HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
April 27, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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: 001-35568 (Healthcare Trust of America, Inc.)
Commission File Number: 333-190916 (Healthcare Trust of America Holdings, LP)

HEALTHCARE TRUST OF AMERICA, INC.
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
(Exact name of registrant as specified in its charter)

Maryland (Healthcare Trust of America, Inc.)	20-4738467
Delaware (Healthcare Trust of America Holdings, LP)	20-4738347
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

16435 N. Scottsdale Road, Suite 320
Scottsdale, Arizona 85254
(Address of principal executive offices)
(480) 998-3478
(Registrant’s telephone number, including area code)
N/A
(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 Sections 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.

Healthcare Trust of America, Inc.	x Yes ¨ No
Healthcare Trust of America Holdings, LP	x 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).

Healthcare Trust of America, Inc.	x Yes ¨ No
Healthcare Trust of America Holdings, LP	x 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.

Healthcare Trust of America, Inc.	Large-accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨

Healthcare Trust of America Holdings, LP	Large-accelerated filer ¨	Accelerated filer ¨	(Do not check if a smaller reporting company) Non-accelerated filer x (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).

Healthcare Trust of America, Inc.	¨ Yes x No
Healthcare Trust of America Holdings, LP	¨ Yes x No

As of April 25, 2016, there were 136,625,278 shares of Class A common stock of Healthcare Trust of America, Inc. outstanding.

Explanatory Note

This Quarterly Report combines the Quarterly Reports on Form 10-Q ("Quarterly Report") for the quarter ended March 31, 2016 of Healthcare Trust of America, Inc. ("HTA"), a Maryland corporation, and Healthcare Trust of America Holdings, LP ("HTALP"), a Delaware limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this Quarterly Report to "we," "us," "our," "the Company" or "our Company" refer to HTA and HTALP, collectively, and all references to "common stock" shall refer to the Class A common stock of HTA.

HTA operates as a real estate investment trust ("REIT") and is the general partner of HTALP. As of March 31, 2016, HTA owned a 98.6% partnership interest in HTALP, and other limited partners, including some of HTA's directors, executive officers and their affiliates, owned the remaining partnership interest (including the long-term incentive plan ("LTIP") units) in HTALP. As the sole general partner of HTALP, HTA has the full, exclusive and complete responsibility for HTALP's day-to-day management and control, including its compliance with the Securities and Exchange Commission ("SEC") filing requirements.

We believe it is important to understand the few differences between HTA and HTALP in the context of how we operate as an integrated consolidated company. HTA operates in an umbrella partnership REIT structure in which HTALP and its subsidiaries hold substantially all of the assets. HTA's only material asset is its ownership of partnership interests of HTALP. As a result, HTA does not conduct business itself, other than acting as the sole general partner of HTALP, issuing public equity from time to time and guaranteeing certain debts of HTALP. HTALP conducts the operations of the business and issues publicly-traded debt, but has no publicly-traded equity. Except for net proceeds from public equity issuances by HTA, which are generally contributed to HTALP in exchange for partnership units of HTALP, HTALP generates the capital required for the business through its operations and by direct or indirect incurrence of indebtedness or through the issuance of its partnership units.

Noncontrolling interests, stockholders' equity and partners' capital are the primary areas of difference between the condensed consolidated financial statements of HTA and HTALP. Limited partnership units in HTALP are accounted for as partners' capital in HTALP's condensed consolidated balance sheets and as noncontrolling interest reflected within equity in HTA's condensed consolidated balance sheets. The differences between HTA's stockholders' equity and HTALP's partners' capital are due to the differences in the equity issued by HTA and HTALP, respectively.

The Company believes combining the Quarterly Reports of HTA and HTALP, including the notes to the condensed consolidated financial statements, into this single Quarterly Report results in the following benefits:

- enhances stockholders' understanding of HTA and HTALP by enabling stockholders to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Quarterly Report applies to both HTA and HTALP; and
- creates time and cost efficiencies through the preparation of a single combined Quarterly Report instead of two separate Quarterly Reports.

In order to highlight the material differences between HTA and HTALP, this Quarterly Report includes sections that separately present and discuss areas that are materially different between HTA and HTALP, including:

- the condensed consolidated financial statements;
- certain accompanying notes to the condensed consolidated financial statements, including Note 6 - Debt, Note 8 - Stockholders' Equity and Partners' Capital, Note 10 - Per Share Data of HTA and Note 11 - Per Unit Data of HTALP;
- the Funds From Operations ("FFO") and Normalized FFO in Part 1, Item 2 of this Quarterly Report;
- the controls and procedures in Part 1, Item 4 of this Quarterly Report; and
- the certifications of the Chief Executive Officer and the Chief Financial Officer included as Exhibits 31 and 32 to this Quarterly Report.

