CAMDEN PROPERTY TRUST
Form 10-Q
May 07, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

o 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: 1-12110

CAMDEN PROPERTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

Texas (State or other jurisdiction of incorporation or organization)	76-6088377 (I.R.S. Employer Identification No.)
11 Greenway Plaza, Suite 2400 Houston, Texas	77046
(Address of principal executive offices)	(Zip Code)

(713) 354-2500
(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 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 ý No o

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 ý No o

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 definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer o

Non-accelerated filer o Smaller Reporting Company o

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

On April 30, 2014, 85,566,108 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except per share amounts)	March 31, 2014	December 31, 2013
Assets		
Real estate assets, at cost		
Land	$978,770	$969,711
Buildings and improvements	5,691,619	5,629,904
	$6,670,389	$6,599,615
Accumulated depreciation	(1,698,724)	(1,643,713)
Net operating real estate assets	$4,971,665	$4,955,902
Properties under development, including land	515,141	472,566
Investments in joint ventures	36,719	42,155
Total real estate assets	$5,523,525	$5,470,623
Accounts receivable – affiliates	26,145	27,724
Other assets, net	107,862	109,401
Cash and cash equivalents	16,768	17,794
Restricted cash	5,549	6,599
Total assets	$5,679,849	$5,632,141
Liabilities and equity		
Liabilities		
Notes payable		
Unsecured	$1,649,041	$1,588,798
Secured	940,881	941,968
Accounts payable and accrued expenses	124,981	113,307
Accrued real estate taxes	21,922	35,648
Distributions payable	59,728	56,787
Other liabilities	88,693	88,272
Total liabilities	$2,885,246	$2,824,780
Commitments and contingencies		
Non-qualified deferred compensation share awards	55,498	47,180
Equity		
Common shares of beneficial interest; $0.01 par value per share; 175,000 shares authorized; 99,698 and 99,645 issued; 96,623 and 96,660 outstanding at March 31, 2014 and December 31, 2013, respectively	966	967
Additional paid-in capital	3,593,633	3,596,069
Distributions in excess of net income attributable to common shareholders	(523,321)	(494,167)
Treasury shares, at cost (11,055 and 11,352 common shares at March 31, 2014 and December 31, 2013, respectively)	(399,510)	(410,227)
Accumulated other comprehensive loss	(1,091)	(1,106)
Total common equity	$2,670,677	$2,691,536
Non-controlling interests	68,428	68,645
Total equity	$2,739,105	$2,760,181
Total liabilities and equity	$5,679,849	$5,632,141

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
(in thousands, except per share amounts)	2014	2013
Property revenues		
Rental revenues	$178,964	$164,393
Other property revenues	26,965	25,418
Total property revenues	$205,929	$189,811
Property expenses		
Property operating and maintenance	$50,747	$48,263
Real estate taxes	23,577	21,183
Total property expenses	$74,324	$69,446
Non-property income		
Fee and asset management	$3,023	$2,894
Interest and other income	288	52
Income on deferred compensation plans	681	2,999
Total non-property income	$3,992	$5,945
Other expenses		
Property management	$5,839	$5,983
Fee and asset management	1,259	1,477
General and administrative	9,545	9,794
Interest	23,133	24,895
Depreciation and amortization	57,396	51,603
Amortization of deferred financing costs	841	916
Expense on deferred compensation plans	681	2,999
Total other expenses	$98,694	$97,667
Gain on sale of land	354	698
Equity in income of joint ventures	4,290	934
Income from continuing operations before income taxes	$41,547	$30,275
Income tax expense	(474)	(399)
Income from continuing operations	$41,073	$29,876
Income from discontinued operations	—	2,774
Gain on sale of discontinued operations, net of tax	—	31,783
Net income	$41,073	$64,433
Less income allocated to non-controlling interests from continuing operations	(1,037)	(864)
Less income, including gain on sale, allocated to non-controlling interests from discontinued operations	—	(93)
Net income attributable to common shareholders	$40,036	$63,476

