

CAMDEN PROPERTY TRUST
Form 10-Q
July 31, 2015

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 June 30, 2015

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: 1-12110

CAMDEN PROPERTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

Texas 76-6088377
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

11 Greenway Plaza, Suite 2400 77046
Houston, Texas (Zip Code)
(Address of principal executive offices)
(713) 354-2500
(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 (§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 definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

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Non-accelerated filer

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

On July 24, 2015, 86,853,305 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CAMDEN PROPERTY TRUST

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)	June 30, 2015	December 31, 2014
Assets		
Real estate assets, at cost		
Land	\$ 1,034,649	\$ 1,003,422
Buildings and improvements	6,134,510	5,890,498
	\$ 7,169,159	\$ 6,893,920
Accumulated depreciation	(1,860,923)	(1,738,862)
Net operating real estate assets	\$ 5,308,236	\$ 5,155,058
Properties under development, including land	488,565	527,596
Investments in joint ventures	35,731	36,429
Properties held for sale	—	27,143
Total real estate assets	\$ 5,832,532	\$ 5,746,226
Accounts receivable – affiliates	25,855	25,977
Other assets, net	120,082	124,888
Cash and cash equivalents	16,508	153,918
Restricted cash	5,791	5,898
Total assets	\$ 6,000,768	\$ 6,056,907
Liabilities and equity		
Liabilities		
Notes payable		
Unsecured	\$ 1,770,491	\$ 1,837,911
Secured	904,196	905,628
Accounts payable and accrued expenses	128,532	157,232
Accrued real estate taxes	43,905	39,149
Distributions payable	64,253	60,386
Other liabilities	100,515	100,058
Total liabilities	\$ 3,011,892	\$ 3,100,364
Commitments and contingencies (Note 10)		
Non-qualified deferred compensation share awards	69,791	68,134
Equity		
Common shares of beneficial interest; \$0.01 par value per share; 175,000 shares authorized; 100,641 and 100,620 issued; 97,568 and 97,604 outstanding at June 30, 2015 and December 31, 2014, respectively	976	976
Additional paid-in capital	3,657,537	3,667,448
Distributions in excess of net income attributable to common shareholders	(426,614)	(453,777)
Treasury shares, at cost (10,714 and 10,975 common shares at June 30, 2015 and December 31, 2014, respectively)	(387,172)	(396,626)
Accumulated other comprehensive loss	(2,345)	(2,419)
Total common equity	\$ 2,842,382	\$ 2,815,602
Non-controlling interests	76,703	72,807
Total equity	\$ 2,919,085	\$ 2,888,409
Total liabilities and equity	\$ 6,000,768	\$ 6,056,907

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Property revenues				
Rental revenues	\$190,089	\$180,438	\$376,946	\$359,402
Other property revenues	30,562	28,054	59,139	55,019
Total property revenues	\$220,651	\$208,492	\$436,085	\$414,421
Property expenses				
Property operating and maintenance	\$53,472	\$52,264	\$106,470	\$103,011
Real estate taxes	25,317	23,616	50,730	47,193
Total property expenses	\$78,789	\$75,880	\$157,200	\$150,204
Non-property income				
Fee and asset management	\$1,618	\$2,147	\$3,181	\$5,170
Interest and other income	141	44	201	332
Income (loss) on deferred compensation plans	(297	) 2,018	1,567	2,699
Total non-property income	\$1,462	\$4,209	\$4,949	\$8,201
Other expenses				
Property management	\$6,082	\$5,853	\$12,044	\$11,692
Fee and asset management	1,121	1,247	2,197	2,506
General and administrative	11,582	10,534	21,330	20,079
Interest	24,411	22,746	49,023	45,879
Depreciation and amortization	63,728	57,953	125,258	115,349
Amortization of deferred financing costs	620	816	1,418	1,657
Expense (benefit) on deferred compensation plans	(297	) 2,018	1,567	2,699
Total other expenses	\$107,247	\$101,167	\$212,837	\$199,861
Gain on sale of operating properties, including land	—	1,447	85,192	1,801
Impairment associated with land holdings	—	(1,152	) —	(1,152
Equity in income of joint ventures	1,531	736	2,913	5,026
Income from continuing operations before income taxes	\$37,608	\$36,685	\$159,102	\$78,232
Income tax expense	(407	) (401	) (836	) (875
Net income	\$37,201	\$36,284	\$158,266	\$77,357
Less income allocated to non-controlling interests from continuing operations	(1,122	) (1,012	) (6,588	) (2,049
Net income attributable to common shareholders	\$36,079	\$35,272	\$151,678	\$75,308
See Notes to Condensed Consolidated Financial Statements.				

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CAMDEN PROPERTY TRUST
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 AND COMPREHENSIVE INCOME (Continued)
 (Unaudited)

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Earnings per share – basic	\$0.40	\$0.40	\$1.69	\$0.85
Earnings per share – diluted	\$0.40	\$0.40	\$1.68	\$0.85
Distributions declared per common share	\$0.70	\$0.66	\$1.40	\$1.32
Weighted average number of common shares outstanding – basic	89,153	87,845	89,071	87,748
Weighted average number of common shares outstanding – diluted	90,252	88,972	90,496	88,899
Condensed Consolidated Statements of Comprehensive Income:				
Net income	\$37,201	\$36,284	\$158,266	\$77,357
Other comprehensive income				
Reclassification of net loss on cash flow hedging activities, prior service cost and net loss on post retirement obligation	37	14	74	29
Comprehensive income	\$37,238	\$36,298	\$158,340	\$77,386
Less income allocated to non-controlling interests from continuing operations	(1,122)	(1,012)	(6,588)	(2,049)
Comprehensive income attributable to common shareholders	\$36,116	\$35,286	\$151,752	\$75,337
See Notes to Condensed Consolidated Financial Statements.				