In the sections of this Quarterly Report that combine disclosure for HTA and HTALP, this Quarterly Report refers to actions or holdings as being actions or holdings of the Company. Although HTALP (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues or incurs debt, management believes this presentation is appropriate for the reasons set forth above and because the business of the Company is a single integrated enterprise operated through HTALP.

HEALTHCARE TRUST OF AMERICA, INC. AND
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Real estate investments:		
Land	$321,021	$303,706
Building and improvements	3,038,674	2,901,157
Lease intangibles	446,511	430,749
	3,806,206	3,635,612
Accumulated depreciation and amortization	(712,381)	(676,144)
Real estate investments, net	3,093,825	2,959,468
Cash and cash equivalents	13,827	13,070
Restricted cash and escrow deposits	16,687	15,892
Receivables and other assets, net	143,012	141,703
Other intangibles, net	43,168	42,167
Total assets	$3,310,519	$3,172,300
LIABILITIES AND EQUITY		
Liabilities:		
Debt	$1,667,320	$1,590,696
Accounts payable and accrued liabilities	85,453	94,933
Derivative financial instruments - interest rate swaps	4,735	2,370
Security deposits, prepaid rent and other liabilities	47,993	46,295
Intangible liabilities, net	31,538	26,611
Total liabilities	1,837,039	1,760,905
Commitments and contingencies		
Redeemable noncontrolling interests	4,429	4,437
Equity:		
Preferred stock, $0.01 par value; 200,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, $0.01 par value; 1,000,000,000 shares authorized; 130,662,036 and 127,026,839 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	1,307	1,270
Additional paid-in capital	2,422,138	2,328,806
Cumulative dividends in excess of earnings	(979,332)	(950,652)
Total stockholders' equity	1,444,113	1,379,424
Noncontrolling interests	24,938	27,534
Total equity	1,469,051	1,406,958
Total liabilities and equity	$3,310,519	$3,172,300

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

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Rental income	$107,250	$98,452
Interest and other operating income	65	68
Total revenues	107,315	98,520
Expenses:		
Rental	33,353	30,697
General and administrative	6,773	6,575
Acquisition-related	1,813	1,357
Depreciation and amortization	37,828	36,595
Total expenses	79,767	75,224
Income before other income (expense)	27,548	23,296
Interest expense:		
Interest related to derivative financial instruments	(645)	(555)
Loss on change in fair value of derivative financial instruments, net	(2,792)	(2,010)
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	(3,437)	(2,565)
Interest related to debt	(14,128)	(13,804)
Other income	53	15
Net income	$10,036	$6,942
Net income attributable to noncontrolling interests (1)	(176)	(138)
Net income attributable to common stockholders	$9,860	$6,804
Earnings per common share - basic:		
Net income attributable to common stockholders	$0.08	$0.05
Earnings per common share - diluted:		
Net income attributable to common stockholders	$0.08	$0.05
Weighted average common shares outstanding:		
Basic	129,336	125,175
Diluted	131,240	127,105
Dividends declared per common share	$0.295	$0.290

(1) Includes amounts attributable to redeemable noncontrolling interests.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(Unaudited)

	Class A Common Stock		Additional Paid-In Capital	Cumulative Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount					
Balance as of December 31, 2014	125,087	$ 1,251	$ 2,281,932	$ (836,044)	$ 1,447,139	$ 29,282	$ 1,476,421
Share-based award transactions, net	164	1	1,913	—	1,914	—	1,914
Repurchase and cancellation of common stock	(48)	—	(1,292)	—	(1,292)	—	(1,292)
Dividends declared	—	—	—	(36,309)	(36,309)	(564)	(36,873)
Net income	—	—	—	6,804	6,804	105	6,909
Balance as of March 31, 2015	125,203	$ 1,252	$ 2,282,553	$ (865,549)	$ 1,418,256	$ 28,823	$ 1,447,079
Balance as of December 31, 2015	127,027	$ 1,270	$ 2,328,806	$ (950,652)	$ 1,379,424	$ 27,534	$ 1,406,958
Issuance of common stock	3,418	34	91,235	—	91,269	—	91,269
Share-based award transactions, net	191	2	1,801	—	1,803	—	1,803
Repurchase and cancellation of common stock	(70)	—	(1,901)	—	(1,901)	—	(1,901)
Redemption of noncontrolling interest and other	96	1	2,197	—	2,198	(2,198)	—
Dividends declared	—	—	—	(38,540)	(38,540)	(543)	(39,083)
Net income	—	—	—	9,860	9,860	145	10,005
Balance as of March 31, 2016	130,662	$ 1,307	$ 2,422,138	$ (979,332)	$ 1,444,113	$ 24,938	$ 1,469,051