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (continued)
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended March 31, 2014	2013
Earnings per share – basic		
Income from continuing operations attributable to common shareholders	$0.45	$0.33
Income from discontinued operations, including gain on sale, attributable to common shareholders	—	0.39
Net income attributable to common shareholders	$0.45	$0.72
Earnings per share – diluted		
Income from continuing operations attributable to common shareholders	$0.45	$0.33
Income from discontinued operations, including gain on sale, attributable to common shareholders	—	0.39
Net income attributable to common shareholders	$0.45	$0.72
Distributions declared per common share	$0.66	$0.63
Weighted average number of common shares outstanding – basic	87,651	86,703
Weighted average number of common shares outstanding – diluted	88,824	87,276
Net income attributable to common shareholders		
Income from continuing operations	$41,073	$29,876
Less income allocated to non-controlling interests from continuing operations	(1,037)	(864)
Income from continuing operations attributable to common shareholders	$40,036	$29,012
Income from discontinued operations, including gain on sale	$—	$34,557
Less income, including gain on sale, allocated to non-controlling interests from discontinued operations	—	(93)
Income from discontinued operations, including gain on sale, attributable to common shareholders	$—	$34,464
Net income attributable to common shareholders	$40,036	$63,476
Condensed Consolidated Statements of Comprehensive Income:		
Net income	$41,073	$64,433
Other comprehensive income		
Reclassification of prior service cost and net loss on post retirement obligations	15	14
Comprehensive income	$41,088	$64,447
Less income allocated to non-controlling interests from continuing operations	(1,037)	(864)
Less income, including gain on sale, allocated to non-controlling interests from discontinued operations	—	(93)
Comprehensive income attributable to common shareholders	$40,051	$63,490

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(in thousands)	Common Shareholders Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Equity, December 31, 2013	$967	$3,596,069	$(494,167)	$(410,227)	$(1,106)	$68,645	$2,760,181
Net income			40,036			1,037	41,073
Other comprehensive income					15		15
Net share awards		(5,287)		10,343			5,056
Employee share purchase plan		168		330			498
Common share options exercised		308		44			352
Change in classification of deferred compensation plan		606					606
Change in redemption value of non-qualified share awards			(11,352)				(11,352)
Diversification of share awards within deferred compensation plan		1,770	658				2,428
Cash distributions declared to equity holders			(58,496)			(1,254)	(59,750)
Other	(1)	(1)					(2)
Equity, March 31, 2014	$966	$3,593,633	$(523,321)	$(399,510)	$(1,091)	$68,428	$2,739,105

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)
(Unaudited)

(in thousands)	Common Shareholders Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Equity, December 31, 2012	$962	$3,587,505	$(598,951)	$(425,355)	$(1,062)	$63,609	$2,626,708
Net income			63,476			957	64,433
Other comprehensive income					14		14
Common shares issued	1	9,365					9,366
Net share awards		(7,198)		11,939			4,741
Employee share purchase plan		174		180			354
Common share options exercised		367		593			960
Conversions of operating partnership units		47				(47)	—
Cash distributions declared to equity holders			(55,356)			(1,197)	(56,553)
Other	(1)	1					—
Equity, March 31, 2013	$962	$3,590,261	$(590,831)	$(412,643)	$(1,048)	$63,322	$2,650,023

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months Ended March 31, 2014	2013
Cash flows from operating activities		
Net income	$41,073	$64,433
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	57,396	53,470
Gain on sale of discontinued operations, net of tax	—	(31,783)
Gain on sale of land	(354)	(698)
Distributions of income from joint ventures	3,873	1,299
Equity in income of joint ventures	(4,290)	(934)
Share-based compensation	3,626	3,274
Amortization of deferred financing costs	841	916
Net change in operating accounts and other	(8,146)	(5,107)
Net cash from operating activities	$94,019	$84,870
Cash flows from investing activities		
Development and capital improvements	$(110,085)	$(58,390)
Proceeds from sale of land and discontinued operations	5,749	68,237
Distributions from investments in joint ventures	5,853	276
Increase in non-real estate assets	(1,586)	(1,085)
Other	843	(959)
Net cash from investing activities	$(99,226)	$8,079
Cash flows from financing activities		
Borrowings on unsecured line of credit and other short-term borrowings	$310,000	$—
Repayments on unsecured line of credit and other short-term borrowings	(250,000)	—
Repayment of notes payable	(1,087)	(27,122)
Distributions to common shareholders and non-controlling interests	(56,787)	(49,941)
Proceeds from issuance of common shares	—	9,366
Payment of deferred financing costs	(205)	(306)
Net decrease in accounts receivable – affiliates	1,579	6,677
Other	681	1,350
Net cash from financing activities	$4,181	$(59,976)
Net (decrease) increase in cash and cash equivalents	(1,026)	32,973
Cash and cash equivalents, beginning of period	17,794	26,669
Cash and cash equivalents, end of period	$16,768	$59,642
Supplemental information		
Cash paid for interest, net of interest capitalized	$5,307	$7,160
Supplemental schedule of noncash investing and financing activities		
Distributions declared but not paid	$59,728	$56,559
Value of shares issued under benefit plans, net of cancellations	18,502	22,811
Net change in redemption of non-qualified share awards	10,694	—
Accrual associated with construction and capital expenditures	22,111	9,118