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CAMDEN PROPERTY TRUST
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
 (Unaudited)

(in thousands)	Common Shareholders				Accumulated other comprehensive loss	Non-controlling interests	Total equity
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost			
Equity, December 31, 2014	\$976	\$3,667,448	\$ (453,777)	\$(396,626)	\$ (2,419)	\$ 72,807	\$2,888,409
Net income			151,678			6,588	158,266
Other comprehensive income					74		74
Net share awards		2,169		9,205			11,374
Employee share purchase plan		279		249			528
Common share options exercised		176					176
Change in classification of deferred compensation plan		(4,678)					(4,678)
Change in redemption value of non-qualified share awards			1				1
Diversification of share awards within deferred compensation plan		1,668	1,352				3,020
Conversions of operating partnership units		16				(16)	—
Cash distributions declared to equity holders			(125,868)			(2,656)	(128,524)
Purchase of non-controlling interests		(9,480)				(20)	(9,500)
Other		(61)					(61)
Equity, June 30, 2015	\$976	\$3,657,537	\$ (426,614)	\$(387,172)	\$ (2,345)	\$ 76,703	\$2,919,085

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Continued)
 (Unaudited)

(in thousands)	Common Shareholders		Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive loss	Non-controlling interests	Total equity
	Common shares of beneficial interest	Additional paid-in capital					
Equity, December 31, 2013	\$967	\$3,596,069	\$ (494,167)	\$(410,227)	\$ (1,106)	\$ 68,645	\$2,760,181
Net income			75,308			2,049	77,357
Other comprehensive income					29		29
Net share awards		(1,255)		11,135			9,880
Employee share purchase plan		555		331			886
Common share options exercised	1	359		287			647
Change in classification of deferred compensation plan		(2,156)					(2,156)
Change in redemption value of non-qualified share awards			(14,819)				(14,819)
Diversification of share awards within deferred compensation plan		1,770	658				2,428
Cash distributions declared to equity holders			(117,030)			(2,506)	(119,536)
Other	(1)	(27)					(28)
Equity, June 30, 2014	\$967	\$3,595,315	\$ (550,050)	\$(398,474)	\$ (1,077)	\$ 68,188	\$2,714,869

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Six Months Ended	
	June 30, 2015	2014
Cash flows from operating activities		
Net income	\$ 158,266	\$ 77,357
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	125,258	115,349
Gain on sale of operating properties, including land	(85,192)	(1,801)
Impairment associated with land holdings	—	1,152
Distributions of income from joint ventures	3,092	5,161
Equity in income of joint ventures	(2,913)	(5,026)
Share-based compensation	8,432	7,867
Amortization of deferred financing costs	1,418	1,657
Net change in operating accounts and other	(13,739)	(7,718)
Net cash from operating activities	\$ 194,622	\$ 193,998
Cash flows from investing activities		
Development and capital improvements	\$(237,921)	\$(267,985)
Proceeds from sales of operating properties, including land	112,180	13,706
Distributions from investments in joint ventures	519	5,853
Other	(3,967)	(1,786)
Net cash from investing activities	\$(129,189)	\$(250,212)
Cash flows from financing activities		
Repayment of notes payable	\$(251,432)	\$(11,016)
Borrowings on unsecured line of credit and other short-term borrowings	186,000	1,060,000
Repayments on unsecured line of credit and other short-term borrowings	(4,000)	(880,000)
Distributions to common shareholders and non-controlling interests	(124,623)	(116,515)
Purchase of non-controlling interests	(9,500)	—
Other	712	2,020
Net cash from financing activities	\$(202,843)	\$ 54,489
Net decrease in cash and cash equivalents	(137,410)	(1,725)
Cash and cash equivalents, beginning of period	153,918	17,794
Cash and cash equivalents, end of period	\$ 16,508	\$ 16,069
Supplemental information		
Cash paid for interest, net of interest capitalized	\$ 49,715	\$ 40,697
Cash paid for income taxes	1,548	1,411
Supplemental schedule of noncash investing and financing activities		
Distributions declared but not paid	\$ 64,253	\$ 59,770
Value of shares issued under benefit plans, net of cancellations	18,552	19,633
Net change in redemption of non-qualified share awards	(1,353)	14,161
Accrual associated with construction and capital expenditures	21,510	25,172
See Notes to Condensed Consolidated Financial Statements.		

