amount of debt component	$41,146		$83,896	
Unamortized discount	(2,655	)	(5,769	)
Carrying amount of debt component	$38,491		$78,127	
Carrying amount of equity component	$(16,677	)	$3,654	
Effective interest rate	8.1	%	8.1	%
Period through which discount is being amortized, put date	01/2017		01/2017	
Aggregate if-converted value in excess of aggregate principal amount	$28,895		$42,579	

	Three months ended March 31,	
Statements of Operations:	2013	2012
6.00% Convertible Guaranteed Notes		
Coupon interest	$788	$1,725
Discount amortization	223	484
	$1,011	$2,209

During the three months ended March 31, 2013 and 2012, in connection with the satisfaction of mortgage notes other than those disclosed elsewhere in these financial statements, the Company incurred debt satisfaction charges, net of $363 and $27, respectively.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(9) Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives. The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the type, amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk. The Company's objectives in using interest rate derivatives are to add stability to interest expense, to manage its exposure to interest rate movements and therefore manage its cash outflows as it relates to the underlying debt instruments. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy relating to certain of its variable rate debt instruments. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

The Company has designated the interest-rate swap agreements with its counterparties as cash flow hedges of the risk of variability attributable to changes in the LIBOR swap rate on the $255,000 LIBOR-indexed variable-rate unsecured term loan. Accordingly, changes in the fair value of the swaps are recorded in other comprehensive income (loss) and reclassified to earnings as interest becomes receivable or payable. In January 2012, the Company settled the 2008 interest-rate swap agreement with KeyBank for $3,539. The Company had a credit balance of $1,837 in accumulated other comprehensive income at the settlement date which was amortized into earnings on a straight-line basis through February 2013.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the term loans. During the next 12 months, the Company estimates that an additional $3,049 will be reclassified as an increase to interest expense.

As of March 31, 2013, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Swaps	5	$255,000

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the unaudited condensed consolidated balance sheets as of March 31, 2013 and December 31, 2012.

	As of March 31, 2013		As of December 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest Rate Swap Liability	Accounts Payable and Other Liabilities	$(5,522)	Accounts Payable and Other Liabilities	$(6,556)

17

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

The tables below present the effect of the Company's derivative financial instruments on the unaudited condensed consolidated statements of operations for the three months ended March 31, 2013 and 2012.

Derivatives in Cash Flow	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) March 31,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of (Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion) March 31,	
Hedging Relationships	2013	2012		2013	2012
Interest Rate Swaps	$262	$(45)	Interest expense	$440	$(11)

The Company's agreements with swap derivative counterparties contain provisions whereby if the Company defaults on the underlying indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default of the swap derivative obligation. As of March 31, 2013, the Company has not posted any collateral related to the agreements.

(10) Concentration of Risk

The Company seeks to reduce its operating and leasing risks through the geographic diversification of its properties, tenant industry diversification, avoidance of dependency on a single asset and the creditworthiness of its tenants. For the three months ended March 31, 2013 and 2012, no single tenant represented greater than 10% of rental revenues.

Cash and cash equivalent balances at certain institutions may exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions.

(11) Equity

Shareholders' Equity. During the three months ended March 31, 2013 and 2012, the Company issued 316,759 and 298,662 common shares, respectively, under its direct share purchase plan, raising net proceeds of $3,212 and $2,145, respectively. During the three months ended March 31, 2013, the Company issued 23,000,000 common shares in a public offering generating net proceeds of $258,086. The proceeds were used to repay borrowings under the Company's unsecured revolving credit facility and the balance for general corporate purposes, including acquisitions. During the three months ended March 31, 2013, the Company implemented an At-The-Market offering program under which the Company may issue up to $100,000 in common shares over the term of the program. The Company issued 3,409,927 common shares under this program during the three months ended March 31, 2013 raising net proceeds of $35,925.