See Notes to Condensed Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business
Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust ("REIT"), is primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. Our multifamily apartment communities are referred to as "communities," "multifamily communities," "properties," or "multifamily properties" in the following discussion. As of March 31, 2014, we owned interests in, operated, or were developing 183 multifamily properties comprised of 64,150 apartment homes across the United States. Of the 183 properties, 14 properties were under construction, and when completed will consist of a total of 4,434 apartment homes. Additionally, we are adding a subsequent phase to a stabilized community which when completed will consist of 75 apartment homes, and we own land holdings we may develop into multifamily apartment communities in the future.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements
Principles of Consolidation. Our condensed consolidated financial statements include our accounts and the accounts of other subsidiaries and joint ventures (including partnerships and limited liability companies) over which we have control. All intercompany transactions, balances, and profits have been eliminated in consolidation. Investments acquired or created are evaluated based on the accounting guidance relating to variable interest entities ("VIEs"), which requires the consolidation of VIEs in which we are considered to be the primary beneficiary. If the investment is determined not to be a VIE, then the investment is evaluated for consolidation (primarily using a voting interest model) under the remaining consolidation guidance relating to real estate entities. If we are the general partner of a limited partnership, or manager of a limited liability company, we also consider the consolidation guidance relating to the rights of limited partners (non-managing members) to assess whether any rights held by the limited partners overcome the presumption of control by us. We did not have any VIEs at March 31, 2014 or December 31, 2013.

Interim Financial Reporting. We have prepared these unaudited financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, these statements do not include all information and footnote disclosures required for annual statements. While we believe the disclosures presented are adequate for interim reporting, these interim unaudited financial statements should be read in conjunction with the audited financial statements and notes included in our 2013 Annual Report on Form 10-K. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments, necessary for a fair representation of our financial statements for the interim period reported have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results which may be expected for the full year.

Acquisitions of Real Estate. Upon acquisition of real estate, we determine the fair value of tangible and intangible assets, which includes land, buildings (as-if-vacant), furniture and fixtures, the value of in-place leases, including above and below market leases, and acquired liabilities. In estimating these values, we apply methods similar to those used by independent appraisers of income-producing property. Upon the acquisition of a controlling interest of an investment in an unconsolidated joint venture, such joint venture is consolidated and our initial equity investment is remeasured to fair value at the date the controlling interest is acquired; any difference between the carrying value of the previously held equity investment and the fair value is recognized in earnings at the time of obtaining control. Transaction costs associated with the acquisition of operating real estate assets are expensed. Estimates of fair value of acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities. Depreciation is computed on a straight-line basis over the remaining useful lives of the related tangible assets. The value of in-place leases and above or below market leases is amortized over the estimated average remaining life of leases in place at the time of acquisition. The net carrying value of below market leases is included in other liabilities in our condensed consolidated balance sheets, and the net carrying value of in-place leases is included in other assets, net, in our condensed consolidated balance sheets.

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The carrying values of below market leases and in-place leases at March 31, 2014 and December 31, 2013 are as follows:

(in millions)	March 31, 2014	December 31, 2013
Below market leases (Gross carrying value)	$0.4	$0.4
Accumulated amortization	(0.4)	(0.2)
Value of below market leases, net	$—	$0.2
In-place leases (Gross carrying value)	$2.3	$2.3
Accumulated amortization	(2.1)	(1.1)
Value of in-place leases, net	$0.2	$1.2

Revenues recognized related to below market leases and amortization expense related to in-place leases for the three months ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
(in millions)	2014	2013
Revenues related to below market leases	$0.2	$0.4
Amortization of in-place leases	$1.0	$1.9

The weighted average amortization period of below market leases and in-place leases for the three months ended March 31, 2014 and 2013 was approximately seven and six months, respectively.