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CAMDEN PROPERTY TRUST

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business

Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust (“REIT”), is primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. Our multifamily apartment communities are referred to as “communities,” “multifamily communities,” “properties,” or “multifamily properties” in the following discussion. As of June 30, 2015, we owned interests in, operated, or were developing 181 multifamily properties comprised of 62,909 apartment homes across the United States. Of the 181 properties, 12 properties were under construction, and when completed will consist of a total of 4,229 apartment homes. We also own land holdings which we may develop into multifamily apartment communities in the future.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Principles of Consolidation. Our condensed consolidated financial statements include our accounts and the accounts of other subsidiaries and joint ventures (including partnerships and limited liability companies) over which we have control. All intercompany transactions, balances, and profits have been eliminated in consolidation. Investments acquired or created are evaluated based on the accounting guidance relating to variable interest entities (“VIEs”), which requires the consolidation of VIEs in which we are considered to be the primary beneficiary. If the investment is determined not to be a VIE, then the investment is evaluated for consolidation (primarily using a voting interest model) under the remaining consolidation guidance relating to real estate entities. If we are the general partner of a limited partnership, or manager of a limited liability company, we also consider the consolidation guidance relating to the rights of limited partners (non-managing members) to assess whether any rights held by the limited partners indicate we do not have a controlling financial interest. We did not have any interests in VIEs at June 30, 2015 or December 31, 2014.

Interim Financial Reporting. We have prepared these unaudited financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, these statements do not include all information and footnote disclosures required for annual statements. While we believe the disclosures presented are adequate for interim reporting, these interim unaudited financial statements should be read in conjunction with the audited financial statements and notes included in our 2014 Annual Report on Form 10-K. Certain insignificant amounts in the unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2014 have been reclassified to conform to the current year presentation. These reclassifications had no impact on our condensed consolidated cash flows from operating, investing or financing activities. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments, necessary for a fair representation of our financial statements for the interim period reported have been included. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results which may be expected for the full year.

Acquisitions of Real Estate. Upon acquisition of real estate, we determine the fair value of tangible and intangible assets, which includes land, buildings (as-if-vacant), furniture and fixtures, the value of in-place leases, including above and below market leases, and acquired liabilities. In estimating these values, we apply methods similar to those used by independent appraisers of income-producing property. Upon the acquisition of a controlling interest of an investment in an unconsolidated joint venture, such joint venture is consolidated and our initial equity investment is remeasured to fair value at the date the controlling interest is acquired; any difference between the carrying value of the previously held equity investment and the fair value is recognized in earnings at the time of obtaining control. Transaction costs associated with the acquisition of operating real estate assets are expensed. Estimates of fair value of

acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities. Depreciation is computed on a straight-line basis over the remaining useful lives of the related tangible assets. The value of in-place leases and above or below market leases is amortized over the estimated average remaining life of leases in place at the time of acquisition. The net carrying value of below market leases is included in other liabilities in our condensed consolidated balance sheets, and the net carrying value of in-place leases is included in other assets, net in our condensed consolidated balance sheets.

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The carrying values of below market leases and in-place leases at June 30, 2015 and December 31, 2014 are as follows:

(in millions)	June 30, 2015	December 31, 2014
Below market leases (Gross carrying value)	\$0.5	\$0.5
Accumulated amortization	(0.5	) (0.4
Value of below market leases, net	\$—	\$0.1
In-place leases (Gross carrying value)	\$3.0	\$3.0
Accumulated amortization	(3.0	) (2.5
Value of in-place leases, net	\$—	\$0.5

Revenues recognized related to below market leases and amortization expense related to in-place leases for the three and six months ended June 30, 2015 and 2014 are as follows:

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Revenues related to below market leases	\$—	\$—	\$0.1	\$0.2
Amortization of in-place leases	\$0.2	\$0.2	\$0.5	\$1.2

The weighted average amortization period of below market leases and in-place leases was approximately eight months for each of the three and six months ended June 30, 2015 and seven months for each of the three and six months ended June 30, 2014.

Asset Impairment. Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment may exist if estimated future undiscounted cash flows associated with long-lived assets are not sufficient to recover the carrying value of such assets. We consider projected future discounted and undiscounted cash flows, trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. While we believe our estimates of future cash flows are reasonable, different assumptions regarding a number of factors, including market rents, economic conditions, and occupancies, could significantly affect these estimates. In estimating fair value, management uses appraisals, management estimates, and discounted cash flow calculations which utilize inputs from a marketplace participant's perspective. When impairment exists, the long-lived asset is adjusted to its fair value. In addition, we evaluate our equity investments in joint ventures and if we believe there is an other than temporary decline in market value of our investment below our carrying value, we will record an impairment charge.

The value of our properties under development depends on market conditions, including estimates of the project start date as well as estimates of demand for multifamily communities. We have reviewed market trends and other marketplace information and have incorporated this information as well as our current outlook into the assumptions we use in our impairment analyses. Due to the judgment and assumptions applied in the impairment analyses, it is possible actual results could differ substantially from those estimated.

We believe the carrying value of our operating real estate assets, properties under development, and land is currently recoverable. However, if market conditions deteriorate or if changes in our development strategy significantly affect any key assumptions used in our fair value estimates, we may need to take material charges in future periods for impairments related to existing assets. Any such material non-cash charges could have an adverse effect on our consolidated financial position and results of operations.

Cost Capitalization. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Capitalized interest is generally based on the weighted average interest rate of our unsecured debt. Expenditures directly related to

the development and improvement of real estate assets are capitalized at cost as land and buildings and improvements. Indirect development costs, including salaries and benefits and other related costs directly attributable to the development of properties, are also capitalized. We begin capitalizing development, construction, and carrying costs when the development of the future real estate asset is probable and activities necessary to prepare the underlying real estate for its intended use have been initiated. All construction and carrying costs are capitalized and reported in the balance sheet as properties under development until the apartment homes

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are substantially completed. Upon substantial completion of the apartment homes, the total capitalized development cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively.