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

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$10,036	$6,942
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	37,091	35,788
Share-based compensation expense	1,803	1,914
Bad debt expense	92	146
Change in fair value of derivative financial instruments	2,792	2,010
Changes in operating assets and liabilities:		
Receivables and other assets, net	(1,438)	(723)
Accounts payable and accrued liabilities	(10,370)	(13,172)
Security deposits, prepaid rent and other liabilities	446	4,290
Net cash provided by operating activities	40,452	37,195
Cash flows from investing activities:		
Investments in real estate	(158,686)	(35,300)
Capital expenditures	(8,824)	(6,524)
Restricted cash, escrow deposits and other assets	(799)	(321)
Net cash used in investing activities	(168,309)	(42,145)
Cash flows from financing activities:		
Borrowings on unsecured revolving credit facility	166,000	82,000
Payments on unsecured revolving credit facility	(88,000)	(81,000)
Borrowings on unsecured term loans	—	65,000
Payments on secured real estate term loan and mortgage loans	(1,761)	(19,960)
Deferred financing costs	—	(31)
Security deposits	729	(17)
Proceeds from issuance of common stock	91,757	—
Repurchase and cancellation of common stock	(1,901)	(1,292)
Dividends paid	(37,473)	(36,275)
Distributions paid to noncontrolling interest of limited partners	(737)	(371)
Net cash provided by financing activities	128,614	8,054
Net change in cash and cash equivalents	757	3,104
Cash and cash equivalents - beginning of period	13,070	10,413
Cash and cash equivalents - end of period	$13,827	$13,517

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Real estate investments:		
Land	$321,021	$303,706
Building and improvements	3,038,674	2,901,157
Lease intangibles	446,511	430,749
	3,806,206	3,635,612
Accumulated depreciation and amortization	(712,381)	(676,144)
Real estate investments, net	3,093,825	2,959,468
Cash and cash equivalents	13,827	13,070
Restricted cash and escrow deposits	16,687	15,892
Receivables and other assets, net	143,012	141,703
Other intangibles, net	43,168	42,167
Total assets	$3,310,519	$3,172,300
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Debt	$1,667,320	$1,590,696
Accounts payable and accrued liabilities	85,453	94,933
Derivative financial instruments - interest rate swaps	4,735	2,370
Security deposits, prepaid rent and other liabilities	47,993	46,295
Intangible liabilities, net	31,538	26,611
Total liabilities	1,837,039	1,760,905
Commitments and contingencies		
Redeemable noncontrolling interests	4,429	4,437
Partners' Capital:		
Limited partners' capital, 1,833,849 and 1,929,942 units issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	24,668	27,264
General partners' capital, 130,662,036 and 127,026,839 units issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	1,444,383	1,379,694
Total partners' capital	1,469,051	1,406,958
Total liabilities and partners' capital	$3,310,519	$3,172,300

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Rental income	$107,250	$98,452
Interest and other operating income	65	68
Total revenues	107,315	98,520
Expenses:		
Rental	33,353	30,697
General and administrative	6,773	6,575
Acquisition-related	1,813	1,357
Depreciation and amortization	37,828	36,595
Total expenses	79,767	75,224
Income before other income (expense)	27,548	23,296
Interest expense:		
Interest related to derivative financial instruments	(645)	(555)
Loss on change in fair value of derivative financial instruments, net	(2,792)	(2,010)
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	(3,437)	(2,565)
Interest related to debt	(14,128)	(13,804)
Other income	53	15
Net income	$10,036	$6,942
Net income attributable to noncontrolling interests	(31)	(33)
Net income attributable to common unitholders	$10,005	$6,909
Earnings per common unit - basic:		
Net income attributable to common unitholders	$0.08	$0.05
Earnings per common unit - diluted:		
Net income attributable to common unitholders	$0.08	$0.05
Weighted average common units outstanding:		
Basic	131,242	126,330
Diluted	131,242	126,330
Dividends declared per common unit	$0.295	$0.290

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(In thousands)
(Unaudited)

	General Partners' Capital		Limited Partners' Capital		Total Partners' Capital
	Units	Amount	Units	Amount	
Balance as of December 31, 2014	125,087	$1,447,409	2,155	$29,012	$1,476,421
Share-based award transactions, net	164	1,914	—	—	1,914
Redemption and cancellation of general partner units	(48)	(1,292)	—	—	(1,292)
Distributions declared	—	(36,309)	—	(564)	(36,873)
Net income	—	6,804	—	105	6,909
Balance as of March 31, 2015	125,203	$1,418,526	2,155	$28,553	$1,447,079
Balance as of December 31, 2015	127,027	$1,379,694	1,930	$27,264	$1,406,958
Issuance of general partner units	3,418	91,269	—	—	91,269
Share-based award transactions, net	191	1,803	—	—	1,803
Redemption and cancellation of general partner units	(70)	(1,901)	—	—	(1,901)
Redemption of limited partner units and other	96	2,198	(96)	(2,198)	—
Distributions declared	—	(38,540)	—	(543)	(39,083)
Net income	—	9,860	—	145	10,005
Balance as of March 31, 2016	130,662	$1,444,383	1,834	$24,668	$1,469,051

