

Physicians Realty Trust  
Form 10-Q  
May 06, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

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: 001-36007

PHYSICIANS REALTY TRUST  
(Exact Name of Registrant as Specified in its Charter)

Maryland 46-2519850  
(State of Organization) (IRS Employer Identification No.)

309 N. Water Street,  
Suite 500 53202  
Milwaukee, Wisconsin (Zip Code)  
(Address of Principal Executive Offices)

(414) 367-5600  
(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

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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 Website, 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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of the Registrant's common shares outstanding as of April 29, 2016 was 134,323,712.

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PHYSICIANS REALTY TRUST

Quarterly Report on Form 10-Q  
for the Quarter Ended March 31, 2016

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “pro forma,” “estimates” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. These forward-looking statements are not guarantees of future performance and involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- general economic conditions;
- adverse economic or real estate developments, either nationally or in the markets where our properties are located;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- fluctuations in interest rates and increased operating costs;
- the availability, terms and deployment of debt and equity capital, including our unsecured revolving credit facility;
- our ability to make distributions on our common shares;
- general volatility of the market price of our common shares;
- our increased vulnerability economically due to the concentration of our investments in healthcare properties;
- our geographic concentrations in Texas, Georgia, and Arizona cause us to be particularly exposed to downturns in these local economies or other changes in local real estate market conditions;
- changes in our business or strategy;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;

- changes in governmental regulations, tax rates and similar matters;
- defaults on or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying healthcare properties to acquire and completing acquisitions, including our ability to consummate the CHI Acquisition (as defined herein);
- competition for investment opportunities;

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our failure to successfully develop, integrate and operate acquired properties and operations, including our ability to integrate the properties to be acquired upon closing of the CHI Acquisition (as defined herein);

the impact of our investment in joint ventures;

the financial condition and liquidity of, or disputes with, any joint venture and development partners with whom we may make co-investments in the future;

cybersecurity incidents could disrupt our business and result in the compromise of confidential information;

our ability to operate as a public company;

changes in accounting principles generally accepted in the United States (GAAP);

- lack of or insufficient amounts of insurance;

other factors affecting the real estate industry generally;

our failure to maintain our qualification as a real estate investment trust (or REIT) for U.S. federal income tax purposes;

limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes;

changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs; and

factors that may materially adversely affect us, or the per share trading price of our common shares, including:

higher market interest rates;

the number of our common shares available for future issuance or sale;

our issuance of equity securities or the perception that such issuance might occur;

future debt;

failure of securities analysts to publish research or reports about us or our industry; and

securities analysts' downgrade of our common shares or the healthcare-related real estate sector.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this report, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements. For a further discussion of these and other factors that could impact our future results, performance or transactions, see Part II, Item 1A. (Risk Factors) of this report and Part I, Item 1A. (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the "Annual Report").

In this report, the terms "we," "us," "our," "our company," the "Trust," the "Company," and "Physicians Realty" refer to Physicians Realty Trust, a Maryland real estate investment trust, together with its consolidated subsidiaries, including Physicians Realty L.P., a Delaware limited partnership, which we refer to in this report as our "Operating Partnership," and the

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historical business and operations of four healthcare real estate funds that we have classified for accounting purposes as our “Predecessor” and which we sometimes refer to as the “Ziegler Funds.” In this report, the term “OP Units” refers to partnership interests in the Operating Partnership and the term “Series A Preferred Units” refers to Series A Participating Redeemable Preferred Units of the Operating Partnership, which have priority over the OP Units with respect to distributions and liquidation.

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PART I. Financial Information  
Item 1. Financial Statements  
Physicians Realty Trust  
Consolidated Balance Sheets  
(In thousands, except share and per share data)

	March 31, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
Investment properties:		
Land and improvements	\$141,152	\$ 130,788
Building and improvements	1,452,885	1,284,863
Tenant improvements	10,455	9,243
Acquired lease intangibles	228,788	205,168
	1,833,280	1,630,062
Accumulated depreciation	(108,239 )	(91,250 )
Net real estate property	1,725,041	1,538,812
Real estate loans receivable	35,937	39,349
Investment in unconsolidated entity	1,327	1,322
Net real estate investments	1,762,305	1,579,483
Cash and cash equivalents	22,906	3,143
Tenant receivables, net	6,024	2,977
Other assets	59,657	53,283
Total assets	\$1,850,892	\$ 1,638,886
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Credit facility	\$115,789	\$ 389,375
Notes payable	149,551	—
Mortgage debt	114,816	94,240
Accounts payable	1,659	644
Dividends payable	25,701	20,783
Accrued expenses and other liabilities	28,948	24,473
Acquired lease intangibles, net	6,407	5,950
Total liabilities	442,871	535,465
Redeemable noncontrolling interest - Operating Partnership and partially owned properties	27,065	26,960
Equity:		
Common shares, \$0.01 par value, 500,000,000 common shares authorized, 108,379,324 and 86,864,063 common shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively.	1,087	872
Additional paid-in capital	1,451,347	1,129,284
Accumulated deficit	(129,183 )	(109,024 )
Total shareholders' equity	1,323,251	1,021,132
Noncontrolling interests:		
Operating Partnership	47,567	45,451
Partially owned properties	10,138	9,878
Total noncontrolling interests	57,705	55,329
Total equity	1,380,956	1,076,461



Total liabilities and equity	\$1,850,892	\$ 1,638,886
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