As discussed above, carrying charges are principally interest and real estate taxes capitalized as part of properties under development. Capitalized interest was approximately \$5.1 million and \$5.4 million for the three months ended June 30, 2015 and 2014, respectively, and was approximately \$10.4 million and \$10.3 million for the six months ended June 30, 2015 and 2014, respectively. Capitalized real estate taxes were approximately \$1.1 million and \$1.4 million for the three months ended June 30, 2015 and 2014, respectively, and were approximately \$2.1 million and \$3.0 million for the six months ended June 30, 2015 and 2014, respectively.

Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis with lives generally as follows:

	Estimated Useful Life
Buildings and improvements	5-35 years
Furniture, fixtures, equipment, and other	3-20 years
Intangible assets/liabilities (in-place leases and below market leases)	underlying lease term

Fair Value. For financial assets and liabilities recorded at fair value on a recurring or non-recurring basis, fair value is the price we would receive to sell an asset, or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date. In the absence of such data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction.

In determining fair value, observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions; preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Disclosures. The valuation methodology we use to measure our deferred compensation plan investments is based on quoted market prices utilizing public information for the same transactions. Our deferred compensation plan investments are recorded at fair value on a recurring basis and included in other assets in our condensed consolidated balance sheets.

Non-recurring Fair Value Disclosures. Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. These assets primarily include long-lived assets which are recorded at fair value if they are impaired using the fair value methodologies used to measure long-lived assets described above at "Asset Impairment." Non-recurring fair value disclosures are not provided for impairments on assets disposed during the period because they are no longer owned by us. The inputs associated with the valuation of long-lived assets are generally included in Level 3 of the fair value hierarchy, unless a quoted price for a similar long-lived asset in an active market exists, at which time they are included in Level 2 of the fair value hierarchy.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers." ASU 2014-09 provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for

transactions such as service revenue and contract modifications. In July 2015, the FASB approved the deferral of the effective date of this standard by one year, and it is now effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted but not before the original effective date. ASU 2014-09 may be applied using either a full retrospective or a modified approach upon adoption.

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We expect to adopt this standard as of January 1, 2018, and we are currently evaluating the impact this standard may have on our consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02 ("ASU 2015-02"), "Amendments to the Consolidation Analysis." ASU 2015-02 changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 modifies whether limited partnerships and similar entities are VIEs or voting interest entities and eliminates the presumption a general partner should consolidate a limited partnership. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. We expect to adopt ASU 2015-02 as of January 1, 2016 and do not expect it to have a material impact on our financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-03 ("ASU 2015-03"), "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt rather than being recorded as a deferred charge and presented as an asset. ASU 2015-03 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted, and retrospective application required. We expect to adopt ASU 2015-03 as of January 1, 2016. The presentation requirements under this ASU will require reclassifications for presentation purposes of certain line items within our financial statements, and we do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

3. Per Share Data

Basic earnings per share is computed using net income attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflect common shares issuable from the assumed conversion of common share options and share awards granted and units convertible into common shares. Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. Our unvested share-based awards are considered participating securities and are reflected in the calculation of basic and diluted earnings per share using the two-class method. The number of common share equivalent securities excluded from the diluted earnings per share calculation was approximately 1.9 million and 2.0 million for the three months ended June 30, 2015 and 2014, respectively, and was approximately 1.5 million and 2.1 million for the six months ended June 30, 2015 and 2014, respectively. These securities, which include common share options and share awards granted and units convertible into common shares, were excluded from the diluted earnings per share calculation as they are anti-dilutive.

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The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated:

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Earnings per common share calculation – basic				
Net income attributable to common shareholders	\$36,079	\$35,272	\$151,678	\$75,308
Amount allocated to participating securities	(251)	(300)	(1,302)	(653)
Net income attributable to common shareholders – basic	\$35,828	\$34,972	\$150,376	\$74,655
Earnings per common share – basic	\$0.40	\$0.40	\$1.69	\$0.85
Weighted average number of common shares outstanding – basic	89,153	87,845	89,071	87,748
Earnings per common share calculation – diluted				
Net income attributable to common shareholders – basic	\$35,828	\$34,972	\$150,376	\$74,655
Income allocated to common units	274	314	1,615	623
Net income attributable to common shareholders – diluted	\$36,102	\$35,286	\$151,991	\$75,278
Earnings per common share – diluted	\$0.40	\$0.40	\$1.68	\$0.85
Weighted average number of common shares outstanding – basic	89,153	87,845	89,071	87,748
Incremental shares issuable from assumed conversion of:				
Common share options and share awards granted	288	314	339	338
Common units	811	813	1,086	813
Weighted average number of common shares outstanding – diluted	90,252	88,972	90,496	88,899

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4. Common Shares

In November 2014, we created an at-the-market ("ATM") share offering program through which we can, but have no obligation to, sell common shares having an aggregate offering price of up to \$331.3 million (the "2014 ATM program"), in amounts and at times as we determine, into the existing trading market at current market prices as well as through negotiated transactions. Actual sales from time to time may depend on a variety of factors including, among others, market conditions, the trading price of our common shares, and determinations by management of the appropriate sources of funding for us. We intend to use the net proceeds from any future sales under the 2014 ATM program for general corporate purposes, which may include reducing future borrowings under our \$500 million unsecured line of credit or other short-term borrowings, the repayment of other indebtedness, the redemption or other repurchase of outstanding debt or equity securities, funding for development, redevelopment and investment projects and financing for acquisitions.