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

HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2016	2015
Cash flows from operating activities:		
Net income	$10,036	$6,942
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	37,091	35,788
Share-based compensation expense	1,803	1,914
Bad debt expense	92	146
Change in fair value of derivative financial instruments	2,792	2,010
Changes in operating assets and liabilities:		
Receivables and other assets, net	(1,438)	(723)
Accounts payable and accrued liabilities	(10,370)	(13,172)
Security deposits, prepaid rent and other liabilities	446	4,290
Net cash provided by operating activities	40,452	37,195
Cash flows from investing activities:		
Investments in real estate	(158,686)	(35,300)
Capital expenditures	(8,824)	(6,524)
Restricted cash, escrow deposits and other assets	(799)	(321)
Net cash used in investing activities	(168,309)	(42,145)
Cash flows from financing activities:		
Borrowings on unsecured revolving credit facility	166,000	82,000
Payments on unsecured revolving credit facility	(88,000)	(81,000)
Borrowings on unsecured term loans	—	65,000
Payments on secured real estate term loan and mortgage loans	(1,761)	(19,960)
Deferred financing costs	—	(31)
Security deposits	729	(17)
Proceeds from issuance of general partner units	91,757	—
Repurchase and cancellation of general partner units	(1,901)	(1,292)
Distributions paid to general partner	(37,473)	(36,275)
Distributions paid to limited partners and redeemable noncontrolling interests	(737)	(371)
Net cash provided by financing activities	128,614	8,054
Net change in cash and cash equivalents	757	3,104
Cash and cash equivalents - beginning of period	13,070	10,413
Cash and cash equivalents - end of period	$13,827	$13,517

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

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HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise indicated or unless the context requires otherwise the use of the words "we," "us" or "our" refers to Healthcare Trust of America, Inc. and Healthcare Trust of America Holdings, LP, collectively.

1. Organization and Description of Business

HTA, a Maryland corporation, and HTALP, a Delaware limited partnership, were incorporated or formed, as applicable, on April 20, 2006. HTA operates as a REIT and is the general partner of HTALP, which is the operating partnership. As of March 31, 2016, HTA owned a 98.6% partnership interest and other limited partners, including some of HTA's directors, executive officers and their affiliates, owned the remaining partnership interest (including the LTIP units) in HTALP. As the sole general partner of HTALP, HTA has the full, exclusive and complete responsibility for HTALP's day-to-day management and control. HTA operates in an umbrella partnership REIT structure in which HTALP and its subsidiaries hold substantially all of the assets. HTA's only material asset is its ownership of partnership interests of HTALP. As a result, HTA does not conduct business itself, other than acting as the sole general partner of HTALP, issuing public equity from time to time and guaranteeing certain debts of HTALP. HTALP conducts the operations of the business and issues publicly-traded debt, but has no publicly-traded equity.

HTA is one of the largest publicly-traded REITs focused on medical office buildings ("MOBs") in the United States ("U.S.") based on gross leasable area ("GLA"). We are primarily focused on acquiring, owning and operating high quality MOBs that are predominantly located on the campuses of, or aligned with, nationally or regionally recognized healthcare systems. In addition, we have strong industry relationships, a stable and diversified tenant mix, and an extensive and active acquisition network. Our primary objective is to maximize stockholder value with disciplined growth through strategic investments that provide an attractive risk-adjusted return for our stockholders by consistently increasing our cash flow. In pursuing this objective, we: (i) seek internal growth through proactive asset management, leasing and property management oversight; (ii) target mid-sized acquisitions of MOBs in markets with dominant healthcare systems, and with attractive demographics that complement our existing portfolio; and (iii) actively manage our balance sheet to maintain flexibility with conservative leverage. HTA has qualified to be taxed as a REIT for federal income tax purposes and intends to continue to be taxed as a REIT.

We primarily invest in MOBs that are located on health system campuses, in community-core locations, or around university medical centers which we believe are core, critical real estate. We also focus on our key markets that have certain demographic and macro-economic trends and where we can utilize our institutional property management and leasing platform to generate strong tenant relationships and operating cost efficiencies. Our portfolio consists of MOBs and other facilities that serve the healthcare industry with an aggregate purchase price of $3.7 billion through March 31, 2016.

Our principal executive office is located at 16435 North Scottsdale Road, Suite 320, Scottsdale, Arizona, 85254.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our condensed consolidated financial statements. Such condensed consolidated financial statements and the accompanying notes are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles ("GAAP") in all material respects and have been consistently applied in preparing our accompanying condensed consolidated financial statements.

Basis of Presentation

Our accompanying condensed consolidated financial statements include our accounts and those of our subsidiaries and any consolidated variable interest entities ("VIEs"). All inter-company balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Interim Unaudited Financial Data

Our accompanying condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable for the full year. Our accompanying condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2015 Annual Report on Form 10-K. There have been no significant changes to the Company’s significant accounting policies during the three months ended March 31, 2016, except as noted below regarding the adoption of U.S. Financial Accounting Standards Board (the “FASB”) Accounting Standards Update (“ASU”) 2015-02, Amendments to the Consolidation Analysis and ASU 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments.