Asset Impairment. Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment may exist if estimated future undiscounted cash flows associated with long-lived assets are not sufficient to recover the carrying value of such assets. We consider projected future discounted and undiscounted cash flows, trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. While we believe our estimates of future cash flows are reasonable, different assumptions regarding a number of factors, including market rents, economic conditions, and occupancies, could significantly affect these estimates. In estimating fair value, management uses appraisals, management estimates, and discounted cash flow calculations which utilize inputs from a marketplace participant’s perspective. When impairment exists, the long-lived asset is adjusted to its fair value. In addition, we evaluate our equity investments in joint ventures and if we believe there is an other than temporary decline in market value of our investment below our carrying value, we will record an impairment charge. There were no impairment charges recorded for the three months ended March 31, 2014 or 2013.

The value of our properties under development depends on market conditions, including estimates of the project start date as well as estimates of demand for multifamily communities. We have reviewed market trends and other marketplace information and have incorporated this information as well as our current outlook into the assumptions we use in our impairment analyses. Due to the judgment and assumptions applied in the impairment analyses, it is possible actual results could differ substantially from those estimated.

We believe the carrying value of our operating real estate assets, properties under development, and land is currently recoverable. However, if market conditions deteriorate or if changes in our development strategy significantly affect any key assumptions used in our fair value estimates, we may need to take material charges in future periods for impairments related to existing assets. Any such material non-cash charges could have an adverse effect on our consolidated financial position and results of operations.

Cost Capitalization. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Capitalized interest is generally based on the weighted average interest rate of our unsecured debt. Expenditures directly related to the development and improvement of real estate assets are capitalized at cost as land and buildings and improvements. Indirect development costs, including salaries and benefits and other related costs directly attributable to the development of properties, are also capitalized. We begin capitalizing development, construction, and carrying costs when the development of the future real estate asset is probable and activities necessary to get the underlying real estate ready for its intended use have been initiated. All construction and carrying costs are capitalized and reported in the balance sheet as properties under development until the apartment homes are substantially completed.

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Upon substantial completion of the apartment homes, the total capitalized development cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively.

As discussed above, carrying charges are principally interest and real estate taxes capitalized as part of properties under development. Capitalized interest was approximately $4.9 million and $3.2 million for the three months ended March 31, 2014 and 2013, respectively. Capitalized real estate taxes were approximately $1.6 million and $0.9 million for the three months ended March 31, 2014 and 2013, respectively.

Where possible, we stage our construction to allow leasing and occupancy during the construction period, which we believe minimizes the duration of the lease-up period following completion of construction. Our accounting policy related to properties in the development and leasing phase is to expense all operating expenses associated with completed apartment homes. We capitalize renovation and improvement costs we believe extend the economic lives of depreciable property. Capital expenditures subsequent to initial construction are capitalized and depreciated over their estimated useful lives.

We also incur expenditures related to renovation and construction of office space we lease and capitalize these leasehold improvements as furniture, fixtures, equipment and other. We depreciate these costs using the straight-line method over the shorter of the lease term or the useful life of the improvement.

Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis with lives generally as follows:

	Estimated Useful Life
Buildings and improvements	5-35 years
Furniture, fixtures, equipment, and other	3-20 years
Intangible assets/liabilities (in-place leases and below market leases)	underlying lease term

Fair Value. For financial assets and liabilities recorded at fair value on a recurring or non-recurring basis, fair value is the price we would receive to sell an asset, or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date. In the absence of such data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction.
In determining fair value, observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions; preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Disclosures. The valuation methodology we use to measure our deferred compensation plan investments is based on quoted market prices utilizing public information for the same transactions. Our deferred compensation plan investments are recorded at fair value on a recurring basis and included in other assets in our condensed consolidated balance sheets.
Non-recurring Fair Value Disclosures. Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. These assets primarily include long-lived assets which are recorded at fair value if they are impaired using the fair value methodologies used to measure long-lived assets described above at “Asset Impairment.” The inputs associated with the valuation of long-lived assets are generally included in Level 3 of the fair value hierarchy.

