

HEALTH CARE PROPERTY INVESTORS INC

Form 10-Q

October 30, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006.

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 1-8895

HEALTH CARE PROPERTY INVESTORS, INC.

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(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation of organization)

33-0091377
(I.R.S. Employer
Identification No.)

3760 Kilroy Airport Way, Suite 300
Long Beach, CA 90806
(Address of principal executive offices)

(562) 733-5100
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of Accelerated Filer and Large Accelerated Filer in Rule 12b-2 of the Exchange Act. (check one):
Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
YES ☐ NO ☒

As of October 23, 2006, there were 164,808,806 shares of \$ 1.00 par value common stock outstanding.

HEALTH CARE PROPERTY INVESTORS, INC.

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HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Real estate:		
Buildings and improvements	\$ 3,754,173	\$ 3,365,869
Developments in process	19,822	22,286
Land	361,391	328,609
Less accumulated depreciation and amortization	657,552	573,767
Net real estate	3,477,834	3,142,997
Loans receivable, net:		
Joint venture partners	7,053	7,006
Others	138,258	179,825
Investments in and advances to unconsolidated joint ventures	49,757	48,598
Accounts receivable, net of allowance of \$1,188 and \$1,205, respectively	12,676	13,313
Cash and cash equivalents	645,363	21,342
Restricted cash	125,165	2,270
Intangibles, net	58,501	38,804
Real estate held for sale, net	27,964	98,855
Other assets, net	68,930	44,255
Total assets	\$ 4,611,501	\$ 3,597,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank line of credit	\$	\$ 258,600
Senior unsecured notes	2,471,274	1,462,250
Mortgage debt	452,154	236,096
Accounts payable and accrued liabilities	89,371	68,718
Deferred revenue	31,372	22,551
Total liabilities	3,044,171	2,048,215
Minority interests:		
Joint venture partners	24,848	20,905
Non-managing member unitholders	127,763	128,379
Total minority interests	152,611	149,284
Stockholders' equity:		
Preferred stock, \$1.00 par value: 50,000,000 shares authorized; 11,820,000 shares issued and outstanding, liquidation preference of \$25 per share	285,173	285,173
Common stock, \$1.00 par value: 750,000,000 shares authorized; 137,560,108 and 136,193,764 shares issued and outstanding, respectively	137,560	136,194
Additional paid-in capital	1,478,990	1,446,349
Cumulative net income	1,697,419	1,521,146
Cumulative dividends	(2,179,535)	(1,988,248)
Accumulated other comprehensive loss	(4,888)	(848)

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Total stockholders' equity		1,414,719		1,399,766
Total liabilities and stockholders' equity	\$	4,611,501	\$	3,597,265

See accompanying Notes to Condensed Consolidated Financial Statements.

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues and other income:				
Rental revenues and other income	\$ 130,952	\$ 111,948	\$ 376,499	\$ 316,796
Equity income (loss) from unconsolidated joint ventures	1,044	(531)	7,580	(232)
Interest and other income	7,601	7,807	29,709	18,998
	139,597	119,224	413,788	335,562
Costs and expenses:				
Interest	36,968	28,262	102,701	76,872
Depreciation and amortization	32,237	26,690	93,683	75,697
Operating	20,105	13,373	56,786	42,062
General and administrative	8,280	7,301	25,218	23,413
Impairments			3,087	
	97,590	75,626	281,475	218,044
Income before minority interests	42,007	43,598	132,313	117,518
Minority interests	(3,511)	(3,415)	(11,458)	(9,593)
Income from continuing operations	38,496	40,183	120,855	107,925
Discontinued operations:				
Operating income	2,594	4,585	10,441	14,444
Gain on sales of real estate, net of impairments	35,728	273	44,977	9,177
	38,322	4,858	55,418	23,621
Net income	76,818	45,041	176,273	131,546
Preferred stock dividends	(5,282)	(5,282)	(15,848)	(15,848)
Net income applicable to common shares	\$ 71,536	\$ 39,759	\$ 160,425	\$ 115,698
Basic earnings per common share:				
Continuing operations	\$ 0.24	\$ 0.26	\$ 0.77	\$ 0.69
Discontinued operations	0.28	0.03	0.41	0.17
Net income applicable to common shares	\$ 0.52	\$ 0.29	\$ 1.18	\$ 0.86
Diluted earnings per common share:				
Continuing operations	\$ 0.24	\$ 0.26	\$ 0.77	\$ 0.69
Discontinued operations	0.28	0.03	0.40	0.17
Net income applicable to common shares	\$ 0.52	\$ 0.29	\$ 1.17	\$ 0.86
Weighted average shares used to calculate earnings per common share:				