Principles of Consolidation

As of January 1, 2016, the Company adopted FASB ASU 2015-02, Amendments to the Consolidation Analysis, as described below in “Recently Issued or Adopted Accounting Pronouncements”, which simplifies consolidation accounting by reducing the number of consolidation models and changing various aspects of current GAAP, including certain consolidation criteria for VIEs. The consolidated financial statements include the accounts of HTA and its subsidiaries and consolidated joint venture arrangements. The portions of the consolidated joint venture arrangements not owned by HTA are presented as non-controlling interests in HTA’s consolidated balance sheets and statements of operations, consolidated statements of equity, and consolidated statements of changes in partners’ capital. In addition, as described in Note 1 - Organization and Description of Business, certain third parties have been issued limited partner units in HTALP (“OP Units”). Holders of OP Units are considered to be non-controlling interest holders in HTALP and their ownership interests are reflected as equity in the consolidated balance sheets. Further, a portion of the earnings and losses of HTALP are allocated to non-controlling interest holders based on their respective ownership percentages. Upon conversion of OP Units to common stock, any difference between the fair value of common shares issued and the carrying value of the OP Units converted is recorded as a component of equity. As of March 31, 2016 and December 31, 2015, there were approximately 1.8 million and 1.9 million, respectively, of OP Units issued and outstanding.

VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or where equity investors, as a group, lack one of the following: (i) the power to direct the activities that most significantly impact the entity’s economic performance; (ii) the obligation to absorb the expected losses of the entity; and (iii) the right to receive the expected returns of the entity. We consolidate our investment in VIEs when we determine that we are the primary beneficiary. A primary beneficiary is one that has both: (i) the power to direct the activities of the VIE that most significantly impacts the entity’s economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. The Company will evaluate on an ongoing basis the need to consolidate entities based on the standards set forth in GAAP as described above.

Investments in Real Estate

Depreciation expense of buildings and improvements for the three months ended March 31, 2016 and 2015, was $25.7 million and $23.3 million, respectively.

Recently Issued or Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (i.e., payment) to which the company expects to be entitled in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. In July 2015, the FASB deferred the effective date of ASU 2014-09 to the first interim period within annual reporting periods beginning after December 15, 2017 along with the ability to early adopt as of the original effective date. We do not anticipate early adoption and we are evaluating the impact of adopting ASU 2014-09 on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. The amendments in ASU 2015-02 affect the following areas: (i) limited partnerships and similar legal entities; (ii) evaluating fees paid to a decision maker or a service provider as a variable interest; (iii) the effect of fee arrangements on the primary beneficiary determination; (iv) the effect of related parties on the primary beneficiary determination; and (v) certain investment funds. ASU 2015-02 is effective for fiscal years and for interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. We adopted ASU 2015-02 as of January 1, 2016. The adoption had no material impact on our interests in joint venture arrangements. Accordingly, there was no material impact on previous or current reporting periods' consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 changes the presentation of debt issuance costs by requiring these costs related to a recognized debt liability to be presented in the consolidated balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15 to include the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. ASU 2015-03 and 2015-15 are effective for the fiscal years beginning after December 15, 2015, and requires retrospective application with early adoption permitted. We adopted ASU 2015-03 and 2015-15 as of December 31, 2015. As a result of the adoption, all deferred financing costs, excluding costs related to the unsecured revolving credit facility, were reclassed to debt. Unsecured revolving credit facility costs remain classified as an asset on our consolidated balance sheets and will continue to be amortized over the remaining term. The guidance requires retrospective adoption for all prior periods presented.

In September 2015, the FASB issued ASU 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 eliminates the requirement that an acquirer in a business combination has to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amount of the adjustment, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015. We adopted ASU 2015-16 as of January 1, 2016. As a result of the adoption there was no impact in the previous or current reporting periods' consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 will supersede the existing guidance for lease accounting and states that companies will be required to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. ASU 2016-02 requires qualitative and quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand the nature of the entity's leasing activities, including significant judgments and changes in judgments. Within ASU 2016-02 lessor accounting remained fairly unchanged. In adopting ASU 2016-02, companies will be required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. ASU 2016-02 is effective for the fiscal years beginning after December 15, 2018 with early adoption permitted. We do not anticipate early adoption and are evaluating the impact of adopting ASU 2016-02 on our consolidated financial statements.

3. Investments in Real Estate

For the three months ended March 31, 2016, our investments had an aggregate purchase price of $162.0 million. We incurred $0.6 million of costs attributable to these investments, which were recorded in acquisition-related expenses in the accompanying condensed consolidated statements of operations.

