

DUKE REALTY CORP
Form 10-Q
May 08, 2007

**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 March 31, 2007

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

(IRS 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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 May 1, 2007
Common Stock, \$.01 par value per share	136,920,414 shares

DUKE REALTY CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except per share amounts)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Real estate investments:		
Land and improvements	\$ 857,809	\$ 844,091
Buildings and tenant improvements	4,265,873	4,211,602
Construction in progress	451,707	359,765
Investments in unconsolidated companies	514,631	628,323
Land held for development	748,392	737,752
	6,838,412	6,781,533
Accumulated depreciation	(907,095)	(867,079)
Net real estate investments	5,931,317	5,914,454
Real estate investments and other assets held for sale	498,249	512,925
Cash and cash equivalents	9,492	68,483
Accounts receivable, net of allowance of \$1,128 and \$1,088	26,527	24,118
Straight-line rent receivable, net of allowance of \$1,996 and \$1,915	109,691	105,319
Receivables on construction contracts, including retentions	48,753	64,768
Deferred financing costs, net of accumulated amortization of \$22,204 and \$19,492	60,898	62,277
Deferred leasing and other costs, net of accumulated amortization of \$133,773 and \$127,155	374,052	311,553
Escrow deposits and other assets	213,506	174,698
	\$ 7,272,485	\$ 7,238,595
LIABILITIES AND SHAREHOLDERS' EQUITY		
Indebtedness:		
Secured debt	\$ 503,400	\$ 515,192
Unsecured notes	3,135,402	3,129,653
Unsecured line of credit	330,000	317,000
	3,968,802	3,961,845
Liabilities of properties held for sale	152,518	155,185
Construction payables and amounts due subcontractors, including retentions	118,735	136,508
Accrued expenses:		
Real estate taxes	63,881	59,276
Interest	38,985	52,106
Other	33,804	63,217
Other liabilities	116,111	118,901
Tenant security deposits and prepaid rents	34,163	31,121
Total liabilities	4,526,999	4,578,159
Minority interest	116,722	156,853
Shareholders' equity:		
Preferred shares (\$.01 par value); 5,000 shares authorized; 3,241 shares issued and outstanding	876,250	876,250
Common shares (\$.01 par value); 250,000 shares authorized; 136,892 and 133,921 shares issued and outstanding	1,369	1,339
Additional paid-in capital	2,319,643	2,196,388
Accumulated other comprehensive income	5,703	5,435
Distributions in excess of net income	(574,201)	(575,829)

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Total shareholders equity	2,628,764	2,503,583
	\$ 7,272,485	\$ 7,238,595

See accompanying Notes to Consolidated Financial Statements.

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DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
For the Three Months Ended March 31,
(in thousands, except per share amounts)

	2007	2006
RENTAL OPERATIONS		
Revenues:		
Rental income from continuing operations	\$ 207,447	\$ 184,077
Equity in earnings of unconsolidated companies	7,691	8,259
	215,138	192,336
Operating expenses:		
Rental expenses	50,124	43,907
Real estate taxes	25,746	21,959
Interest expense	45,704	37,013
Depreciation and amortization	67,739	57,630
	189,313	160,509
Earnings from continuing rental operations	25,825	31,827
SERVICE OPERATIONS		
Revenues:		
General contractor gross revenue	54,157	69,549
General contractor costs	(48,688)	(64,208)
Net general contractor revenue	5,469	5,341
Service fee revenue	6,397	4,418
Gain on sale of service operations properties	2,864	247
	14,730	10,006
Operating expenses	7,796	5,556
Earnings from service operations	6,934	4,450
General and administrative expense	(13,467)	(13,938)
Operating income	19,292	22,339
OTHER INCOME (EXPENSE)		
Interest and other income, net	2,418	1,980
Earnings from sale of land, net of impairment adjustment	13,997	1,890