

BOSTON PROPERTIES INC
Form 10-Q
August 08, 2011
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2011

.. **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: 1-13087

BOSTON PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Edgar Filing: BOSTON PROPERTIES INC - Form 10-Q

Delaware
(State or other jurisdiction of incorporation or organization)
Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103

04-2473675
(I.R.S. Employer Identification No.)

(Address of principal executive offices) (Zip Code)

(617) 236-3300

(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 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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

Common Stock, par value \$.01 per share
(Class)

146,904,626
(Outstanding on August 1, 2011)

Table of Contents

BOSTON PROPERTIES, INC.

FORM 10-Q

for the quarter ended June 30, 2011

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. <u>Financial Statements (unaudited)</u>	1
a) <u>Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010</u>	1
b) <u>Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010</u>	2
b) <u>Consolidated Statements of Stockholders' Equity for the six months ended June 30, 2011 and 2010</u>	3
c) <u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2011 and 2010</u>	4
d) <u>Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010</u>	5
e) <u>Notes to the Consolidated Financial Statements</u>	7
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	71
ITEM 4. <u>Controls and Procedures</u>	72
PART II. OTHER INFORMATION	
ITEM 1. <u>Legal Proceedings</u>	73
ITEM 1A. <u>Risk Factors</u>	73
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	73
ITEM 3. <u>Defaults Upon Senior Securities</u>	73
ITEM 4. <u>(Removed and Reserved)</u>	73
ITEM 5. <u>Other Information</u>	73
ITEM 6. <u>Exhibits</u>	74
<u>SIGNATURES</u>	75

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1 Financial Statements.****BOSTON PROPERTIES, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(in thousands, except for share and par value amounts)**

	June 30, 2011	December 31, 2010
ASSETS		
Real estate, at cost	\$ 11,786,353	\$ 10,933,977
Construction in process	982,318	1,073,402
Land held for future development	284,115	757,556
Less: accumulated depreciation	(2,468,165)	(2,323,818)
Total real estate	10,584,621	10,441,117
Cash and cash equivalents	780,584	478,948
Cash held in escrows	302,439	308,031
Investments in securities	9,975	8,732
Tenant and other receivables (net of allowance for doubtful accounts of \$1,798 and \$2,081, respectively)	44,470	60,813
Related party notes receivable	276,375	270,000
Interest receivable from related party note receivable	79,884	69,005
Accrued rental income (net of allowance of \$2,252 and \$3,116, respectively)	491,878	442,683
Deferred charges, net	449,014	436,019
Prepaid expenses and other assets	92,470	65,663
Investments in unconsolidated joint ventures	772,502	767,252
Total assets	\$ 13,884,212	\$ 13,348,263
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	\$ 3,181,469	\$ 3,047,586
Unsecured senior notes (net of discount of \$8,163 and \$8,402, respectively)	3,016,837	3,016,598
Unsecured exchangeable senior notes (net of discount of \$5,892 and \$8,249, respectively)	1,743,337	1,721,817
Unsecured line of credit		
Accounts payable and accrued expenses	173,257	186,059
Dividends and distributions payable	83,369	81,031
Accrued interest payable	62,046	62,327
Other liabilities	231,702	213,000
Total liabilities	8,492,017	8,328,418
Commitments and contingencies		
Noncontrolling interest:		
Redeemable preferred units of the Operating Partnership	55,652	55,652
Equity:		
Stockholders' equity attributable to Boston Properties, Inc.:		
Excess stock, \$.01 par value, 150,000,000 shares authorized, none issued or outstanding		
Preferred stock, \$.01 par value, 50,000,000 shares authorized, none issued or outstanding	1,464	1,402

Edgar Filing: BOSTON PROPERTIES INC - Form 10-Q

Common stock, \$.01 par value, 250,000,000 shares authorized, 146,465,921 and 140,278,005 issued and 146,387,021 and 140,199,105 outstanding at June 30, 2011 and December 31, 2010, respectively

Additional paid-in capital	4,846,003	4,417,162
Dividends in excess of earnings	(69,537)	(24,763)
Treasury common stock at cost, 78,900 shares at June 30, 2011 and December 31, 2010	(2,722)	(2,722)
Accumulated other comprehensive loss	(17,294)	(18,436)
Total stockholders' equity attributable to Boston Properties, Inc.	4,757,914	4,372,643
Noncontrolling interests:		
Common units of the Operating Partnership	579,211	592,164
Property partnerships	(582)	(614)
Total equity	5,336,543	4,964,193
 Total liabilities and equity	 \$ 13,884,212	 \$ 13,348,263