The following investments were determined to be individually not significant, but significant on a collective basis. The actual revenues and earnings since the investment dates as well as the supplementary proforma information assuming these investments occurred as of the beginning of the prior periods, were not material to us. The allocations for these investments are set forth below in the aggregate for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Land	$17,315	$748
Building and improvements	128,945	30,086
Below market leasehold interests	1,099	2,350
Above market leases	840	398
In place leases	15,919	2,181
Below market leases	(5,382)	(463)
Above market leasehold interests	(50)	—
Net assets acquired	158,686	35,300
Other, net	3,321	—
Aggregate purchase price	$162,007	$35,300

The acquired intangible assets and liabilities referenced above had weighted average lives of the following for the three months ended March 31, 2016 and 2015 (in years):

	Three Months Ended March 31,	
	2016	2015
Acquired intangible assets	10.5	16.9
Acquired intangible liabilities	8.9	9.9

Subsequent to March 31, 2016, we completed investments with an aggregate purchase price of $204.8 million. The purchase prices of these buildings are subject to certain post-closing adjustments. Due to the recent nature of these investments, we have not completed our initial purchase price allocations with respect to these investments and therefore cannot provide disclosures at this time similar to those contained in Note 3 - Investments in Real Estate to our condensed consolidated financial statements.

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4. Intangible Assets and Liabilities

Intangible assets and liabilities consisted of the following as of March 31, 2016 and December 31, 2015 (in thousands, except weighted average remaining amortization):

	March 31, 2016		December 31, 2015	
	Balance	Weighted Average Remaining Amortization in Years	Balance	Weighted Average Remaining Amortization in Years
Assets:				
In place leases	$265,666	10.5	$249,824	11.0
Tenant relationships	180,845	10.4	180,925	10.4
Above market leases	25,203	6.0	24,974	6.0
Below market leasehold interests	35,706	63.2	34,606	63.0
	507,420		490,329	
Accumulated amortization	(230,271)		(219,334)	
Total	$277,149	16.5	$270,995	16.6
Liabilities:				
Below market leases	$27,622	22.5	$22,240	27.2
Above market leasehold interests	11,632	53.6	11,582	53.7
	39,254		33,822	
Accumulated amortization	(7,716)		(7,211)	
Total	$31,538	33.2	$26,611	38.0

The following is a summary of the net intangible amortization for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Amortization recorded against rental income related to above or below market leases	$337	$ 475
Rental expense related to above or below market leasehold interests	96	105
Amortization expense related to in place leases and tenant relationships	10,767	11,956

5. Receivables and Other Assets

Receivables and other assets consisted of the following as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Tenant receivables, net	$7,902	$ 5,820
Other receivables, net	10,069	11,882
Deferred financing costs, net	5,192	5,524
Deferred leasing costs, net	18,402	17,923
Straight-line rent receivables, net	67,907	65,543
Prepaid expenses, deposits, equipment and other, net	33,540	34,584
Derivative financial instruments - interest rate swaps	—	427
Total	$143,012	$ 141,703

The following is a summary of the amortization of deferred leasing costs and financing costs for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Amortization expense related to deferred leasing costs	$1,052	$986
Interest expense related to deferred financing costs [(1)]	331	327

(1) For the three months ended March 31, 2015, amounts have been adjusted to reflect the retrospective presentation of the early adoption of ASU 2015-03 and 2015-15 as of December 31, 2015.

6. Debt

Debt consisted of the following as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Unsecured revolving credit facility	$296,000	$218,000
Unsecured term loans	455,000	455,000
Unsecured senior notes	600,000	600,000
Fixed rate mortgages	296,392	298,030
Variable rate mortgages	28,864	28,988
	1,676,256	1,600,018
Deferred financing costs, net	(7,963)	(8,411)
Discount, net	(973)	(911)
Total	$1,667,320	$1,590,696

Unsecured Credit Agreement

Unsecured Revolving Credit Facility

On February 11, 2015, we executed an amendment to the unsecured revolving credit and term loan facility (the “Unsecured Credit Agreement”) which added an additional lender and increased the amount available under the unsecured revolving credit facility from $800.0 million to $850.0 million. The other existing terms of the Unsecured Credit Agreement were unchanged. The actual amount of credit available to us is a function of certain loan-to-value and debt service coverage ratios set forth in the unsecured revolving credit facility. The maximum principal amount of the unsecured revolving credit facility may be increased, subject to additional financing being provided by our existing lenders or new lenders being added to the unsecured revolving credit facility. The unsecured revolving credit facility matures on January 31, 2020 and is guaranteed by HTA.

Borrowings under the unsecured revolving credit facility accrue interest equal to adjusted LIBOR, plus a margin ranging from 0.88% to 1.55% per annum based on our credit rating. We also pay a facility fee ranging from 0.13% to 0.30% per annum on the aggregate commitments under the unsecured revolving credit facility. As of March 31, 2016, the margin associated with our borrowings was 1.05% per annum and the facility fee was 0.20% per annum.