Recent Accounting Pronouncements. In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 changes the threshold for disclosing discontinued operations and the related disclosure requirements, requiring only disposals representing a strategic shift, such as a major line of business, a major geographical area or a major equity investment, to be

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presented as a discontinued operation. If the disposal does qualify as a discontinued operation under ASU 2014-08, the entity will be required to provide expanded disclosures. The guidance will be applied prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014 with early adoption permitted but only for disposals or classifications as held for sale which have not been reported in financial statements previously issued or available for issuance. We adopted ASU 2014-08 as of January 1, 2014 and believe future sales of our individual operating properties will no longer qualify as discontinued operations.

3. Per Share Data

Basic earnings per share are computed using net income attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflect common shares issuable from the assumed conversion of common share options and share awards granted and units convertible into common shares. Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. Our unvested share-based awards are considered participating securities and are reflected in the calculation of basic and diluted earnings per share using the two-class method. The number of common share equivalent securities excluded from the diluted earnings per share calculation was approximately 2.1 million and 3.0 million for the three months ended March 31, 2014 and 2013, respectively. These securities, which include common share options and share awards granted and units convertible into common shares, were excluded from the diluted earnings per share calculation as they are anti-dilutive.

The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated:

	Three Months Ended March 31,	
(in thousands, except per share amounts)	2014	2013
Earnings per share calculation – basic		
Income from continuing operations attributable to common shareholders	$40,036	$29,012
Amount allocated to participating securities	(352)	(638)
Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	39,684	28,374
Income from discontinued operations, including gain on sale, attributable to common shareholders	—	34,464
Net income attributable to common shareholders, as adjusted	$39,684	$62,838
Income from continuing operations attributable to common shareholders, as adjusted – per share	$0.45	$0.33
Income from discontinued operations, including gain on sale, attributable to common shareholders – per share	—	0.39
Net income attributable to common shareholders, as adjusted – per share	$0.45	$0.72
Weighted average number of common shares outstanding – basic	87,651	86,703
Earnings per share calculation – diluted		
Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	$39,684	$28,374
Income allocated to common units from continuing operations	310	—
Income from continuing operations attributable to common shareholders, as adjusted	39,994	28,374
Income from discontinued operations, including gain on sale, attributable to common shareholders	—	34,464
Net income attributable to common shareholders, as adjusted	$39,994	$62,838

Income from continuing operations attributable to common shareholders, as adjusted – per share	$0.45	$0.33
Income from discontinued operations, including gain on sale, attributable to common shareholders – per share	—	0.39
Net income attributable to common shareholders, as adjusted – per share	$0.45	$0.72
Weighted average number of common shares outstanding – basic	87,651	86,703
Incremental shares issuable from assumed conversion of:		
Common share options and share awards granted	360	573
Common units	813	—
Weighted average number of common shares outstanding – diluted	88,824	87,276

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4. Common Shares

In May 2012, we created an at-the-market ("ATM") share offering program through which we can, but have no obligation to, sell common shares having an aggregate offering price of up to $300 million (the "2012 ATM program"), in amounts and at times as we determine, into the existing trading market at current market prices as well as through negotiated transactions. Actual sales from time to time may depend on a variety of factors including, among others, market conditions, the trading price of our common shares, and determinations by management of the appropriate sources of funding for us.

The following table presents activity under our 2012 ATM program for the three months ended March 31, 2013. There were no shares sold during the three months ended March 31, 2014.

	Three Months Ended March 31,
(in thousands, except per share amounts)	2013
Total net consideration	$9,365.5
Common shares sold	135.7
Average price per share	$70.63

As of the date of this filing, we had common shares having an aggregate offering price of up to $82.7 million remaining available for sale under the 2012 ATM program. No additional shares were sold subsequent to March 31, 2014 through the date of this filing.

We currently have an automatic shelf registration statement which allows us to offer, from time to time, common shares, preferred shares, debt securities, or warrants. Our Amended and Restated Declaration of Trust provides we may issue up to 185 million shares of beneficial interest, consisting of 175 million common shares and 10 million preferred shares. At March 31, 2014, we had approximately 85.6 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

5. Acquisitions and Discontinued Operations

Acquisitions of Land. In January 2014, we acquired approximately 2.9 acres of land located in Houston, Texas for approximately $15.6 million. In April 2014, we acquired approximately 7.6 acres of land in Montgomery County, Maryland for approximately $23.8 million.