There were no shares sold during the three and six months ended June 30, 2015 under this ATM program. As of the date of this filing, we had common shares having an aggregate offering price of up to \$315.3 million remaining available for sale under the 2014 ATM program. No shares were sold subsequent to June 30, 2015 through the date of this filing.

We currently have an automatic shelf registration statement which allows us to offer, from time to time, common shares, preferred shares, debt securities, or warrants. Our Amended and Restated Declaration of Trust provides we may issue up to 185 million shares of beneficial interest, consisting of 175 million common shares and 10 million preferred shares. At June 30, 2015, we had approximately 86.9 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

5. Acquisitions, Dispositions, and Impairment

Acquisitions of Land. In May 2015, we acquired approximately 49.6 acres of land located in Phoenix, Arizona for approximately \$36.3 million and in June 2015, we acquired approximately 2.7 acres of land located in Los Angeles, California for approximately \$9.5 million. In January 2014, we acquired approximately 2.9 acres of land located in Houston, Texas for approximately \$15.6 million and in April 2014, we acquired approximately 7.6 acres of land in Rockville, Maryland for approximately \$23.8 million.

Acquisition of Non-controlling Ownership Interest. In March 2015, we purchased the remaining 0.01% non-controlling interest in two fully consolidated joint ventures, which own an aggregate of 798 apartment homes located in College Park, Maryland and Irvine, California, for approximately \$9.5 million. The acquisitions of the remaining ownership interests were recorded as equity transactions and, as a result, the carrying balances of the non-controlling interest were eliminated and the remaining difference between the purchase price and carrying balance was recorded as a reduction in additional paid-in capital. See Note 13, "Non-controlling Interests," for the effect of changes in ownership interests of these former joint ventures on the equity attributable to common shareholders.

Land Holding Dispositions. In March 2015, we sold a land holding adjacent to an operating property in Dallas, Texas for approximately \$0.4 million and recognized a gain of approximately \$0.1 million. In March 2014, we sold approximately 3.0 acres of land adjacent to a development community in Atlanta, Georgia for approximately \$6.3 million and recognized a gain of approximately \$0.4 million. In April 2014, we sold approximately 4.7 acres of land adjacent to an operating property in Dallas, Texas for approximately \$8.3 million and recognized a gain of approximately \$1.4 million.

Sale of Operating Properties. In January 2015, we sold two operating properties, which were included in properties held for sale at December 31, 2014, comprised of 1,116 apartment homes located in Tampa, Florida and Austin, Texas for approximately \$114.4 million and we recognized a gain of approximately \$85.1 million relating to these property sales.

Impairment of Land. During the three months ended June 30, 2014, we recognized a \$1.2 million impairment charge to the carrying value of a land parcel located in Dallas, Texas. The impairment charge recognized represented the difference between the land holding's carrying value and the estimated fair value based upon the sales contract on this land parcel, which subsequently sold in July 2014. There were no impairment charges recorded for the three and six months ended June 30, 2015.

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6. Investments in Joint Ventures

As of June 30, 2015, our equity investments in unconsolidated joint ventures, which we account for utilizing the equity method of accounting, consisted of three joint ventures (collectively "the funds"), with our ownership percentages of 20% or 31.3%. Two of the joint ventures are discretionary investment funds in which we had a 31.3% ownership interest at each of June 30, 2015 and December 31, 2014, and a 20% ownership interest at June 30, 2014. In March 2015, we completed the formation of a third discretionary investment fund with an unaffiliated third party for additional multifamily investments of up to \$450.0 million. Our ownership interest in this third unconsolidated joint venture is 20% and as of June 30, 2015, this fund did not own any properties.

We provide property and asset management and other services to the joint ventures which own operating properties and we may also provide construction and development services to the joint ventures which own properties under development. The following table summarizes the combined balance sheet and statement of income data for the unconsolidated joint ventures as of and for the periods presented:

(in millions)	June 30, 2015		December 31, 2014	
Total assets	\$754.2		\$757.8	
Total third-party debt	528.6		523.6	
Total equity	201.6		203.3	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(in millions)	2015	2014	2015	2014
Total revenues (1)	\$28.3	\$25.9	\$55.8	\$51.0
Gain on sale of operating properties, net of tax	—	—	—	18.5
Net income	2.9	1.6	5.6	21.7
Equity in income (2)	1.5	0.7	2.9	5.0

(1) Excludes approximately \$1.1 million for the six months ended June 30, 2014, related to the sale of two operating properties by the funds during the first quarter of 2014.

(2) Equity in income excludes our ownership interest of fee income from various services provided by us to the funds.

The funds which own properties have been funded in part with secured third-party debt. As of June 30, 2015, we had no outstanding guarantees related to loans of the funds.

We may earn fees for property and asset management, construction, development, and other services related to joint ventures in which we own an equity interest and may earn a promoted equity interest if certain thresholds are met. Fees earned for these services were approximately \$1.5 million and \$2.0 million for the three months ended June 30, 2015 and 2014, respectively, and were approximately \$3.0 million and \$4.7 million for the six months ended June 30, 2015 and 2014, respectively. We eliminate fee income for services provided to these joint ventures to the extent of our ownership.

