

INDEPENDENCE REALTY TRUST, INC
Form 10-Q
August 07, 2014
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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 001-36041

INDEPENDENCE REALTY TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

26-4567130
(I.R.S. Employer
Identification No.)

Cira Centre

2929 Arch St., 17th Floor

Philadelphia, PA
(Address of Principal Executive Offices)

19104
(Zip Code)

(215) 243-9000

(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

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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 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

As of August 5, 2014 there were 25,801,540 shares of the Registrant's common stock issued and outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Independence Realty Trust, Inc. and Subsidiaries****Consolidated Balance Sheets****(Unaudited and dollars in thousands, except share and per share data)**

	As of June 30, 2014	As of December 31, 2013
ASSETS:		
Investments in real estate:		
Investments in real estate at cost	\$ 362,323	\$ 190,096
Accumulated depreciation	(18,804)	(15,775)
Investments in real estate, net	343,519	174,321
Cash and cash equivalents	8,054	3,334
Restricted cash	2,698	1,122
Accounts receivable and other assets	2,682	1,731
Intangible assets, net of accumulated amortization of \$2,513 and \$569, respectively	1,126	517
Deferred costs, net of accumulated amortization of \$293 and \$151, respectively	1,568	846
Total Assets	\$ 359,647	\$ 181,871
LIABILITIES AND EQUITY:		
Indebtedness	\$ 215,628	\$ 103,303
Accounts payable and accrued expenses	5,725	2,374
Accrued interest payable	30	63
Dividends payable	1,076	515
Other liabilities	946	708
Total Liabilities	223,405	106,963
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively		
Common stock, \$0.01 par value; 300,000,000 shares authorized, 17,751,540 and 9,652,540 shares issued and outstanding, including 40,000 unvested restricted common share awards, as of June 30, 2014		
	177	96
Additional paid-in capital	140,973	78,112
Retained earnings (accumulated deficit)	(6,867)	(3,300)

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Total shareholders equity	134,283	74,908
Noncontrolling interests	1,959	
Total Equity	136,242	74,908
Total Liabilities and Equity	\$ 359,647	\$ 181,871

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Independence Realty Trust, Inc. and Subsidiaries****Consolidated Statements of Operations**

(Unaudited and dollars in thousands, except share and per share data)

	For the Three-Month Periods Ended June 30		For the Six-Month Periods Ended June 30	
	2014	2013	2014	2013
REVENUE:				
Rental income	\$ 10,613	\$ 4,218	\$ 17,966	\$ 8,396
Tenant reimbursement income	436	220	802	443
Other income	600	262	1,016	549
Total revenue	11,649	4,700	19,784	9,388
EXPENSES:				
Property operating expenses	5,585	2,241	9,573	4,406
General and administrative expenses	378	94	546	271
Asset Management Fees	501	79	647	161
Acquisition expenses	152		514	
Depreciation and amortization	3,232	1,063	5,355	2,099
Total expenses	9,848	3,477	16,635	6,937
Operating income	1,801	1,223	3,149	2,451
Interest expense	(1,930)	(899)	(3,229)	(1,787)
Interest income	1	0	5	0
Gain (loss) on assets			2,882	
Net income (loss):	(128)	324	2,807	664
Income allocated to preferred shares	0	(4)	0	(8)
Income (loss) allocated to noncontrolling interest	0	(272)	0	(604)
Net income (loss) allocable to common shares	\$ (128)	\$ 48	\$ 2,807	\$ 52
Earnings (loss) per share:				
Basic	\$ (0.01)	\$ 0.01	\$ 0.17	\$ 0.03
Diluted	\$ (0.01)	\$ 0.01	\$ 0.17	\$ 0.03
Weighted-average shares:				
Basic	17,707,287	3,556,349	16,459,623	1,959,998
Diluted	17,707,287	3,556,349	16,484,357	1,959,998

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Independence Realty Trust, Inc. and Subsidiaries****Consolidated Statements of Changes in Equity****(Unaudited and dollars in thousands, except share information)**