Discontinued Operations. For the three months ended March 31, 2013, income from discontinued operations, included the results of operations of 12 operating properties, comprised of 3,931 apartment homes, sold during 2013. There were no operating properties sold during the three months ended March 31, 2014. Effective January 1, 2014, in accordance with ASU 2014-08, we believe future sales of our individual operating properties will no longer qualify as discontinued operations. See Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements" for additional discussion of ASU 2014-08.

The following is a summary of income from discontinued operations for the three months ended March 31, 2013:

	Three Months Ended March 31,
(in thousands)	2013
Property revenues	$8,111
Property expenses	(3,470)
	$4,641
Depreciation and amortization	(1,867)
Income from discontinued operations	$2,774

Gain on sale of discontinued operations, net of tax	$31,783

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Land Holding Dispositions. In March 2014, we sold approximately 3.0 acres of land adjacent to a current development community located in Atlanta, Georgia for approximately $6.3 million and recognized a gain of approximately $0.4 million. In April 2014, we sold approximately 4.7 acres of land adjacent to an operating property located in Dallas, Texas for approximately $8.3 million. During the three months ended March 31, 2013, we sold two land parcels comprised of an aggregate of approximately 3.7 acres, adjacent to current development communities in Atlanta, Georgia and Houston, Texas, for approximately $6.6 million and recognized a gain of approximately $0.7 million.

6. Investments in Joint Ventures

Our equity investments in unconsolidated joint ventures, which we account for utilizing the equity method of accounting, consisted of two joint ventures at March 31, 2014 and December 31, 2013, and four joint ventures at March 31, 2013. The two joint ventures in which we held an equity investment at March 31, 2014 are two discretionary investment funds (the "funds"), in which we have a 20% ownership interest. We provide property management services to joint ventures which own operating properties, and we may provide construction and development services to the joint ventures which own properties under development. The following table summarizes the combined basis balance sheet and statement of income data for the unconsolidated joint ventures as of and for the periods presented:

(in millions)	March 31, 2014	December 31, 2013
Total assets	$739.2	$790.2
Total third-party debt	517.0	530.7
Total equity	203.7	229.6

	Three Months Ended March 31,	
(in millions)	2014	2013
Total revenues (1)	$25.1	$22.3
Gain on sale of operating properties, net of tax	18.5	—
Net income	20.0	2.0
Equity in income (2)	4.3	0.9

(1) Excludes approximately $1.1 million and $1.8 million for the three months ended March 31, 2014, and 2013, respectively, related to the sale of two operating properties by the funds during the first quarter of 2014. Additionally, excludes approximately $8.4 million for the three months ended March 31, 2013, related to the sale of 16 operating properties within two of our unconsolidated joint ventures in May and December 2013.

(2) Equity in income excludes our ownership interest of fee income from various property management services provided by us to the funds.

The funds in which we have a partial interest have been funded in part with secured third-party debt. As of March 31, 2014, we had no outstanding guarantees related to loans of the funds.

We may earn fees for property and asset management, construction, development, and other services related to joint ventures in which we own an equity interest and also may earn a promoted equity interest if certain thresholds are met. Fees earned for these services were approximately 2.7 million for each of the three months ended March 31, 2014 and 2013. We eliminate fee income for services provided to these joint ventures to the extent of our ownership.

In February 2014, each of the funds sold an operating property comprised of an aggregate of 558 apartment homes for approximately $65.6 million. One of the operating properties was located in San Antonio, Texas and the other operating property was located in Houston, Texas. Our proportionate share of the gains on these transactions was approximately $3.6 million and was reported as a component of equity in income of joint ventures in the condensed consolidated statements of income and comprehensive income.

