

RECKSON ASSOCIATES REALTY CORP

Form 10-Q

November 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 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, 2005

Commission file number: **1-13762**

RECKSON ASSOCIATES REALTY CORP.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

11-3233650

(IRS Employer
Identification Number)

225 Broadhollow Road, Melville, NY

(Address of principal executive office)

11747

(zip code)

(Registrant's telephone number including area code) **(631) 694-6900**

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) Yes No , and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No .

The Company has one class of common stock, par value \$.01 per share, with 82,558,773 shares outstanding as of November 1, 2005.

RECKSON ASSOCIATES REALTY CORP.

QUARTERLY REPORT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

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(Dollars in thousands, except for share amounts)

	September 30, 2005	December 31, 2004
	(unaudited)	
ASSETS:		
Commercial real estate properties, at cost:		
Land	\$ 385,457	\$ 362,826
Building and improvements	2,452,509	2,332,562
Developments in progress:		
Land	101,371	90,976
Development costs	81,981	42,169
Furniture, fixtures and equipment	12,391	11,611
	<hr/>	<hr/>
	3,033,709	2,840,144
Less accumulated depreciation	(516,399)	(445,411)
	<hr/>	<hr/>
Investments in real estate, net of accumulated depreciation	2,517,310	2,394,733
Properties and related assets held for sale, net of accumulated depreciation	669,596	345,392
Investment in real estate joint ventures	12,946	6,657
Investment in notes receivable	166,219	85,855
Investments in affiliate loans and joint ventures	57,642	60,951
Cash and cash equivalents	32,799	25,137
Tenant receivables	11,157	9,558
Deferred rents receivable	135,399	109,890
Prepaid expenses and other assets	179,884	59,467
Contract and land deposits and pre-acquisition costs	2,898	121
Deferred leasing and loan costs	77,282	69,847
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,863,132	\$ 3,167,608
LIABILITIES:		
Mortgage notes payable	\$ 531,527	\$ 576,719
Unsecured credit facility	231,000	235,500
Senior unsecured notes	979,970	697,974
Liabilities associated with properties held for sale	407,841	38,890
Accrued expenses and other liabilities	77,245	67,758
Deferred revenues and tenant lease security deposits	75,296	50,373
Dividends and distributions payable	36,232	35,924
	<hr/>	<hr/>
TOTAL LIABILITIES	2,339,111	1,703,138
	<hr/>	<hr/>
Minority partners' interests in consolidated partnerships	214,608	211,178
Preferred unit interest in the operating partnership	1,200	1,200
Limited partners' minority interest in the operating partnership	33,719	53,231
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TOTAL MINORITY INTERESTS	249,527	265,609

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Commitments and contingencies	---	---
STOCKHOLDERS EQUITY:		
Preferred stock, \$.01 par value, 25,000,000 shares authorized	---	---
Common stock, \$.01 par value, 200,000,000 shares authorized 82,556,273 and 80,618,339 shares issued and outstanding, respectively	826	806
Additional paid in capital	1,342,637	1,266,547
Accumulated other comprehensive loss	(477)	---
Treasury stock, 3,318,600 shares	(68,492)	(68,492)
TOTAL STOCKHOLDERS EQUITY	<u>1,274,494</u>	<u>1,198,861</u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	<u>\$ 3,863,132</u>	<u>\$ 3,167,608</u>

(see accompanying notes to financial statements)