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Basic	136,682	135,225	136,402	134,385
Diluted	143,538	136,135	139,195	135,291

See accompanying Notes to Condensed Consolidated Financial Statements.

HEALTH CARE PROPERTY INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Net Income	Cumulative Dividends	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount					
December 31, 2005	11,820	\$ 285,173	136,194	\$ 136,194	\$ 1,446,349	\$ 1,521,146	\$ (1,988,248)	\$ (848)	\$ 1,399,766
Exercise of stock options			360	360	5,926				6,286
Other issuances of common stock, net			1,006	1,006	20,655				21,661
Net income						176,273			176,273
Preferred stock dividends							(15,848)		(15,848)
Common stock dividends							(175,439)		(175,439)
Amortization of deferred compensation					6,060				6,060
Other comprehensive loss, net								(4,040)	(4,040)
September 30, 2006	11,820	\$ 285,173	137,560	\$ 137,560	\$ 1,478,990	\$ 1,697,419	\$ (2,179,535)	\$ (4,888)	\$ 1,414,719

See accompanying Notes to Condensed Consolidated Financial Statements.

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 176,273	\$ 131,546
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of real estate and in-place lease intangibles:		
Continuing operations	93,683	75,697
Discontinued operations	2,142	3,410
Amortization of above and below market lease intangibles, net	(1,383)	(1,708)
Stock-based compensation	6,060	4,779
Debt issuance costs amortization	2,746	2,344
Recovery of loan losses		(56)
Straight-line rents	(7,436)	(4,651)
Equity (income) loss from unconsolidated joint ventures	(7,580)	232
Distributions of earnings from unconsolidated joint ventures	7,580	
Minority interests	11,458	9,593
Gain on sales of securities, net	(1,552)	(2,758)
Impairments	4,711	
Gain on sales of real estate, net	(46,601)	(9,177)
Changes in:		
Accounts receivable	637	1,327
Other assets	(6,898)	(1,405)
Accounts payable, accrued liabilities and deferred revenue	20,653	11,868
Net cash provided by operating activities	254,493	221,041
Cash flows from investing activities:		
Acquisition and development of real estate	(336,709)	(376,713)
Lease commissions and tenant and capital improvements	(12,003)	(4,474)
Net proceeds from sales of real estate	100,217	46,328
Distributions from unconsolidated joint ventures	161	6,712
Proceeds from the sale of securities	5,630	2,858
Purchase of securities	(12,895)	
Principal repayments on loans receivable	45,525	12,589
Investment in loans receivable	(4,005)	(9,787)
(Increase) decrease in restricted cash	(122,895)	2,288
Net cash used in investing activities	(336,974)	(320,199)
Cash flows from financing activities:		
Repayments of bank lines of credit	(258,600)	(130,100)
Repayment of mortgage debt	(20,399)	(15,295)
Issuance of mortgage debt	161,874	
Repayment of senior unsecured notes	(135,000)	(22,500)
Issuance of senior unsecured notes	1,142,877	445,471
Settlement of cash flow hedges	(4,354)	

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Net proceeds from the issuance of common stock and exercise of options	21,686	39,788
Dividends paid on common and preferred stock	(191,287)	(185,866)
Net distributions to minority interests	(10,295)	(11,128)
Net cash provided by financing activities	706,502	120,370
Net increase in cash and cash equivalents	624,021	21,212
Cash and cash equivalents, beginning of period	21,342	16,962