In February 2014, two of the funds each sold an operating property, comprised of an aggregate of 558 apartment homes, for an aggregate of approximately \$65.6 million. Our proportionate share of the gains on these transactions was approximately \$3.6 million and was reported as a component of equity in income of joint ventures in the condensed consolidated statements of income and comprehensive income.

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7. Notes Payable

The following is a summary of our indebtedness:

(in millions)	June 30, 2015	December 31, 2014
Commercial banks		
Unsecured line of credit	\$ 175.0	\$—
Unsecured short-term borrowings	7.0	—
	\$ 182.0	\$—
Senior unsecured notes		
5.08% Notes, due 2015	\$—	\$ 249.9
5.75% Notes, due 2017	246.6	246.5
4.70% Notes, due 2021	249.0	249.0
3.07% Notes, due 2022	347.1	347.0
5.00% Notes, due 2023	248.0	247.8
4.27% Notes, due 2024	249.6	249.6
3.59% Notes, due 2024	248.2	248.1
	\$ 1,588.5	\$ 1,837.9
Total unsecured notes payable	1,770.5	1,837.9
Secured notes		
0.94% – 5.63% Conventional Mortgage Notes, due 2018 – 2045	870.3	870.9
Tax-exempt Mortgage Note, due 2028 (1.31% floating rate)	33.9	34.7
	904.2	905.6
Total notes payable	\$ 2,674.7	\$ 2,743.5
Other floating rate debt included in secured notes (0.94%)	\$ 175.0	\$ 175.0

We have a \$500 million unsecured credit facility which matures in September 2015 with an option to extend at our election to September 2016. We are currently in the process of amending and restating our existing unsecured credit facility, which will extend the maturity by four years, although there can be no assurance such amendment and restatement will be obtained prior to maturity of the existing credit facility. Additionally, we have the option to increase this credit facility to \$750 million by either adding additional banks to the credit facility or obtaining the agreement of the existing banks in the credit facility to increase their commitments. The interest rate is based upon the London Interbank Offered Rate ("LIBOR") plus a margin which is subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of 180 days or less and may not exceed the lesser of \$250 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations. We believe we are in compliance with all such financial covenants and limitations on the date of this filing.

Our line of credit provides us with the ability to issue up to \$100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line of credit, it does reduce the amount available. At June 30, 2015, we had approximately \$175.0 million outstanding on our \$500 million unsecured line of credit and we had outstanding letters of credit totaling approximately \$10.1 million, leaving approximately \$314.9 million available under our unsecured line of credit.

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In May 2015, we entered into a \$40 million unsecured short-term borrowing facility which matures in May 2016. The interest rate is based upon LIBOR plus 1.05%. At June 30, 2015, we had approximately \$7.0 million outstanding on our unsecured short-term borrowing facility.

In June 2015, we used cash and borrowings from our \$500 million line of credit to repay the principal amount of our 5.08% senior unsecured notes payable, which matured on June 15, 2015, for a total of \$250.0 million, plus accrued interest.

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At June 30, 2015 and 2014, we had outstanding floating rate debt of approximately \$390.9 million and \$390.5 million, respectively, which included our unsecured line of credit and short-term borrowings, and the weighted average interest rate on such debt was approximately 1.0% and 0.9% for the six months ended June 30, 2015 and 2014, respectively.

Our indebtedness, which includes our unsecured line of credit and unsecured short-term borrowings, had a weighted average maturity of 6.1 years at June 30, 2015. Set forth below is a summary of the maturity dates of our outstanding debt and principal amortizations, and the weighted average interest rates on such debt, at June 30, 2015:

(in millions)	Amount	Weighted Average Interest Rate	
2015 (1)	\$ 176.0	0.9	%
2016 (2)	9.0	1.2	
2017	249.0	5.8	
2018	177.4	0.9	
2019	646.5	5.3	
Thereafter	1,416.8	4.0	
Total	\$2,674.7	4.1	%

(1) Includes \$175.0 million balance outstanding under our unsecured line of credit.

(2) Includes \$7.0 million of unsecured short-term borrowings.

8. Share-based Compensation and Non-Qualified Deferred Compensation Plan

Incentive Compensation. During the second quarter of 2011, our Board of Trust Managers adopted, and our shareholders approved, the 2011 Share Incentive Plan of Camden Property Trust (as amended, the “2011 Share Plan”). Under the 2011 Share Plan, we may issue up to a total of approximately 9.1 million fungible units (the “Fungible Pool Limit”), which is comprised of approximately 5.8 million new fungible units plus approximately 3.3 million fungible units previously available for issuance under our 2002 share incentive plan based on a 3.45 to 1.0 fungible unit to full value award conversion ratio. Fungible units represent the baseline for the number of shares available for issuance under the 2011 Share Plan. Different types of awards are counted differently against the Fungible Pool Limit, as follows:

Each share issued or to be issued in connection with an award, other than an option, right or other award which does not deliver the full value at grant of the underlying shares, will be counted against the Fungible Pool Limit as 3.45 fungible pool units;

Options and other awards which do not deliver the full value at grant of the underlying shares and which expire more than five years from date of grant will be counted against the Fungible Pool Limit as one fungible pool unit; and

Options, rights and other awards which do not deliver the full value at grant and expire five years or less from the date of grant will be counted against the Fungible Pool Limit as 0.83 of a fungible pool unit.