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

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
(in thousands, except for per share amounts)				
Revenue				
Rental				
Base rent	\$ 348,474	\$ 305,823	\$ 688,009	\$ 608,206
Recoveries from tenants	48,874	44,340	94,770	89,884
Parking and other	21,101	16,423	40,169	31,720
Total rental revenue	418,449	366,586	822,948	729,810
Hotel revenue	8,904	8,371	14,852	14,274
Development and management services	9,098	18,884	16,526	27,828
Total revenue	436,451	393,841	854,326	771,912
Expenses				
Operating				
Rental	144,875	123,284	284,846	248,269
Hotel	6,281	6,089	12,020	11,357
General and administrative	20,069	17,648	44,712	44,470
Acquisition costs	13		85	
Gain from suspension of development				(7,200)
Depreciation and amortization	111,080	81,400	220,508	164,475
Total expenses	282,318	228,421	562,171	461,371
Operating income	154,133	165,420	292,155	310,541
Other income (expense)				
Income from unconsolidated joint ventures	8,882	7,465	16,858	15,375
Interest and other income	1,953	2,117	2,927	3,827
Gains (losses) from investments in securities	6	(678)	379	(478)
Interest expense	(95,236)	(96,755)	(194,387)	(188,784)
Losses from early extinguishments of debt		(6,051)		(8,221)
Income from continuing operations	69,738	71,518	117,932	132,260
Gain on sale of real estate		969		2,734
Net income	69,738	72,487	117,932	134,994
Net income attributable to noncontrolling interests				
Noncontrolling interests in property partnerships	(503)	(864)	(1,032)	(1,668)
Noncontrolling interest redeemable preferred units of the Operating Partnership	(842)	(836)	(1,665)	(1,728)
Noncontrolling interest common units of the Operating Partnership	(8,179)	(9,250)	(14,286)	(17,114)
Noncontrolling interest in gain on sale of real estate common units of the Operating Partnership		(125)		(352)
Net income attributable to Boston Properties, Inc.	\$ 60,214	\$ 61,412	\$ 100,949	\$ 114,132

Edgar Filing: BOSTON PROPERTIES INC - Form 10-Q

Basic earnings per common share attributable to Boston Properties, Inc.:								
Net income	\$	0.41	\$	0.44	\$	0.70	\$	0.82
Weighted average number of common shares outstanding					145,864	139,113	143,990	139,022
Diluted earnings per common share attributable to Boston Properties, Inc.:								
Net income	\$	0.41	\$	0.44	\$	0.70	\$	0.82
Weighted average number of common and common equivalent shares outstanding					146,695	139,826	144,610	139,712

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

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Unaudited and in thousands)

	Common Stock		Additional Paid-in Capital	Earnings (Dividends) in Excess of Dividends (Earnings)	Treasury Stock, at cost	Accumulated Other Comprehensive Noncontrolling		Total
	Shares	Amount				Loss	Interests	
Equity, December 31, 2010	140,199	\$ 1,402	\$ 4,417,162	\$ (24,763)	\$ (2,722)	\$ (18,436)	\$ 591,550	\$ 4,964,193
Conversion of operating partnership units to Common Stock	1,650	17	47,534				(47,551)	
Reallocation of noncontrolling interest			(26,630)				26,630	
Allocated net income for the year				100,949			15,318	116,267
Dividends/distributions declared				(145,723)			(19,780)	(165,503)
Sale of common stock, net of offering costs	4,229	42	394,675					394,717
Shares issued pursuant to stock purchase plan	4		312					312
Net activity from stock option and incentive plan	305	3	12,950				13,307	26,260
Distributions to noncontrolling interests in property partnerships							(1,000)	(1,000)
Amortization of interest rate contracts						1,142	155	1,297
Equity, June 30, 2011	146,387	\$ 1,464	\$ 4,846,003	\$ (69,537)	\$ (2,722)	\$ (17,294)	\$ 578,629	\$ 5,336,543
Equity, December 31, 2009	138,880	\$ 1,389	\$ 4,373,679	\$ 95,433	\$ (2,722)	\$ (21,777)	\$ 623,057	\$ 5,069,059
Conversion of operating partnership units to Common Stock	136	1	3,980				(3,981)	
Reallocation of noncontrolling interest			9,132				(9,132)	
Allocated net income for the year				114,132			19,134	133,266
Dividends/distributions declared				(139,139)			(21,507)	(160,646)
Shares issued pursuant to stock purchase plan	5		326					326
Net activity from stock option and incentive plan	252	3	7,318				18,752	26,073
Distributions to noncontrolling interests in property partnerships							(1,000)	(1,000)
Amortization of interest rate contracts						1,622	240	1,862
Equity, June 30, 2010	139,273	\$ 1,393	\$ 4,394,435	\$ 70,426	\$ (2,722)	\$ (20,155)	\$ 625,563	\$ 5,068,940

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

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income	\$ 69,738	\$ 72,487	\$ 117,932	\$ 134,994
Other comprehensive income:				
Effective portion of interest rate contracts		421		421
Amortization of interest rate contracts	648	715	1,297	1,441
	648	1,136	1,297	1,862
Comprehensive income	70,386	73,623	119,229	136,856
Net income attributable to noncontrolling interests	(9,524)	(11,075)	(16,983)	(20,862)
Other comprehensive income attributable to noncontrolling interests	(75)	(146)	(155)	(240)
Comprehensive income attributable to Boston Properties, Inc.	\$ 60,787	\$ 62,402	\$ 102,091	\$ 115,754

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

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	For the six months ended June 30,	
	2011	2010
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 117,932	\$ 134,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	220,508	164,475
Non-cash compensation expense	17,765	20,345
Income from unconsolidated joint ventures	(16,858)	(15,375)
Distributions of net cash flow from operations of unconsolidated joint ventures	17,442	4,674
Losses (gains) from investments in securities	(379)	478
Non-cash portion of interest expense	27,014	28,594
Settlement of accreted debt discount on repurchases of unsecured exchangeable senior notes		(13,230)
Losses from early extinguishments of debt		8,221
Gain from suspension of development		(7,200)
Gain on sale of real estate		(2,734)
Change in assets and liabilities:		
Cash held in escrows	(4,408)	(3,515)
Tenant and other receivables, net	16,346	10,548
Accrued rental income, net	(49,195)	(37,933)
Prepaid expenses and other assets	(6,505)	(4,701)
Accounts payable and accrued expenses	169	