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7. Notes Payable

The following is a summary of our indebtedness:

(in millions)	Balance at March 31, 2014	December 31, 2013
Commercial Banks		
Unsecured line of credit and short-term borrowings	$60.0	$—
Senior unsecured notes		
5.08% Notes, due 2015	249.8	249.7
5.75% Notes, due 2017	246.4	246.4
4.70% Notes, due 2021	248.9	248.8
3.07% Notes, due 2022	346.7	346.7
5.00% Notes, due 2023	247.7	247.7
4.27% Notes, due 2024	249.5	249.5
	1,589.0	1,588.8
Total unsecured notes payable	1,649.0	1,588.8
Secured notes		
0.93% – 6.00% Conventional Mortgage Notes, due 2014 – 2045	905.0	905.7
Tax-exempt Mortgage Note, due 2028 (1.31% floating rate)	35.9	36.3
	940.9	942.0
Total notes payable	$2,589.9	$2,530.8
Other floating rate debt included in secured notes (0.93%)	$175.0	$175.0

We have a $500 million unsecured credit facility which matures in September 2015 with an option to extend at our election to September 2016. Additionally, we have the option to increase this credit facility to $750 million by either adding additional banks to the credit facility or obtaining the agreement of the existing banks in the credit facility to increase their commitments. The interest rate is based upon the London Interbank Offered Rate ("LIBOR") plus a margin which is subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of 180 days or less and may not exceed the lesser of $250 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations. We believe we are in compliance with all such financial covenants and limitations on the date of this filing.

Our line of credit provides us with the ability to issue up to $100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line of credit, it does reduce the amount available. At March 31, 2014, we had $60.0 million outstanding on our $500 million unsecured line of credit and we had outstanding letters of credit totaling approximately $10.7 million, leaving approximately $429.3 million available under our unsecured line of credit. As an alternative to our unsecured line of credit, from time to time, we may borrow using an unsecured overnight borrowing facility. Our use of short-term borrowings does not decrease the amount available under our unsecured line of credit. At March 31, 2014, we had no short-term borrowings outstanding.

At March 31, 2014 and 2013, the weighted average interest rate on our floating rate debt of approximately $270.9 million and $212.4 million, respectively, which includes our unsecured line of credit and short-term borrowings, was approximately 1.0% and 1.1%, respectively.

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Our indebtedness, which includes our unsecured line of credit and short-term borrowings, had a weighted average maturity of 6.6 years at March 31, 2014. Scheduled repayments on outstanding debt, including our unsecured line of credit, short-term borrowings and scheduled principal amortizations, and the respective weighted average interest rate on maturing debt at March 31, 2014 were as follows:

(in millions)	Amount	Weighted Average Interest Rate	
2014	$34.5	3.2	%
2015	312.0	4.2	
2016 (1)	2.2	—	
2017	249.2	5.7	
2018	177.6	0.9	
Thereafter	1,814.4	4.5	
Total	$2,589.9	4.3	%

(1) Includes only scheduled principal amortizations.

8. Share-based Compensation and Non-Qualified Deferred Compensation Plan

Incentive Compensation. Under the 2011 Share Incentive Plan of Camden Property Trust (as amended, the "2011 Share Plan"), we may issue up to a total of approximately 9.1 million fungible units (the "Fungible Pool Limit"), which is comprised of approximately 5.8 million new fungible units plus approximately 3.3 million fungible units previously available for issuance under our 2002 share incentive plan based on a 3.45 to 1.0 fungible unit to full value award conversion ratio. Fungible units represent the baseline for the number of shares available for issuance under the 2011 Share Plan. Different types of awards are counted differently against the Fungible Pool Limit, as follows:

- Each share issued or to be issued in connection with an award, other than an option, right or other award which does not deliver the full value at grant of the underlying shares, will be counted against the Fungible Pool Limit as 3.45 fungible pool units;
- Options and other awards which do not deliver the full value at grant of the underlying shares and which expire more than five years from date of grant will be counted against the Fungible Pool Limit as one fungible pool unit; and
- Options, rights and other awards which do not deliver the full value at grant and expire five years or less from the date of grant will be counted against the Fungible Pool Limit as 0.83 of a fungible pool unit.

At March 31, 2014, approximately 5.6 million fungible units were available under the 2011 Share Plan, which results in approximately 1.6 million common shares which may be granted pursuant to full value awards based on the 3.45 to 1.0 fungible unit to full value award conversion ratio.

