

ASSOCIATED ESTATES REALTY CORP
Form 10-Q
August 01, 2011

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 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 1-12486

Associated Estates Realty Corporation
(Exact name of registrant as specified in its charter)

OHIO
*(State or other jurisdiction of
incorporation or organization)*

34-1747603
*(I.R.S. Employer
Identification Number)*

1 AEC Parkway, Richmond Hts., Ohio 44143-1467
(Address of principal executive offices)

(216) 261-5000
(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

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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 (subsection 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 the 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 shares outstanding as of July 26, 2011 was 41,534,263 shares.

ASSOCIATED ESTATES REALTY CORPORATION

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PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ASSOCIATED ESTATES REALTY CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<i>(In thousands, except share amounts)</i>	June 30, 2011	December 31, 2010
ASSETS		
Real estate assets		
Land	\$ 175,902	\$ 169,955
Buildings and improvements	1,032,082	1,003,909
Furniture and fixtures	35,104	33,690
Construction in progress	10,754	2,735
Gross real estate	1,253,842	1,210,289
Less: Accumulated depreciation	(356,151)	(335,289)
Net real estate	897,691	875,000
Cash and cash equivalents	739	4,370
Restricted cash	8,172	8,959
Accounts receivable, net		
Rents	1,279	1,238
Construction	6,683	9,119
Other	762	1,110
Goodwill	1,725	1,725
Other assets, net	13,220	16,714
Total assets	\$ 930,271	\$ 918,235
LIABILITIES AND EQUITY		
Mortgage notes payable	\$ 460,684	\$ 463,166
Unsecured revolving credit facility	3,500	92,500
Unsecured term loan	125,000	-
Total debt	589,184	555,666
Accounts payable and other liabilities	25,531	30,545
Dividends payable	7,383	7,242
Resident security deposits	3,508	3,256
Accrued interest	2,478	2,568
Total liabilities	628,084	599,277
Noncontrolling redeemable interest	1,734	1,734
Equity		
Common shares, without par value, \$.10 stated value; 91,000,000 authorized; 46,570,763 issued and 41,534,263 and 41,380,205		

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outstanding at June 30, 2011 and December 31, 2010, respectively	4,657	4,657
Paid-in capital	575,893	574,994
Accumulated distributions in excess of accumulated net income	(223,955)	(205,021)
Less: Treasury shares, at cost, 5,036,500 and 5,190,558 shares at June 30, 2011 and December 31, 2010, respectively	(57,182)	(58,446)
Total shareholders' equity attributable to AERC	299,413	316,184
Noncontrolling interest	1,040	1,040
Total equity	300,453	317,224
Total liabilities and equity	\$ 930,271	\$ 918,235

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

**ASSOCIATED ESTATES REALTY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<i>(In thousands, except per share amounts)</i>				
Revenue				
Property revenue	\$ 39,755	\$ 32,962	\$ 78,447	\$ 64,607
Management and service company revenue	-	290	-	498
Construction and other services	5,793	1,628	10,465	2,731
Total revenue	45,548	34,880	88,912	67,836
Expenses				
Property operating and maintenance	16,101	14,262	32,441	28,186
Depreciation and amortization	13,248	8,971	26,303	17,591
Direct property management and service company expense	-	277	-	409
Construction and other services	5,921	1,885	10,946	3,301
General and administrative	3,959	3,692	8,129	7,397
Costs associated with acquisitions	65	61	121	61
Total expenses	39,294	29,148	77,940	56,945
Operating income	6,254	5,732	10,972	10,891
Interest income	5	11	9	20
Interest expense	(7,820)	(8,304)	(15,610)	(16,365)
Net (loss) income	(1,561)	(2,561)	(4,629)	(5,454)
Net income attributable to noncontrolling redeemable interest	(12)	(13)	(26)	(26)
Net (loss) income attributable to AERC	(1,573)	(2,574)	(4,655)	(5,480)
Preferred share dividends	-	(980)	-	(2,030)
Preferred share redemption costs	-	(993)	-	(993)
Net (loss) income applicable to common shares	\$ (1,573)	\$ (4,547)	\$ (4,655)	\$ (8,503)
Earnings per common share - basic and diluted:				
Net (loss) income applicable to common shares				