

ASSOCIATED ESTATES REALTY CORP
Form 10-Q
November 02, 2010

**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, 2010

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",

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"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, 2010 was 41,368,595 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)

	September 30, 2010	December 31, 2009
ASSETS		
Real estate assets		
Land	\$ 149,048	\$ 107,815
Buildings and improvements	917,924	798,321
Furniture and fixtures	32,342	29,710
Construction in progress	476	4,797
Gross real estate	1,099,790	940,643
Less: accumulated depreciation	(326,788)	(302,108)
Real estate, net	773,002	638,535
Cash and cash equivalents	3,294	3,600
Restricted cash	8,648	7,093
Accounts and notes receivable, net		
Rents	1,179	1,115
Affiliates	39	135
Other	6,883	1,910
Goodwill	1,725	1,725
Other assets, net	13,519	8,392
Total assets	\$ 808,289	\$ 662,505
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage notes payable	\$ 463,963	\$ 487,556
Unsecured revolving credit facility	96,200	12,500
Unsecured debt	-	25,780
Total debt	560,163	525,836
Accounts payable, accrued expenses and other liabilities	28,475	27,307
Dividends payable	5,611	2,849
Resident security deposits	3,078	2,956
Accrued interest	2,298	2,288
Total liabilities	599,625	561,236
Noncontrolling redeemable interest	1,734	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 December 31, 2009	-	48,263
Common shares, without par value, \$.10 stated value; 91,000,000 authorized, 37,370,763 issued and 32,169,761 outstanding at September 30, 2010 and 41,000,000 authorized, 22,995,763 issued and 16,675,826 outstanding at December 31, 2009	3,737	2,300
Paid-in capital	455,745	283,090
Accumulated distributions in excess of accumulated net income	(194,980)	(168,822)
Accumulated other comprehensive loss	(130)	(1,420)
Less: Treasury shares, at cost, 5,201,002 and 6,319,937 shares at September 30, 2010 and December 31, 2009, respectively	(58,482)	(63,971)
Total shareholders' equity attributable to AERC	205,890	99,440
Noncontrolling interest	1,040	-
Total equity	206,930	99,440
Total liabilities and equity	\$ 808,289	\$ 662,505

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,	
	2010	2009	2010	2009
<i>(In thousands, except per share amounts)</i>				
Revenue				
Property revenue	\$ 34,356	\$ 32,255	\$ 98,963	\$ 96,217
Management and service company revenue:				
Fees, reimbursements and other	217	232	715	1,057
Construction and other services	5,717	379	8,448	730
Total revenue	40,290	32,866	108,126	98,004
Expenses				
Property operating and maintenance	14,934	13,999	43,120	41,566
Depreciation and amortization	10,126	8,502	27,716	26,297
Direct property management and service company expense	192	210	602	918
Construction and other services	5,384	465	8,685	999
General and administrative	3,560	3,831	10,957	10,136
Costs associated with acquisitions	368	-	429	-
Total expenses	34,564	27,007	91,509	79,916
Operating income	5,726	5,859	16,617	18,088
Interest income	6	6	27	41
Interest expense	(7,516)	(8,665)	(23,882)	(25,586)
(Loss) income before gain on insurance recoveries				