At June 30, 2015, approximately 4.6 million fungible units were available under the 2011 Share Plan, which results in approximately 1.3 million common shares which may be granted pursuant to full value awards based on the 3.45 to 1.0 fungible unit to full value award conversion ratio.

Awards which may be granted under the 2011 Share Plan include incentive share options, non-qualified share options (which may be granted separately or in connection with an option), share awards, dividends and dividend equivalents and other equity based awards. Persons eligible to receive awards under the 2011 Share Plan are trust managers, directors of our affiliates, executive and other officers, key employees and consultants, as determined by the Compensation Committee of our Board of Trust Managers. The 2011 Share Plan will expire on May 11, 2021.

Options. New options are exercisable, subject to the terms and conditions of the plan, in increments ranging from 20% to 33.33% per year on each of the anniversaries of the date of grant. The plan provides that the exercise price of an option will be determined by the Compensation Committee of the Board of Trust Managers on the day of grant, and to date all options have been granted at an exercise price that equals the fair market value on the date of grant. Approximately 0.1 million and 0.4 million options were exercised during the six months ended June 30, 2015 and 2014, respectively. The total intrinsic value of options exercised was approximately \$2.0 million and \$6.7 million during the six months ended June 30, 2015 and 2014, respectively. At June 30, 2015, there was no unrecognized compensation cost related to unvested options. At June 30, 2015, all options outstanding were exercisable and had a weighted average remaining life of approximately 3.6 years.

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The following table summarizes outstanding share options, all of which were exercisable, at June 30, 2015:

Range of Exercise Prices	Options Outstanding and Exercisable (1)	
	Number	Weighted Average Price
\$30.06	105,015	\$30.06
\$41.16 - \$43.94	119,242	42.46
\$48.02 - \$75.17	70,948	60.92
Total options	295,205	\$42.49

The aggregate intrinsic value of options outstanding and exercisable at June 30, 2015 was \$9.4 million. The (1) aggregate intrinsic value was calculated as the excess, if any, between our closing share price of \$74.28 per share on June 30, 2015 and the strike price of the underlying award.

Options Granted and Valuation Assumptions. During the six months ended June 30, 2015, we granted approximately 26.8 thousand reload options. Reload options are granted for the number of shares tendered as payment for the exercise price upon the exercise of an option with a reload provision. The reload options granted have an exercise price equal to the fair market value of a common share on the date of grant and expire on the same date as the original options which were exercised. The reload options granted during the six months ended June 30, 2015 vested immediately and approximately \$0.2 million was expensed on the reload date. We estimate the fair values of each option award including reloads on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for the reload options granted during the six months ended June 30, 2015:

	Six Months Ended June 30, 2015
Weighted average fair value of options granted	\$5.52 - \$7.38
Expected volatility	16.5% - 18.8%
Risk-free interest rate	1.0% - 1.3%
Expected dividend yield	3.5% - 3.7%
Expected life	3 years - 4 years

Our computation of expected volatility for 2015 is based on the historical volatility of our common shares over a time period equal to the expected life of the option and ending on the grant date. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield on our common shares is based on the historical dividend yield over the expected term of the options granted. Our computation of expected life is based upon historical experience of similar awards, giving consideration to the contractual terms of the share-based awards.

Share Awards and Vesting. Share awards for employees generally have a vesting period of three to five years. The compensation cost for share awards is generally based on the market value of the shares on the date of grant and is amortized over the vesting period. In the event the holder of the share awards will reach both the retirement eligibility age of 65 years and the service requirements as defined in the 2011 Share Plan before the term in which the awards are scheduled to vest, the value of the share awards is amortized from the date of grant to the individual's retirement eligibility date. To estimate forfeitures, we use actual forfeiture history. At June 30, 2015, the unamortized value of previously issued unvested share awards was approximately \$42.9 million, which is expected to be amortized over the next four years. The total fair value of shares vested during the six months ended June 30, 2015 and 2014 was approximately \$18.1 million and \$16.0 million, respectively.

Total compensation cost for option and share awards charged against income was approximately \$4.8 million and \$4.2 million for the three months ended June 30, 2015 and 2014, respectively, and approximately \$8.9 million and \$8.0 million for the six months ended June 30, 2015 and 2014, respectively. Total capitalized compensation cost for option and share awards was approximately \$0.9 million and \$0.6 million for the three months ended June 30, 2015 and 2014, respectively, and approximately \$1.7 million and \$1.3 million for the six months ended June 30, 2015 and 2014, respectively.

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The following table summarizes activity under our share incentive plans for the six months ended June 30, 2015:

	Options Outstanding	Weighted Average Exercise / Grant Price	Nonvested Share Awards Outstanding	Weighted Average Exercise / Grant Price
Options and nonvested share awards outstanding at December 31, 2014	321,811	\$38.97	818,943	\$63.39
Granted	26,752	75.17	254,974	74.51
Exercised/Vested	(53,358)	) 37.69	(299,806)	) 60.42
Forfeited	—	—	(6,549)	) 67.37
Total options and nonvested share awards outstanding at June 30, 2015	295,205	\$42.49	767,562	\$68.21

Non-Qualified Deferred Compensation Plan. In February 2014, we adopted the Second Amended and Restated Camden Property Trust Non-Qualified Deferred Compensation Plan to clarify certain terms in the existing plan relating to the deferral of performance based compensation. As a result of such action, the fully vested awards and the proportionate share of nonvested awards eligible for diversification were reclassified from additional paid in capital to temporary equity in our condensed consolidated balance sheets. The share awards are adjusted to their redemption value at each reporting period, with the redemption value based on the market value of the shares at the end of the reporting period. Changes in value from period to period are charged to distributions in excess of net income attributable to common shareholders in our condensed consolidated statements of equity.