The Company issued 1,325,000 non-vested common shares to certain officers with a grant date fair value of $14,098 during the three months ended March 31, 2013. The non-vested common shares are subject to long-term retention non-vested share agreements and vest from 2018 to 2022 in accordance with the agreements. In addition, the Company issued 37,500 fully vested common shares to the non-management members of the Company's Board of Trustees with a grant date fair value of $399.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

Accumulated other comprehensive loss as of March 31, 2013 and December 31, 2012 represented $5,522 and $6,224, respectively, of unrealized loss on interest rate swaps, net.

Changes in Accumulated Other Comprehensive Loss

	Gains and Losses on Cash Flow Hedges
Balance December 31, 2012	$(6,224)
Other comprehensive income before reclassifications	262
Amounts of loss reclassified from accumulated other comprehensive loss to interest expense	440
Balance March 31, 2013	$(5,522)

Noncontrolling Interests. In conjunction with several of the Company's acquisitions in prior years, sellers were issued OP units as a form of consideration. All OP units, other than OP units owned by the Company, are redeemable for common shares at certain times, at the option of the holders, and are generally not otherwise mandatorily redeemable by the Company. The OP units are classified as a component of permanent equity as the Company has determined that the OP units are not redeemable securities as defined by GAAP. Each OP unit is currently redeemable for approximately 1.13 common shares, subject to future adjustments.
During the three months ended March 31, 2013, 88,442 common shares were issued by the Company, in connection with OP unit redemptions, for an aggregate value of $458. No OP units were redeemed during the three months ended March 31, 2012.

As of March 31, 2013, there were approximately 3,719,000 OP units outstanding other than OP units owned by the Company. All OP units receive distributions in accordance with their respective partnership agreements. To the extent that the Company's dividend per common share is less than the stated distribution per OP unit per the applicable partnership agreement, the distributions per OP unit are reduced by the percentage reduction in the Company's dividend per common share. No OP units have a liquidation preference.

The following discloses the effects of changes in the Company's ownership interests in its noncontrolling interests:

	Net Income (Loss) Attributable to Shareholders and Transfers from Noncontrolling Interests	
	Three Months ended March 31,	
	2013	2012
Net income (loss) attributable to Lexington Realty Trust shareholders	$(2,620)	$3,611
Transfers from noncontrolling interests:		
Increase in additional paid-in-capital for redemption of noncontrolling OP units	458	—
Change from net income (loss) attributable to shareholders and transfers from noncontrolling interests	$(2,162)	$3,611

(12) Related Party Transactions

There were no other related party transactions other than those previously disclosed, including in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and the audited consolidated financial statements in the Annual Report.

Table of Contents

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(13) Commitments and Contingencies

In addition to the commitments and contingencies disclosed elsewhere and previously disclosed, the Company has the following commitments and contingencies.

The Company is obligated under certain tenant leases, including leases for non-consolidated entities, to fund the expansion of the underlying leased properties. The Company, under certain circumstances, may guarantee to tenants the completion of base building improvements and the payment of tenant improvement allowances and lease commissions on behalf of its subsidiaries. As of March 31, 2013, the Company had two outstanding guarantees for (1) the completion of the base building improvements and the payment of a related tenant improvement allowance for an office property in Orlando, Florida, which the unfunded amounts were estimated to be $6,510 and (2) the payment of a tenant improvement allowance and related lease commission of $3,009 for a property in Allen, Texas.

From time to time, the Company is directly and indirectly involved in legal proceedings arising in the ordinary course of business. Management believes, based on currently available information, and after consultation with legal counsel, that although the outcomes of those normal course proceedings are uncertain, the results of such proceedings, in the aggregate, will not have a material adverse effect on the Company's business, financial condition and results of operations.

(14) Supplemental Disclosure of Statement of Cash Flow Information

In addition to disclosures discussed elsewhere, during the three months ended March 31, 2013 and 2012, the Company paid $28,567 and $28,514, respectively, for interest and $303 and $281, respectively, for income taxes.