Options. Approximately 0.2 million and 0.1 million options were exercised during the three months ended March 31, 2014 and 2013, respectively. The total intrinsic value of options exercised was approximately $3.6 million and $4.1 million during the three months ended March 31, 2014 and 2013, respectively. At March 31, 2014, there was no unrecognized compensation cost related to unvested options. Options generally have a vesting period of three to five years. At March 31, 2014, options outstanding and exercisable had a weighted average remaining life of approximately 3.5 years.

The following table summarizes outstanding share options and exercisable options at March 31, 2014:

	Options Outstanding and Exercisable (1) (2)	
Range of Exercise Prices	Number	Weighted

		Average Price
$30.06-$41.16	207,036	$33.46
$43.90-$45.53	151,837	44.94
$48.02-$64.75	158,086	56.96
Total options	516,959	$44.02

(1) As of March 31, 2014, all options outstanding are also exercisable.

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(2) The aggregate intrinsic value of options outstanding and exercisable at March 31, 2014 was $12.1 million. The aggregate intrinsic values were calculated as the excess, if any, between our closing share price of $67.34 per share on March 31, 2014 and the strike price of the underlying award.

Options Granted and Valuation Assumptions. During the three months ended March 31, 2014, we granted approximately 0.1 million reload options. Reload options are granted for the number of shares tendered as payment for the exercise price upon the exercise of an option with a reload provision. The reload options granted have an exercise price equal to the fair market value of a common share on the date of grant and expire on the same date as the original options which were exercised. The reload options granted during the three months ended March 31, 2014 vested immediately and approximately $0.3 million was expensed on the reload date. We estimate the fair values of each option award including reloads on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for the reload options granted during the three months ended March 31, 2014:

	Three Months Ended March 31, 2014
Weighted average fair value of options granted	$3.55 - $8.17
Expected volatility	22.6% - 23.2%
Risk-free interest rate	0.1% - 1.1%
Expected dividend yield	3.5%
Expected life	6 months - 4 years

Our computation of expected volatility for 2014 is based on the historical volatility of our common shares over a time period equal to the expected life of the option and ending on the grant date. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield on our common shares is based on the historical dividend yield over the expected term of the options granted. Our computation of expected life is based upon historical experience of similar awards, giving consideration to the contractual terms of the share-based awards.

Share Awards and Vesting. Share awards for employees generally have a vesting period of three to five years. The compensation cost for share awards is based on the market value of the shares on the date of grant and is amortized over the vesting period. To estimate forfeitures, we use actual forfeiture history. At March 31, 2014, the unamortized value of previously issued unvested share awards was approximately $49.2 million, which is expected to be amortized over the next five years. The total fair value of shares vested during the three months ended March 31, 2014 and 2013 was approximately $15.5 million and $14.1 million, respectively.

Total compensation cost for option and share awards charged against income was approximately $3.8 million and $3.4 million for the three months ended March 31, 2014 and 2013, respectively. Total capitalized compensation cost for option and share awards was approximately $0.6 million and $0.5 million for the three months ended March 31, 2014 and 2013, respectively.

The following table summarizes activity under our share incentive plans for the three months ended March 31, 2014:

	Options Outstanding	Weighted Average Exercise Price	Nonvested Share Awards Outstanding	Weighted Average Grant Price
Total options and nonvested share awards outstanding at December 31, 2013	634,361	$41.59	831,298	$59.77
Granted	84,452	64.75	286,484	65.22

Exercised/vested	(180,168)	42.98	(281,828)	55.11
Forfeited	(21,686)	62.32	(2,847)	64.03
Total options and nonvested share awards outstanding at March 31, 2014	516,959	$44.02	833,107	$63.20

Non-Qualified Deferred Compensation Plan. In February 2014, we adopted the Second Amended and Restated Camden Property Trust Non-Qualified Deferred Compensation Plan (the "Plan") to clarify certain terms in the original plan relating to the deferral of performance based compensation. The Plan permits diversification of fully vested share awards into other equity securities subject to a six month holding period, which results in the fully vested awards and the proportionate share of nonvested awards eligible for diversification being reclassified from additional paid in capital to temporary equity in our condensed consolidated balance sheets. The share awards are adjusted to their redemption value at each reporting period, with the redemption

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value based on the market value of the shares at the end of the reporting period. Changes in value from period to period are charged to distributions in excess of net income attributable to common shareholders in our condensed consolidated statements of equity.