

ASSOCIATED ESTATES REALTY CORP
Form 10-Q
November 03, 2009

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

Form 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 1-12486

Associated Estates Realty Corporation

(Exact name of registrant as specified in its charter)

OHIO

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

34-1747603

*(I.R.S. Employer
Identification Number)*

1 AEC Parkway, Richmond Hts., Ohio 44143-1467

(Address of principal executive offices)

(216) 261-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (subsection 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding as of October 26, 2009 was 16,704,871 shares.

ASSOCIATED ESTATES REALTY CORPORATION

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PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ASSOCIATED ESTATES REALTY CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)

ASSETS	September 30, 2009	December 31, 2008
Real estate assets		
Land	\$ 107,815	\$ 110,220
Buildings and improvements	795,178	812,443
Furniture and fixtures	29,279	29,315
	932,272	951,978
Less: accumulated depreciation	(294,293)	(280,541)
	637,979	671,437
Construction in progress	3,158	745
Real estate associated with property held for sale, net	-	1,666
Real estate, net	641,137	673,848
Cash and cash equivalents	4,061	3,551
Restricted cash	7,530	6,873
Accounts and notes receivable, net		
Rents	1,138	1,320
Affiliates	308	606
Other	1,631	1,842
Goodwill	1,725	1,725
Other assets, net	10,325	10,131
Total assets	\$ 667,855	\$ 699,896
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$ 488,369	\$ 510,201
Unsecured revolving credit facility	12,000	21,500
Unsecured debt	25,780	25,780
Total debt	526,149	557,481
Accounts payable, accrued expenses and other liabilities	26,858	26,217
Dividends payable	2,995	2,920
Resident security deposits	3,010	3,360
Accrued interest	2,248	2,468
Total liabilities	561,260	592,446
Noncontrolling redeemable interest	1,829	1,829
Shareholders' equity		
Preferred shares, without par value; 9,000,000 shares authorized; 8.70% Class B Series II cumulative redeemable, \$250 per share liquidation preference, 232,000 issued and 193,050 outstanding at September 30, 2009 and December 31, 2008, respectively	48,263	48,263
Common shares, without par value, \$.10 stated value; 41,000,000 authorized; 22,995,763 issued and 16,704,871 and 16,556,221 outstanding at September 30, 2009 and December 31, 2008, respectively	2,300	2,300
Paid-in capital	282,897	282,501
Accumulated distributions in excess of accumulated net income	(162,405)	(159,595)
Accumulated other comprehensive loss	(1,965)	(2,899)
Less: Treasury shares, at cost, 6,290,892 and 6,439,542 shares at September 30, 2009 and December 31, 2008, respectively	(64,324)	(64,949)
Total shareholders' equity	104,766	105,621
Total liabilities and shareholders' equity	\$ 667,855	\$ 699,896

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

ASSOCIATED ESTATES REALTY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(In thousands, except per share amounts)</i>	2009	2008	2009	2008
Revenue				
Property revenue	\$ 32,255	\$ 33,077	\$ 96,217	\$ 95,467
Management and service company revenue:				
Fees, reimbursements and other	232	428	1,057	1,378
Construction and other services	379	547	730	872
Total revenue	32,866	34,052	98,004	97,717
Expenses				
Property operating and maintenance	13,999	14,413	41,566	40,789
Depreciation and amortization	8,502	9,304	26,297	26,726
Direct property management and service company expense	210	420	918	1,213
Construction and other services	465	578	999	1,098
General and administrative	3,831	3,668	10,136	10,379
Total expenses	27,007	28,383	79,916	80,205
Operating income	5,859	5,669	18,088	17,512
Interest income	6	16	41	122
Interest expense	(8,665)	(9,012)	(25,586)	(26,624)
(Loss) income before gain on insurance recoveries, equity in net loss of joint ventures and income from discontinued operations	(2,800)	(3,327)	(7,457)	(8,990)
Gain on insurance recoveries	-	-	544	-
Equity in net loss of joint ventures	-	(28)	-	(72)
(Loss) income from continuing operations	(2,800)	(3,355)	(6,913)	(9,062)
Income from discontinued operations:				
Operating income (loss)	-	325	568	(678)
Gain on disposition of properties	(2)	-	15,411	45,203
Income from discontinued operations	(2)	325	15,979	44,525
Net (loss) income	(2,802)	(3,030)	9,066	35,463
Net income attributable to noncontrolling redeemable interest	(14)	(13)	(40)	(40)
Net (loss) income attributable to AERC	(2,816)	(3,043)	9,026	35,423
Preferred share dividends	(1,049)	(1,201)	(3,149)	(3,603)
Allocation to participating securities	-	-	(457)	(755)
Net (loss) income applicable to common shares	\$ (3,865)	\$ (4,244)	\$ 5,420	\$ 31,065