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Equity Commonwealth
Form 10-Q
April 30, 2019
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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, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9317

EQUITY COMMONWEALTH

(Exact Name of Registrant as Specified in Its Charter)

Maryland

04-6558834

(State or Other Jurisdiction of Incorporation or Organization) (IRS Employer Identification No.)

Two North Riverside Plaza, Suite 2100, Chicago, IL 60606

(Address of Principal Executive Offices) (Zip Code)

(312) 646-2800

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title Of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Common Shares of Beneficial Interest	EQC	New York Stock Exchange
6 1/2% Series D Cumulative Convertible Preferred Shares of Beneficial Interest	EQCpD	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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Number of registrant's common shares of beneficial interest, \$0.01 par value per share, outstanding as of April 25, 2019: 121,898,969.

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EQUITY COMMONWEALTH

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EXPLANATORY NOTE

References in this Quarterly Report on Form 10-Q to the Company, EQC, we, us or our, refer to Equity Commonwealth and its consolidated subsidiaries as of March 31, 2019, unless the context indicates otherwise.

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PART I. Financial Information

Item 1. Financial Statements.

EQUITY COMMONWEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

(unaudited)

	March 31, 2019	December 31, 2018 (audited)
ASSETS		
Real estate properties:		
Land	\$ 110,395	\$ 135,142
Buildings and improvements	704,142	1,004,500
	814,537	1,139,642
Accumulated depreciation	(245,528)	(375,968)
	569,009	763,674
Acquired real estate leases, net	183	275
Cash and cash equivalents	3,069,501	2,400,803
Marketable securities	—	249,602
Restricted cash	1,767	3,298
Rents receivable	31,151	51,089
Other assets, net	42,326	62,031
Total assets	\$3,713,937	\$3,530,772
LIABILITIES AND EQUITY		
Senior unsecured debt, net	\$248,689	\$248,473
Mortgage notes payable, net	26,288	26,482
Accounts payable, accrued expenses and other	42,280	62,368
Rent collected in advance	5,119	9,451
Total liabilities	322,376	346,774
Shareholders' equity:		
Preferred shares of beneficial interest, \$0.01 par value: 50,000,000 shares authorized; Series D preferred shares; 6 1/2% cumulative convertible; 4,915,196 shares issued and outstanding, aggregate liquidation preference of \$122,880	119,263	119,263
Common shares of beneficial interest, \$0.01 par value: 350,000,000 shares authorized; 121,899,625 and 121,572,155 shares issued and outstanding, respectively	1,219	1,216
Additional paid in capital	4,304,560	4,305,974
Cumulative net income	3,081,492	2,870,974
Cumulative other comprehensive loss	—	(342)
Cumulative common distributions	(3,420,512)	(3,420,548)
Cumulative preferred distributions	(695,733)	(693,736)
Total shareholders' equity	3,390,289	3,182,801
Noncontrolling interest	1,272	1,197
Total equity	3,391,561	3,183,998
Total liabilities and equity	\$3,713,937	\$3,530,772

See accompanying notes.

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EQUITY COMMONWEALTH
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (amounts in thousands, except per share data)
 (unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Rental revenue	\$38,890	\$55,273
Other revenue	2,862	3,315
Total revenues	41,752	58,588
Expenses:		
Operating expenses	15,780	24,599
Depreciation and amortization	8,585	13,903
General and administrative	12,096	13,339
Loss on asset impairment	—	12,087
Total expenses	36,461	63,928
Interest and other income, net	17,775	5,780
Interest expense (including net amortization of debt discounts, premiums and deferred financing fees of \$165 and \$801, respectively)	(4,206)	(10,115)
Loss on early extinguishment of debt	—	(4,867)
Gain on sale of properties, net		