Unsecured Term Loan

As of March 31, 2016, we had a $300.0 million unsecured term loan outstanding that was guaranteed by HTA. Borrowings accrue interest equal to adjusted LIBOR, plus a margin ranging from 0.90% to 1.80% per annum based on our credit rating. The margin associated with our borrowings as of March 31, 2016 was 1.15% per annum. Including the impact of the interest rate swaps associated with our unsecured term loan, the interest rate was 1.73% per annum, based on our current credit rating. The unsecured term loan matures on January 31, 2019, and includes a one-year extension exercisable at the option of the borrower, subject to certain conditions.

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$155.0 Million Unsecured Term Loan

As of March 31, 2016, HTALP had a $155.0 million unsecured term loan outstanding that is guaranteed by HTA. The loan matures on July 19, 2019, and the interest rate thereon is equal to LIBOR, plus a margin ranging from 1.55% to 2.40% per annum based on our credit rating. The margin associated with our borrowings as of March 31, 2016 was 1.70% per annum. We have interest rate swaps in place that fix the interest rate at 2.99% per annum, based on our current credit rating. The maximum principal amount under this unsecured term loan may be increased by us, subject to such additional financing being provided by our existing lender.

$300.0 Million Unsecured Senior Notes due 2021

As of March 31, 2016, HTALP had $300.0 million of unsecured senior notes outstanding that are guaranteed by HTA and mature on July 15, 2021. The unsecured senior notes are registered under the Securities Act of 1933, as amended (the “Securities Act”), bear interest at 3.38% per annum and are payable semi-annually. The unsecured senior notes were offered at 99.21% of the principal amount thereof, with an effective yield to maturity of 3.50% per annum.

$300.0 Million Unsecured Senior Notes due 2023

As of March 31, 2016, HTALP had $300.0 million of unsecured senior notes outstanding that are guaranteed by HTA and mature on April 15, 2023. The unsecured senior notes are registered under the Securities Act, bear interest at 3.70% per annum and are payable semi-annually. The unsecured senior notes were offered at 99.19% of the principal amount thereof, with an effective yield to maturity of 3.80% per annum.

Fixed and Variable Rate Mortgages

As of March 31, 2016, HTALP and its subsidiaries had fixed and variable rate mortgages with interest rates ranging from 1.89% to 6.49% per annum and a weighted average interest rate of 5.39% per annum. Including the impact of the interest rate swap associated with our variable rate mortgage, the weighted average interest rate was 5.67% per annum.

Future Debt Maturities

The following table summarizes the debt maturities and scheduled principal repayments of our indebtedness as of March 31, 2016 (in thousands):

Year	Amount
2016	$51,013
2017	116,626
2018	14,428
2019	464,281
2020	344,904
Thereafter	685,004
Total	$1,676,256

The above scheduled debt maturities do not include the extension available to us under the Unsecured Credit Agreement as discussed above.

Deferred Financing Costs

As of March 31, 2016, the future amortization of deferred financing costs is as follows (in thousands):

Year	Amount
2016	$ 1,344
2017	1,640
2018	1,547
2019	1,442
2020	893
Thereafter	1,097
Total	$ 7,963

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We are required by the terms of our applicable debt agreements to meet various affirmative and negative covenants that we believe are customary for these types of facilities, such as limitations on the incurrence of debt by us and our subsidiaries that own unencumbered assets, limitations on the nature of HTALP's business, and limitations on distributions by HTALP and its subsidiaries that own unencumbered assets. Our debt agreements also impose various financial covenants on us, such as a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a minimum tangible net worth covenant, a maximum ratio of unsecured indebtedness to unencumbered asset value, rent coverage ratios and a minimum ratio of unencumbered net operating income to unsecured interest expense. As of March 31, 2016, we believe that we were in compliance with all such financial covenants and reporting requirements. In addition, certain of our debt agreements include events of default provisions that we believe are customary for these types of facilities, including restricting HTA from making dividend distributions to its stockholders in the event HTA is in default thereunder, except to the extent necessary for HTA to maintain its REIT status.

7. Derivative Financial Instruments

The following table lists the derivative financial instrument assets and (liabilities) held by us as of March 31, 2016 (in thousands):

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$100,000	LIBOR	0.86%	$(76)	Swap	6/15/2016
50,000	LIBOR	1.39	(860)	Swap	7/17/2019
105,000	LIBOR	1.24	(1,270)	Swap	7/17/2019
25,892	LIBOR + 1.45%	4.98	(2,529)	Swap	5/1/2020

The following table lists the derivative financial instrument assets and (liabilities) held by us as of December 31, 2015 (in thousands):

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$100,000	LIBOR	0.86%	$(142)	Swap	6/15/2016
50,000	LIBOR	1.39	(71)	Swap	7/17/2019
105,000	LIBOR	1.24	427	Swap	7/17/2019
26,092	LIBOR + 1.45%	4.98	(2,157)	Swap	5/1/2020

As of March 31, 2016 and December 31, 2015, the gross fair value of our derivative financial instruments was as follows (in thousands):