(15) Subsequent Events

Subsequent to March 31, 2013 and in addition to disclosures elsewhere in the financial statements, the Company:

- redeemed all outstanding shares of the Company's 7.55% Series D Cumulative Redeemable Preferred Stock for $155,000;
- satisfied $176,564 of secured mortgage debt which was scheduled to mature through 2014 with a weighted-average interest rate of 6.0% and incurred aggregate yield maintenance costs of $11,775;
- borrowed $250,000 on the unsecured revolving credit facility and $64,000 on the new unsecured term loan;
- swapped the LIBOR component of the $64,000 term loan borrowing at 0.73% for a current fixed interest rate of 2.43%; and
- sold a vacant retail property and parking garage in Honolulu, Hawaii for $25,900.

Table of Contents

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

When we use the terms “the Company,” “we,” “us” and “our,” we mean Lexington Realty Trust and all entities owned by us, including non-consolidated entities, except where it is clear that the term means only the parent company. References herein to ‘‘this Quarterly Report” are to this Quarterly Report on Form 10-Q for the quarter ended March 31, 2013. The result of operations for the three months ended March 31, 2013 and 2012 are not necessarily indicative of the results that may be expected for the full year.

Forward-Looking Statements. The following is a discussion and analysis of our unaudited condensed consolidated financial condition and results of operations for the three months ended March 31, 2013 and 2012, and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read together with the accompanying unaudited condensed consolidated financial statements and notes thereto and with our consolidated financial statements and notes thereto included in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on February 25, 2013, which we refer to as our Annual Report. Historical results may not be indicative of future performance.

This Quarterly Report, together with other statements and information publicly disseminated by us, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “estimates,” “projects,” “may,” “plans,” “predicts,” “will,” “will likely result” or similar expressions. Readers should not rely o forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. In particular, among the factors that could cause actual results, performances or achievements to differ materially from current expectations, strategies or plans include, among others, those risks discussed below in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," and under the headings “Risk Factors” in this Quarterly Report and “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report and other periodic reports filed with the SEC. Except as required by law, we undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Accordingly, there is no assurance that our expectations will be realized.

Overview

General. We are a self-managed and self-administered real estate investment trust, or REIT, formed under the laws of the state of Maryland. We operate primarily in one segment, single-tenant real estate assets, and our primary business is the investment in and the acquisition, ownership, financing and management of a geographically diverse portfolio of single-tenant office, industrial and retail properties. We conduct all of our property operations through property owner subsidiaries and lending operations through lender subsidiaries. A majority of our properties are subject to net or similar leases, where the tenant bears all or substantially all of the costs, including cost increases, for real estate taxes, utilities, insurance and ordinary repairs. In addition, we acquire, originate and hold investments in loan assets related to single-tenant real estate.

As of March 31, 2013, we had equity ownership interests in approximately 220 consolidated real estate properties, located in 41 states and encompassing 41.2 million square feet, 97.4% of which was leased. The properties in which we have an equity interest are leased to tenants in various industries, including finance/insurance, technology, service, automotive and energy.

Our revenues and cash flows are generated predominantly from property rent receipts. As a result, growth in revenues and cash flows is directly correlated to our ability to (1) acquire income producing real estate investments and (2) re-lease properties that are vacant, or may become vacant, at favorable rental rates.

Business Strategy. We continue to implement strategies which we believe will provide shareholders with dividend growth and capital appreciation. We believe that having a strong balance sheet supports these objectives. Since 2008, we believe we have strengthened our balance sheet primarily by (1) repurchasing and retiring our debt and senior securities or by extending their maturity date, (2) financing our properties with non-recourse mortgage debt or corporate credit facilities and term loans at what we believe are favorable rates and using the proceeds to retire higher rate or shorter term debt, (3) issuing equity when market conditions are favorable and (4) selling non-core and underperforming assets. We have used proceeds from non-core and underperforming asset sales and issuances of common shares primarily to repurchase or retire our debt and acquire core assets.