[Back to Contents](#)**RECKSON ASSOCIATES REALTY CORP.****CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited and in thousands, except per share and share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
PROPERTY OPERATING REVENUES:				
Base Rents	\$ 124,130	\$ 106,605	\$ 358,181	\$ 318,877
Tenant escalations and reimbursements	21,163	18,865	56,370	53,105
Total property operating revenues	145,293	125,470	414,551	371,982
OPERATING EXPENSES:				
Property operating expenses	59,038	52,328	164,450	149,963
Marketing, general and administrative	8,224	7,503	24,597	21,586
Depreciation and amortization	35,486	28,697	96,546	83,477
Total operating expenses	102,748	88,528	285,593	255,026
Operating income	42,545	36,942	128,958	116,956
NON-OPERATING INCOME AND EXPENSES:				
Gains on sales of real estate	85,512	—	85,512	—
Interest income on notes receivable (including \$49, \$479, \$1,318 and \$1,608, respectively, from related parties)	3,833	1,963	9,613	5,455
Investment income and other	6,509	5,279	7,647	10,671
Interest:				
Expense	(31,985)	(24,120)	(82,810)	(74,388)
Amortization of deferred financing costs	(1,118)	(1,005)	(3,177)	(2,831)
Total non-operating income and expenses	62,751	(17,883)	16,785	(61,093)
Income before minority interests, preferred dividends and distributions, equity in earnings of real estate joint ventures and discontinued operations	105,296	19,059	145,743	55,863
Minority partners' interests in consolidated partnerships	(3,740)	(4,135)	(11,368)	(14,738)
Limited partners' minority interest in the operating partnership	(3,297)	(235)	(4,646)	(1,182)
Distributions to preferred unit holders	—	(41)	—	(541)
Equity in earnings of real estate joint ventures	248	112	482	520
Income before discontinued operations and dividends to preferred shareholders	98,507	14,760	130,211	39,922
Discontinued operations (net of minority interests):				
Income from discontinued operations	1,433	2,006	4,671	5,443
Gains on sales of real estate	13,615	2,228	13,790	11,069
Net income	113,555	18,994	148,672	56,434
Dividends to preferred shareholders	—	(3,437)	—	(11,868)
Redemption charges on Series A preferred stock	—	(6,717)	—	(6,717)

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Net income allocable to common shareholders	\$ 113,555	\$ 8,840	\$ 148,672	\$ 37,849
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Basic net income per weighted average common share:				
Common	\$ 1.20	\$.07	\$ 1.59	\$.32
Discontinued operations	.18	.06	.23	.25
	<hr/>	<hr/>	<hr/>	<hr/>
Basic net income per common share	\$ 1.38	\$.13	\$ 1.82	\$.57
	<hr/>	<hr/>	<hr/>	<hr/>
Basic weighted average common shares outstanding	82,544,645	70,236,721	81,847,595	66,178,835
Diluted net income per weighted average common share	\$ 1.37	\$.13	\$ 1.81	\$.57
	<hr/>	<hr/>	<hr/>	<hr/>
Diluted weighted average common shares outstanding	83,026,184	70,510,301	82,284,475	66,533,225
	(see accompanying notes to financial statements)			

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(Unaudited and in thousands)

	Nine Months Ended September 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 148,672	\$ 56,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	100,093	86,496
Minority partners' interests in consolidated partnerships	11,368	17,271
Limited partners' minority interest in consolidated partnerships	5,296	2,090
Gains on sales of real estate	(99,764)	(13,724)
Equity in earnings of real estate joint ventures	(482)	(520)
Changes in operating assets and liabilities:		
Deferred rents receivable	(26,794)	(13,863)
Prepaid expenses and other assets	(495)	(1,936)
Tenant receivables	(589)	450
Accrued expenses and other liabilities	15,578	(1,456)
Tenant lease security deposits	(1,545)	(913)
Net cash provided by operating activities	151,338	130,329
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchases of commercial real estate properties	(624,073)	(138,894)
Additions to developments in progress	(35,967)	(20,454)
Increase in contract and land deposits and pre-acquisition costs	(8,830)	—
Repayments of notes receivable	3,402	17,658
Additions to notes receivable	(78,659)	(15,619)
Additions to commercial real estate properties	(55,125)	(28,014)
Payment of deferred leasing costs	(15,590)	(13,951)
Investments in real estate joint ventures	(6,221)	—
Contributions to a real estate joint venture	—	(150)
Additions to furniture, fixtures and equipment	(615)	(528)
Proceeds from sales of real estate	23,681	64,337
Net cash (used in) investing activities	(797,997)	(135,615)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from secured borrowings	562,601	—
Principal payments on secured borrowings	(56,733)	(255,715)
Proceeds from issuance of senior unsecured notes, net of issuance costs	281,750	296,417
Repayment of senior unsecured notes	—	(100,000)
Payment of loan and equity issuance costs	(15,559)	(4,232)
Proceeds from unsecured credit facility	337,000	312,498
Principal payments on unsecured credit facility	(341,500)	(391,498)

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Proceeds from unsecured bridge facility	470,000	—
Principal payments on unsecured bridge facility	(470,000)	—
Proceeds from issuance of common stock, net of issuance costs, and exercise of stock options	3,837	344,786
Redemption of Series A preferred stock	—	(47,580)