	Common Shares	Par Value Common Shares	Additional Paid In Capital	Retained Earnings (Deficit)	Total Shareholder Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2014	9,652,540	\$ 96	\$ 78,112	\$ (3,300)	\$ 74,908	\$	\$ 74,908
Net income (loss)				2,807	2,807		2,807
Common dividends declared				(6,374)	(6,374)		(6,374)
Stock compensation expense	49,000	0	143		143		143
Common shares issued, net	8,050,000	81	62,718		62,799		62,799
Issuance of noncontrolling interests						1,986	1,986
Distributions to noncontrolling interests						(27)	(27)
Balance, June 30, 2014	17,751,540	\$ 177	\$ 140,973	\$ (6,867)	\$ 134,283	\$ 1,959	\$ 136,242

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Independence Realty Trust, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(Unaudited and dollars in thousands)**

	For the Six-Month Periods Ended June 30	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$ 2,807	\$ 664
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Depreciation and amortization	5,355	2,099
Amortization of deferred financing costs and debt discounts	(265)	36
Share based compensation	143	
(Gain) loss on assets	(2,882)	
Changes in assets and liabilities:		
Accounts receivable and other assets	(630)	(665)
Accounts payable and accrued expenses	1,455	(116)
Accrued interest payable	(33)	0
Other liabilities	(66)	38
Net cash from operating activities	5,884	2,056
Cash flows from investing activities:		
Acquisition of real estate properties	(97,913)	
Capital expenditures	(1,283)	(673)
(Increase) decrease in restricted cash	(1,255)	294
Net cash from investing activities	(100,451)	(379)
Cash flows from financing activities:		
Debt borrowings	50,421	
Debt repayments	(8,093)	(53)
Proceeds from issuance of common stock	62,799	207
(Payments) reimbursements for deferred financing costs		(102)
Distributions on common stock	(5,827)	(333)
Distributions on preferred stock		(8)
Distributions to noncontrolling interests	(13)	(1,673)
Net cash from financing activities	99,287	(1,962)
Net change in cash and cash equivalents	4,720	(285)
Cash and cash equivalents, beginning of period	3,334	2,533
Cash and cash equivalents, end of the period	\$ 8,054	\$ 2,248
Supplemental cash flow information:		

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Cash paid for interest	\$ 3,527	\$ 1,752
Non cash decrease in noncontrolling interest from conversion of common limited partnership units to share of common stock	\$	\$ 43,532
Mortgage debt assumed	\$ 66,963	\$

The accompanying notes are an integral part of these consolidated financial statements.

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Independence Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As of June 30, 2014

(Unaudited and dollars in thousands, except share and per share data)

NOTE 1: Organization

Independence Realty Trust, Inc. was formed on March 26, 2009 as a Maryland corporation that has elected to be taxed as a real estate investment trust, or REIT, commencing with the taxable year ended December 31, 2011. We are externally managed by a subsidiary of RAIT Financial Trust, or RAIT, a publicly traded Maryland REIT whose common shares are listed on the New York Stock Exchange under the symbol RAS. As used herein, the terms we, our, and us refer to Independence Realty Trust, Inc. and, as required by context, Independence Realty Operating Partnership, LP, which we refer to as our operating partnership, and their subsidiaries. We own apartment properties in geographic submarkets that we believe support strong occupancy and have the potential for growth in rental rates. We seek to provide stockholders with attractive risk-adjusted returns, with an emphasis on distributions and capital appreciation. We own substantially all of our assets and conduct our operations through our operating partnership, of which we are the sole general partner.

As of June 30, 2014, we owned nineteen apartment properties with 5,342 units located in ten states.

NOTE 2: Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles, or GAAP. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although we believe that the included disclosures are adequate to make the information presented not misleading. The unaudited interim consolidated financial statements should be read in conjunction with our audited financial statements as of and for the year ended December 31, 2013 included in our Annual Report on Form 10-K. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position and consolidated results of operations and cash flows are included. The results of operations for the interim periods presented are not necessarily indicative of the results for the full year.

b. Principles of Consolidation

The consolidated financial statements reflect our accounts and the accounts of our operating partnership and other wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

c. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

Actual results could differ from those estimates.

d. Investments in Real Estate

Allocation of Purchase Price of Acquired Assets

We account for acquisitions of properties that meet the definition of a business pursuant to FASB ASC Topic 805, Business Combinations . The fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases for acquired in-place leases and the value of tenant relationships, based in each case on their fair values. Purchase accounting is applied to assets and liabilities associated with the real estate acquired. Transaction costs and fees incurred related to acquisitions are expensed as incurred. Transaction costs and fees incurred related to the financing of an acquisition are capitalized and amortized over the life of the loan.

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