

COLUMBIA PROPERTY TRUST, INC.

Form 10-Q

July 27, 2017

Table of Contents

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 June 30, 2017

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 001-36113

COLUMBIA PROPERTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland

20-0068852

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

One Glenlake Parkway, Suite 1200

Atlanta, GA 30328

(Address of principal executive offices)

(Zip Code)

(404) 465-2200

(Registrant's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)

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 definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth 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 ☐

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. ☐

Edgar Filing: COLUMBIA PROPERTY TRUST, INC. - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Number of shares outstanding of the registrant's

only class of common stock, as of July 24, 2017: 121,235,494 shares

Table of Contents

FORM 10-Q
COLUMBIA PROPERTY TRUST, INC.
TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	Page No.
Item 1. <u>Condensed Consolidated Financial Statements</u>	<u>Page 4</u>
<u>Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016 (unaudited)</u>	<u>Page 5</u>
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>Page 6</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>Page 7</u>
<u>Consolidated Statements of Equity for the Six Months Ended June 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>Page 8</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>Page 9</u>
<u>Condensed Notes to Consolidated Financial Statements (unaudited)</u>	<u>Page 10</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>Page 35</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>Page 46</u>
Item 4. <u>Controls and Procedures</u>	<u>Page 47</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>Page 48</u>
Item 1A. <u>Risk Factors</u>	<u>Page 48</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>Page 48</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>Page 48</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>Page 48</u>
Item 5. <u>Other Information</u>	<u>Page 48</u>
Item 6. <u>Exhibits</u>	<u>Page 48</u>

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of Columbia Property Trust, Inc. ("Columbia Property Trust," "the Company," "we," "our," or "us") other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the U.S. Securities and Exchange Commission ("SEC"). We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Any such forward-looking statements are subject to risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual conditions, our ability to accurately anticipate results expressed in such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. See Item 1A in Columbia Property Trust's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. The risk factors described in our Annual Report are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in the accompanying consolidated balance sheets and related consolidated statements of operations, comprehensive income, equity, and cash flows, reflects all normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements. The accompanying consolidated financial statements should be read in conjunction with the condensed notes to Columbia Property Trust's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q, and with audited consolidated financial statements and the related notes for the year ended December 31, 2016. Columbia Property Trust's results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results expected for the full year.

Table of ContentsCOLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per-share amounts)

	(Unaudited)	
	June 30, 2017	December 31, 2016
Assets:		
Real estate assets, at cost:		
Land	\$751,351	\$751,351
Buildings and improvements, less accumulated depreciation of \$471,029 and \$435,457, as of June 30, 2017 and December 31, 2016, respectively	2,117,880	2,121,150
Intangible lease assets, less accumulated amortization of \$99,910 and \$112,777, as of June 30, 2017 and December 31, 2016, respectively	182,428	193,311
Construction in progress	49,069	36,188
Real estate assets held for sale, less accumulated depreciation and amortization of \$180,791, as of December 31, 2016	—	412,506
Total real estate assets	3,100,728	3,514,506
Investment in unconsolidated joint venture	125,584	127,346
Cash and cash equivalents	506,538	216,085
Tenant receivables, net of allowance for doubtful accounts of \$31 as of December 31, 2016	4,002	7,163
Straight-line rent receivable	77,875	64,811
Prepaid expenses and other assets	39,815	24,275
Intangible lease origination costs, less accumulated amortization of \$68,771 and \$74,578, as of June 30, 2017 and December 31, 2016, respectively	48,586	54,279
Deferred lease costs, less accumulated amortization of \$25,838 and \$22,753, as of June 30, 2017 and December 31, 2016, respectively	129,849	125,799
Investment in development authority bonds	120,000	120,000
Other assets held for sale, less accumulated amortization of \$34,152, as of December 31, 2016	—	45,529
Total assets	\$4,152,977	\$4,299,793
Liabilities:		
Line of credit and notes payable, net of unamortized deferred financing costs of \$2,614 and \$3,136, as of June 30, 2017 and December 31, 2016, respectively	\$646,160	\$721,466
Bonds payable, net of discounts of \$1,574 and \$1,664 and unamortized deferred financing costs of \$5,062 and \$5,364, as of June 30, 2017 and December 31, 2016, respectively	693,364	692,972
Accounts payable, accrued expenses, and accrued capital expenditures	140,151	131,028
Dividends payable	—	36,727
Deferred income	19,392	19,694
Intangible lease liabilities, less accumulated amortization of \$39,939 and \$44,564, as of June 30, 2017 and December 31, 2016, respectively	29,067	33,375
Obligations under capital lease	120,000	120,000
Liabilities held for sale, less accumulated amortization of \$1,239, as of December 31, 2016	—	41,763
Total liabilities	1,648,134	1,797,025
Commitments and Contingencies (Note 7)	—	—
Equity:		
	1,211	1,221