The following table summarizes the eligible share award activity as recorded in temporary equity for the six months ended June 30, 2015:

(in thousands)	Six Months Ended June 30, 2015
Temporary equity:	
Balance at December 31, 2014	\$68,134
Change in classification	4,678
Change in redemption value	(1)
Diversification of share awards	(3,020)
Balance at June 30, 2015	\$69,791

9. Net Change in Operating Accounts

The effect of changes in the operating and other accounts on cash flows from operating activities is as follows:

(in thousands)	Six Months Ended June 30,	
	2015	2014
Change in assets:		
Other assets, net	\$2,793	\$(2,994)
Change in liabilities:		
Accounts payable and accrued expenses	(18,902)	) (3,810)
Accrued real estate taxes	4,779	4,616
Other liabilities	(2,989)) (6,019)
Other	580	489
Change in operating accounts and other	\$(13,739)) \$(7,718)

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10. Commitments and Contingencies

Construction Contracts. As of June 30, 2015, we estimate the additional cost to complete the 11 consolidated projects currently under construction to be approximately \$418.7 million. We expect to fund this amount through a combination of cash flows generated from operations, draws on our unsecured credit facility, proceeds from property dispositions, the use of debt and equity offerings under our automatic shelf registration statement, equity issued from our ATM program, other unsecured borrowings, and secured mortgages.

Other Commitments and Contingencies. In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for acquisitions, dispositions, or joint ventures and also enter into arrangements contemplating various transactions. Such letters of intent and other arrangements are non-binding as to either party unless and until a definitive contract is entered into by the parties. Even if definitive contracts relating to the purchase or sale of real property are entered into, these contracts generally provide the purchaser with time to evaluate the property and conduct due diligence, during which periods the purchaser will have the ability to terminate the contracts without penalty or forfeiture of any deposit or earnest money. There can be no assurance definitive contracts will be entered into with respect to any matter covered by letters of intent or we will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. An acquisition or sale of real property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. We are then at risk under a real property acquisition contract, but generally only to the extent of any earnest money deposits associated with the contract, and are obligated to sell under a real property sales contract. At June 30, 2015, we had earnest money deposits of approximately \$0.9 million for potential acquisitions of land which are included in other assets, net in our condensed consolidated balance sheets. Approximately \$0.7 million of these deposits was non-refundable at June 30, 2015.

Lease Commitments. At June 30, 2015, we had long-term leases covering certain land, office facilities, and equipment. Rental expense totaled approximately \$0.8 million for each of the three months ended June 30, 2015 and 2014, and approximately \$1.6 million and \$1.4 million for the six months ended June 30, 2015 and 2014, respectively. Minimum annual rental commitments for the remainder of 2015 are \$1.0 million, and for the years ending December 31, 2016 through 2019 are approximately \$2.8 million, \$2.9 million, \$2.7 million, and \$2.5 million, respectively, and approximately \$13.6 million in the aggregate thereafter.

Investments in Joint Ventures. We have entered into, and may continue in the future to enter into, joint ventures or partnerships, including limited liability companies, through which we own an indirect economic interest in less than 100% of the community or land owned directly by the joint venture or partnership. Our decision whether to hold the entire interest in an apartment community or land ourselves, or to have an indirect interest in the community or land through a joint venture or partnership, is based on a variety of factors and considerations, including: (i) our projection, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture or partnership vehicle is used; (ii) our desire to diversify our portfolio of investments by market; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) the economic and tax terms required by a seller of land or of a community, who may prefer or who may require less payment if the land or community is contributed to a joint venture or partnership. Investments in joint ventures or partnerships are not limited to a specified percentage of our assets. Each joint venture or partnership agreement is individually negotiated, and our ability to operate and/or dispose of land or of a community in our sole discretion may be limited to varying degrees in our existing joint venture agreements and may be limited to varying degrees depending on the terms of future joint venture agreements.

11. Income Taxes

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90%

of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. As a REIT, we generally will not be subject to federal income tax on our taxable income at the corporate level to the extent such income is distributed to our shareholders annually. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at regular corporate rates, including any applicable alternative minimum tax. In addition, we may not be able to requalify as a REIT for the four subsequent taxable years. Historically, we have incurred only state and local income, franchise, and excise taxes. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state, and local income taxes. Our operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level.

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We have recorded income, franchise, and excise taxes in the condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2015 and 2014 as income tax expense. Income taxes for the three and six months ended June 30, 2015 primarily related to state income tax and federal taxes on certain of our taxable REIT subsidiaries. We have no significant temporary or permanent differences or tax credits associated with our taxable REIT subsidiaries.

We believe we have no uncertain tax positions or unrecognized tax benefits requiring disclosure as of and for the six months ended June 30, 2015.

12. Fair Value Measurements

Recurring Fair Value Measurements. The following table presents information about our financial instruments measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 using the inputs and fair value hierarchy discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements."

Financial Instruments Measured at Fair Value on a Recurring Basis

(in millions)	June 30, 2015				Total	December 31, 2014				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Assets										