

PS BUSINESS PARKS INC/CA
Form 10-Q
October 28, 2016
Table of Contents

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 September 30, 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 1-10709

PS BUSINESS PARKS, INC.

(Exact name of registrant as specified in its charter)

California 95-4300881
(State or Other Jurisdiction (I.R.S. Employer

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 10-Q

of Incorporation)

Identification Number)

701 Western Avenue, Glendale, California 91201-2397

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (818) 244-8080

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 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

As of October 24, 2016, the number of shares of the registrant's common stock, \$0.01 par value per share, outstanding was 27,120,001.

Table of Contents

PS BUSINESS PARKS, INC.

INDEX

	Page
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	
<u>Consolidated balance sheets as of September 30, 2016 (unaudited) and December 31, 2015</u>	3
<u>Consolidated statements of income (unaudited) for the three and nine months ended September 30, 2016 and 2015</u>	4
<u>Consolidated statement of equity (unaudited) for the nine months ended September 30, 2016</u>	5
<u>Consolidated statements of cash flows (unaudited) for the nine months ended September 30, 2016 and 2015</u>	6
<u>Notes to consolidated financial statements (unaudited)</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	36
<u>Item 4. Controls and Procedures</u>	36
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	36
<u>Item 1A. Risk Factors</u>	36
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 6. Exhibits</u>	38

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PS BUSINESS PARKS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and cash equivalents	\$ 5,016	\$ 188,912
Real estate facilities, at cost:		
Land	799,207	793,569
Buildings and improvements	2,238,804	2,215,515
	3,038,011	3,009,084
Accumulated depreciation	(1,147,187)	(1,082,603)
	1,890,824	1,926,481
Land held for future development	6,081	6,081
	1,896,905	1,932,562
Investment in and advances to unconsolidated joint venture	55,536	26,736
Rent receivable, net	2,013	2,234
Deferred rent receivable, net	29,717	28,327
Other assets	10,597	7,887
Total assets	\$ 1,999,784	\$ 2,186,658
LIABILITIES AND EQUITY		
Accrued and other liabilities	\$ 83,093	\$ 76,059
Credit facility	60,000	—
Mortgage note payable	—	250,000
Total liabilities	143,093	326,059

Commitments and contingencies

Equity:

PS Business Parks, Inc.'s shareholders' equity:

Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 36,800 shares issued and outstanding at September 30, 2016 and December 31, 2015	920,000	920,000
Common stock, \$0.01 par value, 100,000,000 shares authorized, 27,120,001 and 27,034,073 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	270	269
Paid-in capital	729,957	722,009
Cumulative net income	1,467,323	1,375,421
Cumulative distributions	(1,459,633)	(1,357,203)
Total PS Business Parks, Inc.'s shareholders' equity	1,657,917	1,660,496
Noncontrolling interests:		
Common units	198,774	200,103
Total noncontrolling interests	198,774	200,103
Total equity	1,856,691	1,860,599
Total liabilities and equity	\$ 1,999,784	\$ 2,186,658

See accompanying notes.

Table of Contents

PS BUSINESS PARKS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited, in thousands, except per share data)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Rental income	\$ 97,340	\$ 93,322	\$ 289,272	\$ 278,585
Facility management fees	130	130	389	410
Total operating revenues	97,470	93,452	289,661	278,995
Expenses:				
Cost of operations	30,796	30,448	92,440	92,251
Depreciation and amortization	24,631	25,985	74,886	79,243
General and administrative	2,970	3,276	11,982	10,172
Total operating expenses	58,397	59,709	179,308	181,666
Other income and (expense):				
Interest and other income	76	154	551	406
Interest and other expense	(155)	(3,368)	(5,507)	(10,029)
Total other income and (expense)	(79)	(3,214)	(4,956)	(9,623)
Gain on sale of real estate facilities	—	15,748	—	28,235
Net income	\$ 38,994	\$ 46,277	\$ 105,397	\$ 115,941
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests—common units	\$ 5,315	\$ 6,087	\$ 13,495	\$ 14,467
Total net income allocable to noncontrolling interests	5,315	6,087	13,495	14,467
Net income allocable to PS Business Parks, Inc.:				
Preferred shareholders	13,833	17,609	41,498	47,853
Restricted stock unit holders	128	97	387	237
Common shareholders	19,718	22,484	50,017	53,384
Total net income allocable to PS Business Parks, Inc.	33,679	40,190	91,902	101,474