

SAUL CENTERS INC
Form 10-Q
August 06, 2012
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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 June 30, 2012

Commission File Number 1-12254

SAUL CENTERS, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

52-1833074
(I.R.S. Employer Identification No.)

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7501 Wisconsin Avenue, Bethesda, Maryland 20814

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (301) 986-6200

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 requirement 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 (§ 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 definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer 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

Number of shares of common stock, par value \$0.01 per share outstanding as of July 31, 2012: 19.8 million.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2011, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

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	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Real estate investments		
Land	\$ 324,190	\$ 324,183
Buildings and equipment	1,097,208	1,092,533
Construction in progress	1,150	1,129
	1,422,548	1,417,845
Accumulated depreciation	(340,579)	(326,397)
	1,081,969	1,091,448
Cash and cash equivalents	37,251	12,323
Accounts receivable and accrued income, net	38,671	39,094
Deferred leasing costs, net	26,074	25,876
Prepaid expenses, net	1,437	3,868
Deferred debt costs, net	8,267	7,090
Other assets	7,401	12,870
Total assets	\$ 1,201,070	\$ 1,192,569
Liabilities		
Mortgage notes payable	\$ 833,095	\$ 823,871
Revolving credit facility payable		8,000
Dividends and distributions payable	13,335	13,219
Accounts payable, accrued expenses and other liabilities	26,712	22,992
Deferred income	31,156	31,281
Total liabilities	904,298	899,363
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized:		
Series A Cumulative Redeemable, 40,000 shares issued and outstanding	100,000	100,000
Series B Cumulative Redeemable, 31,731 shares issued and outstanding	79,328	79,328
Common stock, \$0.01 par value, 30,000,000 shares authorized, 19,614,717 and 19,291,845 shares issued and outstanding, respectively	196	193
Additional paid-in capital	230,002	217,829
Accumulated deficit	(150,351)	(144,659)
Accumulated other comprehensive loss	(3,536)	(2,863)
Total Saul Centers, Inc. stockholders' equity	255,639	249,828
Noncontrolling interest	41,133	43,378
Total stockholders' equity	296,772	293,206
Total liabilities and stockholders' equity	\$ 1,201,070	\$ 1,192,569

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The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS*(Unaudited)**(Dollars in thousands,**except per share amounts)*

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue				
Base rent	\$ 38,100	\$ 34,193	\$ 75,688	\$ 66,890
Expense recoveries	7,456	6,791	15,165	14,217
Percentage rent	453	453	859	828
Other	1,511	1,342	2,912	2,577
Total revenue	47,520	42,779	94,624	84,512
Operating expenses				
Property operating expenses	6,009	5,827	11,798	12,460
Provision for credit losses	241	518	593	1,033
Real estate taxes	5,538	4,656	11,382	9,138
Interest expense and amortization of deferred debt costs	12,567	11,170	25,338	21,464
Depreciation and amortization of deferred leasing costs	9,770	8,472	19,548	16,796
General and administrative	3,784	3,943	7,031	7,109
Total operating expenses	37,909	34,586	75,690	68,000
Operating income	9,611	8,193	18,934	16,512
Change in fair value of derivatives	(16)	(1,244)	(19)	(1,157)
Acquisition related costs				(74)
Gain on casualty settlement		198		198
Net income	9,595	7,147	18,915	15,479
Noncontrolling interest				
Income attributable to noncontrolling interests	(1,516)	(749)	(2,972)	(1,772)
Net income attributable to Saul Centers, Inc.	8,079	6,398	15,943	13,707
Preferred dividends	(3,785)	(3,785)	(7,570)	(7,570)
Net income available to common stockholders	\$ 4,294	\$ 2,613	\$ 8,373	\$ 6,137
Per share net income available to common stockholders				
Basic and diluted:	\$ 0.22	\$ 0.14	\$ 0.43	\$ 0.33
Dividends declared per common share outstanding	\$ 0.36	\$ 0.36	\$ 0.72	\$ 0.72

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME*(Unaudited)*

<i>(Dollars in thousands)</i>	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 9,595	\$ 7,147	\$ 18,915	\$ 15,479
Other comprehensive income				
Change in unrealized gain (loss) on cash flow hedge	(1,466)	(26)	(912)	543
Total comprehensive income	8,129	7,121	18,003	16,022
Comprehensive income attributable to noncontrolling interests	(1,142)	(741)	(2,744)	(1,893)
Total comprehensive income attributable to Saul Centers, Inc.	6,987	6,380	15,259	14,129
Preferred dividends	(3,785)	(3,785)	(7,570)	(7,570)