

DUKE REALTY CORP
Form 10-Q
August 05, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2011

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: 1-9044

DUKE REALTY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Indiana
(State or Other Jurisdiction
of Incorporation or Organization)

35-1740409
(I.R.S. Employer
Identification Number)

600 East 96th Street, Suite 100

Indianapolis, Indiana
(Address of Principal Executive Offices)

46240
(Zip Code)

Registrant's Telephone Number, Including Area Code: (317) 808-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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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

Smaller reporting company

(Do not check if a 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:

Class	Outstanding at August 2, 2011
Common Stock, \$.01 par value per share	252,787,074 shares

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	June 30, 2011 (Unaudited)	December 31, 2010
<u>ASSETS</u>		
Real estate investments:		
Land and improvements	\$ 1,276,820	\$ 1,166,409
Buildings and tenant improvements	5,525,808	5,396,339
Construction in progress	70,424	61,205
Investments in and advances to unconsolidated companies	365,323	367,445
Undeveloped land	617,470	625,353
	7,855,845	7,616,751
Accumulated depreciation	(1,381,919)	(1,290,417)
Net real estate investments	6,473,926	6,326,334
Real estate investments and other assets held-for-sale		394,287
Cash and cash equivalents	117,645	18,384
Accounts receivable, net of allowance of \$3,802 and \$2,945	24,741	22,588
Straight-line rent receivable, net of allowance of \$7,924 and \$7,260	136,171	125,185
Receivables on construction contracts, including retentions	48,263	7,408
Deferred financing costs, net of accumulated amortization of \$52,844 and \$46,407	42,223	46,320
Deferred leasing and other costs, net of accumulated amortization of \$313,986 and \$269,000	497,174	517,934
Escrow deposits and other assets	186,942	185,836
	\$ 7,527,085	\$ 7,644,276
<u>LIABILITIES AND EQUITY</u>		
Indebtedness:		
Secured debt	\$ 1,187,044	\$ 1,065,628
Unsecured notes	2,906,154	2,948,405
Unsecured lines of credit	18,329	193,046
	4,111,527	4,207,079
Liabilities related to real estate investments held-for-sale		14,732
Construction payables and amounts due subcontractors, including retentions	67,757	44,782
Accrued real estate taxes	102,695	83,615
Accrued interest	62,046	62,407
Other accrued expenses	38,561	61,448
Other liabilities	136,336	129,860
Tenant security deposits and prepaid rents	53,391	50,450
Total liabilities	4,572,313	4,654,373

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Shareholders' equity:		
Preferred shares (\$.01 par value); 5,000 shares authorized; 3,610 and 3,618 shares issued and outstanding	902,540	904,540
Common shares (\$.01 par value); 400,000 shares authorized; 252,663 and 252,195 shares issued and outstanding	2,527	2,522
Additional paid-in capital	3,582,973	3,573,720
Accumulated other comprehensive income (loss)	56	(1,432)
Distributions in excess of net income	(1,602,634)	(1,533,740)
Total shareholders' equity	2,885,462	2,945,610
Noncontrolling interests	69,310	44,293
Total equity	2,954,772	2,989,903
	\$ 7,527,085	\$ 7,644,276

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the three and six months ended June 30,

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	2011	2010	2011	2010
Revenues:				
Rental and related revenue	\$ 227,708	\$ 205,588	\$ 467,744	\$ 417,084
General contractor and service fee revenue	135,362	168,398	281,909	282,039
	363,070	373,986	749,653	699,123
Expenses:				
Rental expenses	47,153	45,446	103,939	96,575
Real estate taxes	33,647	27,489	68,591	55,915
General contractor and other services expenses	122,969	160,617	258,633	267,779
Depreciation and amortization	100,058	78,956	194,743	159,481
	303,827	312,508	625,906	579,750
Other operating activities:				
Equity in earnings of unconsolidated companies	1,713	2,016	2,786	6,945
Gain on sale of properties	493	4,973	68,348	7,042
Undeveloped land carrying costs	(2,453)	(2,542)	(4,762)	(4,793)
Impairment charges		(7,974)		(7,974)
Other operating expenses	(26)	(145)	(111)	(422)
General and administrative expense	(8,541)	(9,151)	(19,738)	(22,695)
	(8,814)	(12,823)	46,523	(21,897)
Operating income	50,429	48,655	170,270	97,476
Other income (expenses):				
Interest and other income, net	284	204	371	355
Interest expense	(66,846)	(58,044)	(132,950)	(114,300)
Loss on debt transactions		(15,773)		(16,127)
Acquisition costs	(594)		(1,183)	
Income (loss) from continuing operations	(16,727)	(24,958)	36,508	(32,596)
Discontinued operations:				
Income before gain on sales	157	1,240	107	1,748
Gain on sale of depreciable properties	2,712	3,078	14,316	12,856
Income from discontinued operations	2,869	4,318	14,423	14,604
Net income (loss)	(13,858)	(20,640)	50,931	(17,992)
Dividends on preferred shares	(15,974)	(18,363)	(31,948)	(36,726)
Adjustments for repurchase of preferred shares		(4,492)	(163)	(4,492)
Net (income) loss attributable to noncontrolling interests	790	1,104	(293)	1,555

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Net income (loss) attributable to common shareholders	\$ (29,042)	\$ (42,391)	\$ 18,527	\$
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