	Asset Derivatives			Liability Derivatives		
		Fair Value			Fair Value	
Derivatives Not Designated as Hedging Instruments:	Balance Sheet Location	March 31, 2016	December 31, 2015	Balance Sheet Location	March 31, 2016	December 31, 2015
Interest rate swaps	Receivables and other assets	$—	$ 427	Derivative financial instruments	$4,735	$ 2,370

There were no derivatives offset in our accompanying condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015. As of March 31, 2016 and December 31, 2015, we had derivatives subject to enforceable master netting arrangements which allowed for net cash settlement with the respective counterparties (in thousands):

March 31, 2016			December 31, 2015		
Gross Amounts	Amounts Subject to Enforceable Master Netting	Net Amounts	Gross Amounts	Amounts Subject to Enforceable Master Netting	Net Amounts

		Arrangements			Arrangements	
Asset derivatives	$ —	$ —	$ —	$ 427	$ (427)	$ —
Liability derivatives	4,735	—	4,735	2,370	(427)	1,943

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We have agreements with each of our interest rate swap derivative counterparties which provide that if we default on certain of our unsecured indebtedness, our counterparties could declare us in default on our interest rate swap derivative obligations resulting in an acceleration of the indebtedness. In addition, we are exposed to credit risk in the event of non-performance by our derivative counterparties. We believe we mitigate the credit risk by entering into agreements with credit-worthy counterparties. We record counterparty credit risk valuation adjustments on interest rate swap derivative assets in order to properly reflect the credit quality of the counterparty. In addition, our fair value of interest rate swap derivative liabilities is adjusted to reflect the impact of our credit quality. As of March 31, 2016, there have been no termination events or events of default related to our interest rate swaps.

8. Stockholders' Equity and Partners' Capital

HTALP's partnership agreement provides that it will distribute cash flow from operations and net sale proceeds to its partners in accordance with their overall ownership interests at such times and in such amounts as the general partner determines. Dividend distributions are made such that a holder of one partnership unit in HTALP will receive distributions from HTALP in an amount equal to the dividend distributions paid to the holder of one share of HTA's common stock. In addition, for each share of common stock issued or redeemed by HTA, HTALP issues or redeems a corresponding number of partnership units.

Common Stock Offerings

In January 2016, HTA entered into a new equity distribution agreement with respect to its at-the-market ("ATM") offering program of common stock with an aggregate sales price of up to $300.0 million. During the three months ended March 31, 2016, HTA issued and sold 3,418,571 shares of common stock, at an average price of $27.25 per share and as of March 31, 2016, $206.8 million remained available for issuance under the ATM.

In April 2016, HTA completed an underwritten public offering of 5,980,000 shares of common stock at a price of $28.75 per share.

Common Stock Dividends

See our accompanying condensed consolidated statements of operations for the dividends declared during the three months ended March 31, 2016 and 2015. On April 25, 2016, HTA declared a quarterly cash dividend of $0.295 per share to be paid on July 8, 2016 to stockholders of record for its common stock on July 1, 2016.

Incentive Plan

HTA's Amended and Restated 2006 Incentive Plan (the "Plan") permits the grant of incentive awards to our employees, officers, non-employee directors and consultants as selected by our Board of Directors. The Plan authorizes the granting of awards in any of the following forms: options; stock appreciation rights; restricted stock; restricted or deferred stock units; performance awards; dividend equivalents; other stock-based awards, including units in HTALP; and cash-based awards. Subject to adjustment as provided in the Plan, the aggregate number of awards reserved and available for issuance under the Plan is 5,000,000. As of March 31, 2016, there were 2,123,422 awards available for grant under the Plan.

LTIP Units

Awards under the LTIP consist of Series C units in HTALP and were subject to the achievement of certain performance and market conditions in order to vest. Once vested, the Series C units were converted into common units of HTALP, which may be converted into shares of HTA's common stock. The LTIP awards were fully expensed in 2013, except for 225,000 units that were forfeited in 2015.

Restricted Common Stock

For the three months ended March 31, 2016 and 2015, we recognized compensation expense of $1.8 million and $1.9 million, respectively, which were recorded in general and administrative expenses in the accompanying condensed consolidated statements of operations.

As of March 31, 2016, there was $6.7 million of unrecognized compensation expense net of estimated forfeitures, which will be recognized over a remaining weighted average period of 1.8 years.

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The following is a summary of our restricted common stock activity during the three months ended March 31, 2016 and 2015:

	March 31, 2016		March 31, 2015	
	Restricted Common Stock	Weighted Average Grant Date Fair Value	Restricted Common Stock	Weighted Average Grant Date Fair Value
Beginning balance	487,850	$ 23.13	463,050	$ 20.90
Granted	194,151	27.17	172,115	26.98
Vested	(162,140)	22.65	(113,029)	21.99
Forfeited	(3,244)	24.23	(8,000)	22.08
Ending Balance	516,617			