Our core assets consist of general purpose, single-tenant net-leased office and industrial assets, in well-located and growing markets or which are critical to the tenant's business, but may also include other asset types subject to long-term net leases, such as retail facilities, schools and medical facilities. We believe education and health care are growing sectors of the U.S. economy and we have seen demand for build-to-suit transactions involving charter schools, private schools and medical facilities. A component of our business strategy includes exploring these other asset types when they are subject to long-term leases that will extend the weighted-average lease term of our portfolio. We intend to mitigate residual value risk associated with such assets by acquiring such assets primarily through joint ventures or disposing of such assets when there is sufficient remaining lease term to generate favorable sale prices.

When opportunities arise, we intend to make investments in single-tenant assets, which we believe will generate favorable returns. We seek to grow our portfolio primarily by (1) engaging in, or providing funds to developers who are engaged in, build-to-suit projects for single-tenant corporate users, (2) providing capital to corporations by buying properties and leasing them back to the sellers under net or similar leases, (3) acquiring properties already subject to net or similar leases and (4) making mortgage and mezzanine loans generally secured by single-tenant properties subject to net or similar leases.

Portfolio diversification is central to our investment strategy as we seek to create and maintain an asset base that provides steady, predictable and growing cash flows while being insulated against rising property operating expenses, regional recessions, industry-specific downturns and fluctuations in property values and market rent levels. Regardless of capital market and economic conditions, we intend to stay focused on (1) enhancing operating results, (2) improving portfolio quality, (3) mitigating risks relating to interest rates and the real estate cycle and (4) implementing strategies where our management's skills and real estate expertise can add value. We believe that our business strategy will continue to improve our liquidity and strengthen our overall balance sheet while creating meaningful shareholder value.

Leasing Activity. Re-leasing properties that are currently vacant or as leases expire at favorable effective rates is one of our primary asset management focuses. We stay in close contact with our tenants during the lease term in order to assess their current and future occupancy needs and we maintain relationships with local brokers to determine the depth of the rental market. In addition, we monitor the credit of tenants of properties to stay abreast of any material changes in quality. We monitor tenant credit quality by (1) subscribing to Standard & Poor’s Rating Services, or S&P, and Moody’s Investor Services, Inc., or Moody’s, so that we can monitor changes in the ratings of our rated tenants, (2) reviewing financial statements that are publicly available or that are required to be delivered to us under the applicable lease, (3) monitoring news reports regarding our tenants and their respective businesses and (4) monitoring the timeliness of rent collections.

During the first quarter of 2013, we entered into 10 new leases and lease extensions encompassing 0.4 million square feet. The average U.S. generally accepted accounting principles, or GAAP, base rent on these extended leases was $5.43 per square foot compared to the average GAAP base rent on these leases before extension of $6.24 per square foot. The weighted-average cost of tenant improvements and lease commissions was $35.28 per square foot for new leases and $2.31 per square foot for extended leases.

First Quarter 2013 Transaction Summary

The following summarizes our significant transactions during the three months ended March 31, 2013.

Investments.

- Closed on the acquisition of an industrial facility in Houston, Texas for a capitalized cost of $81.4 million. The facility consists of a deep-water intermodal industrial terminal with 2,055 feet of deep-water berths and existing structures encompassing 132,000 square feet on approximately 90 acres on the Houston Ship Channel.The property is net leased for a 25-year term.
- Completed, through a majority owned joint venture, the 143,000 square foot build-to-suit industrial facility in Long Island City, New York for capitalized hard costs of $41.9 million. In addition, the partners were credited with additional capital ($5.0 million for us and $8.6 million for the developer/partner) for an aggregate project cost of $55.5 million. The property is net leased for a 15-year term.

Table of Contents

- Entered into a $20.8 million build-to-suit lease commitment to construct a 124,000 square foot property in Bingen, Washington, which is subject to a net lease that will have a 10 to 20-year term at the tenant's option. The commitment may be terminated by the tenant prior to commencement of construction.
- Committed to purchase upon its completion a 128,000 square foot office property in Omaha, Nebraska for $39.1 million, which is subject to a net lease that will have a 20-year term upon completion.

We can give no assurances that any acquisitions under contract or build-to-suit transactions will be consummated.

Dispositions.

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