Edgar Filing: COLUMBIA PROPERTY TRUST, INC. - Form 10-Q

Common stock, \$0.01 par value, 225,000,000 shares authorized, 121,235,494 and 122,184,193 shares issued and outstanding, as of June 30, 2017 and December 31, 2016, respectively

Additional paid-in capital	4,513,922	4,538,912
Cumulative distributions in excess of earnings	(2,009,405)	(2,036,482)
Cumulative other comprehensive loss	(885)	(883)
Total equity	2,504,843	2,502,768
Total liabilities and equity	\$4,152,977	\$4,299,793
See accompanying notes.		

Page 5

Table of Contents

COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per-share amounts)

	(Unaudited) Three Months Ended June 30, 2017		(Unaudited) Six Months Ended June 30, 2016	
Revenues:				
Rental income	\$67,121	\$93,567	\$138,294	\$193,153
Tenant reimbursements	6,972	18,708	15,556	38,461
Hotel income	—	6,551	1,339	11,214
Other property income	764	9,104	1,824	11,681
	74,857	127,930	157,013	254,509
Expenses:				
Property operating costs	21,831	40,242	45,936	81,578
Hotel operating costs	9	5,038	2,085	9,369
Asset and property management fees	260	341	529	671
Depreciation	20,423	28,450	42,028	57,739
Amortization	8,191	14,932	17,648	31,007
General and administrative	9,201	7,761	17,969	18,251
	59,915	96,764	126,195	198,615
Real estate operating income	14,942	31,166	30,818	55,894
Other income (expense):				
Interest expense	(14,462)	(17,380)	(29,577)	(35,277)
Interest and other income	2,477	1,808	4,827	3,613
Loss on early extinguishment of debt	—	(92)	(45)	(92)
	(11,985)	(15,664)	(24,795)	(31,756)
Income before income taxes, unconsolidated joint ventures, and sales of real estate:	2,957	15,502	6,023	24,138
Income tax benefit (expense)	(7)	(245)	381	(322)
Loss from unconsolidated joint venture	(1,817)	(1,952)	(3,702)	(3,504)
Income before sales of real estate:	1,133	13,305	2,702	20,312
Gain (loss) on sales of real estate assets	—	(19)	73,153	(329)
Net income	\$1,133	\$13,286	\$75,855	\$19,983
Per-share information – basic:				
Net income	\$0.01	\$0.11	\$0.62	\$0.16
Weighted-average common shares outstanding – basic	121,534	123,206	121,768	123,299
Per-share information – diluted:				
Net income	\$0.01	\$0.11	\$0.62	\$0.16
Weighted-average common shares outstanding – diluted	121,909	123,294	122,115	123,357
Dividends per share	\$0.20	\$0.30	\$0.40	\$0.60

See accompanying notes.

Table of Contents

COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$1,133	\$13,286	\$75,855	\$19,983
Market value adjustments to interest rate swap	(636)	(2,022)	(2)	(6,879)
Comprehensive income	\$497	\$11,264	\$75,853	\$13,104

See accompanying notes.

Table of Contents

COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)
(in thousands, except per-share amounts)

	Common Stock		Additional	Cumulative	Cumulative	Total
	Shares	Amount	Paid-In Capital	Distributions in Excess of Earnings	Other Comprehensive Loss	Equity
Balance, December 31, 2016	122,184	\$ 1,221	\$ 4,538,912	\$ (2,036,482)	\$ (883)	\$ 2,502,768
Repurchases of common stock	(1,252)	(13)	(27,488)	—	—	(27,501)
Common stock issued to employees and directors, and amortized (net of income tax withholdings)	303	3	2,498	—	—	2,501
Distributions to common stockholders (\$0.40 per share)	—	—	—	(48,778)	—	(48,778)
Net income	—	—	—	75,855	—	75,855
Market value adjustment to interest rate swap	—	—	—	—	—	—