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Whitestone REIT
Form 10-Q
August 07, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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 001-34855

WHITESTONE REIT

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

76-0594970

(I.R.S. Employer
Identification No.)

2600 South Gessner, Suite 500

Houston, Texas

(Address of Principal Executive Offices)

77063

(Zip Code)

(713) 827-9595

(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 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 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

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of August 4, 2014, there were 22,713,237 common shares of beneficial interest, \$0.001 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Whitestone REIT and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Real estate assets, at cost		
Property	\$548,515	\$546,274
Accumulated depreciation	(70,602)	(66,008)
Total real estate assets	477,913	480,266
Cash and cash equivalents	5,042	6,491
Marketable securities	982	877
Escrows and acquisition deposits	2,419	2,095
Accrued rents and accounts receivable, net of allowance for doubtful accounts	10,316	9,929
Unamortized lease commissions and loan costs	5,910	6,227
Prepaid expenses and other assets	2,543	2,089
Total assets	\$505,125	\$507,974
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable	\$264,123	\$264,277
Accounts payable and accrued expenses	12,405	12,773
Tenants' security deposits	3,807	3,591
Dividends and distributions payable	6,609	6,418
Total liabilities	286,944	287,059
Commitments and contingencies:	—	—
Equity:		
Preferred shares, \$0.001 par value per share; 50,000,000 shares authorized; none issued and outstanding as of June 30, 2014 and December 31, 2013	—	—
Common shares, \$0.001 par value per share; 400,000,000 shares authorized; 22,683,913 and 21,943,700 issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	23	22
Additional paid-in capital	299,291	291,571
Accumulated deficit	(84,911)	(75,721)
Accumulated other comprehensive loss	(242)	(54)
Total Whitestone REIT shareholders' equity	214,161	215,818
Noncontrolling interest in subsidiary	4,020	5,097
Total equity	218,181	220,915
Total liabilities and equity	\$505,125	\$507,974

See accompanying notes to Consolidated Financial Statements

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Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Property revenues				
Rental revenues	\$13,839	\$11,812	\$27,812	\$22,813
Other revenues	3,835	2,983	7,649	5,851
Total property revenues	17,674	14,795	35,461	28,664
Property expenses				
Property operation and maintenance	4,142	3,348	7,802	6,413
Real estate taxes	2,251	2,012	4,561	3,810
Total property expenses	6,393	5,360	12,363	10,223
Other expenses (income)				
General and administrative	3,582	2,516	6,539	4,960
Depreciation and amortization	3,908	3,260	7,816	6,333
Interest expense	2,449	2,613	4,821	5,062
Interest, dividend and other investment income	(19)	(69)	(40)	(88)
Total other expense	9,920	8,320	19,136	16,267
Income before loss on sale or disposal of assets and income taxes	1,361	1,115	3,962	2,174
Provision for income taxes	(57)	(72)	(141)	(137)
Loss on sale or disposal of assets	(24)	(40)	(109)	(48)
Net income	1,280	1,003	3,712	1,989
Less: Net income attributable to noncontrolling interests	27	33	87	70
Net income attributable to Whitestone REIT	\$1,253	\$970	\$3,625	\$1,919

See accompanying notes to Consolidated Financial Statements

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Whitestone REIT and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic and Diluted Earnings Per Share:				
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	\$0.05	\$0.06	\$0.16	\$0.11
Weighted average number of common shares outstanding:				
Basic	22,235	16,891	22,030	16,855
Diluted	22,443	17,111	22,192	17,073
Distributions declared per common share / OP unit	\$0.2850	\$0.2850	\$0.5700	\$0.5700
Consolidated Statements of Comprehensive Income				
Net income	\$1,280	\$1,003	\$3,712	\$1,989
Other comprehensive gain (loss)				
Unrealized gain (loss) on cash flow hedging activities	(259) 761	(297) 493
Unrealized gain (loss) on available-for-sale marketable securities	22	(88) 105	215
Comprehensive income	1,043	1,676	3,520	2,697
Less: Comprehensive income attributable to noncontrolling interests	23	57	82	95
Comprehensive income attributable to Whitestone REIT	\$1,020	\$1,619	\$3,438	\$2,602

See accompanying notes to Consolidated Financial Statements

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Whitestone REIT and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(in thousands)

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Gain (Loss)	Total Shareholders' Equity	Noncontrolling interests Units	Dollars	Total Equity	
Balance, December 31, 2013	21,944	\$22	\$291,571	\$ (75,721)	\$ (54)	\$ 215,818	562	\$5,097	\$220,915
Exchange of noncontrolling interest OP units for common shares	96	—	870	—	(1)	869	(96)	(869)	—
Exchange offer costs	—	—	(6)	—	—	(6)	—	—	(6)
Issuance of common shares - ATM Program, net of offering costs ⁽¹⁾	378	1	5,266	—	—	5,267	—	—	5,267
Issuance of shares under dividend reinvestment plan	4	—	50	—	—	50	—	—	50
Repurchase of common shares ⁽²⁾	(2)	—	(24)	—	—	(24)	—	—	(24)
Share-based compensation	264	—	1,564	—	—	1,564	—	—	1,564
Distributions	—	—	—	(12,815)	—	(12,815)	—	-(290)	(13,105)
Unrealized gain on change in fair value of available-for-sale marketable securities	—	—	—	—	103	103	—	2	105
Unrealized loss on change in value of cash flow hedge	—	—	—	—	(290)	(290)	—	(7)	(297)

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Net income	—	—	—	3,625	—	3,625	—	87	3,712
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