

ONE LIBERTY PROPERTIES INC
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2012

OR

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-09279

ONE LIBERTY PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

13-3147497
(I.R.S. employer
identification number)

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60 Cutter Mill Road, Great Neck, New York
(Address of principal executive offices)

11021
(Zip code)

(516) 466-3100

(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 website, 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 1, 2012, the registrant had 14,822,416 shares of common stock outstanding.

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One Liberty Properties, Inc. and Subsidiaries

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Part I FINANCIAL INFORMATION

Item 1. Financial Statements

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except Par Value)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Real estate investments, at cost		
Land	\$ 133,842	\$ 130,048
Buildings and improvements	329,931	320,593
Total real estate investments, at cost	463,773	450,641
Less accumulated depreciation	61,517	57,127
Real estate investments, net	402,256	393,514
Property contributed to joint venture		11,842
Properties held for sale, net (including related assets of \$88 and \$378, respectively)	2,732	7,718
Investment in unconsolidated joint ventures	17,334	5,093
Cash and cash equivalents	15,353	12,668
Unbilled rent receivable	13,094	12,426
Unamortized intangible lease assets	14,563	11,779
Escrow, deposits and other assets and receivables	3,742	3,252
Investment in BRT Realty Trust at market (related party)	241	235
Unamortized deferred financing costs	2,646	2,209
Total assets	\$ 471,961	\$ 460,736
Liabilities and Equity		
Liabilities:		
Mortgages and loan payable	\$ 209,807	\$ 198,879
Mortgages payable - property held for sale	6,923	6,970
Line of credit	19,600	20,000
Dividends payable	4,880	4,805
Accrued expenses and other liabilities	5,758	5,969
Unamortized intangible lease liabilities	4,955	5,166
Total liabilities	251,923	241,789
Commitments and contingencies		
Equity:		
One Liberty Properties, Inc. stockholders' equity:		
Preferred stock, \$1 par value; 12,500 shares authorized; none issued		

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Common stock, \$1 par value; 25,000 shares authorized; 14,378 and 14,213 shares issued and outstanding	14,378	14,213
Paid-in capital	191,796	189,486
Accumulated other comprehensive loss	(1,444)	(1,019)
Accumulated undistributed net income	14,836	15,605
Total One Liberty Properties, Inc. stockholders' equity	219,566	218,285
Non-controlling interest in joint ventures	472	662
Total equity	220,038	218,947
Total liabilities and equity	\$ 471,961	\$ 460,736

See accompanying notes to consolidated financial statements.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Rental income, net	\$ 11,707	\$ 10,964	\$ 23,072	\$ 21,790
Operating expenses:				
Depreciation and amortization	2,507	2,254	4,948	4,510
General and administrative (including \$572, \$697, \$1,144 and \$1,144, respectively, to related party)	1,796	1,903	3,686	3,502
Real estate acquisition costs	123	18	166	45
Real estate expenses (including \$150, \$150, \$300 and \$300, respectively, to related party)	679	615	1,306	1,159
Leasehold rent	77	77	154	154
Total operating expenses	5,182	4,867	10,260	9,370
Operating income	6,525	6,097	12,812	12,420
Other income and expenses:				
Equity in earnings of unconsolidated joint ventures	384	105	453	135
Gain on settlement of debt		1,240		1,240
Other income	209	40	224	53
Interest:				
Expense	(3,430)	(3,224)	(6,738)	(6,755)
Amortization of deferred financing costs	(192)	(174)	(381)	(479)
Gain on sale of real estate			319	
Income from continuing operations	3,496	4,084	6,689	6,614
Discontinued operations:				
Income from operations	53	126	85	328
Net gain on sale	2,205	932	2,205	932
Income from discontinued operations	2,258	1,058	2,290	1,260
Net income	5,754	5,142	8,979	7,874
Less net income attributable to non-controlling interests	(4)		(7)	
Net income attributable to One Liberty Properties, Inc.	\$ 5,750	\$ 5,142	\$ 8,972	\$ 7,874
Weighted average number of common shares outstanding:				
Basic	14,378	14,078	14,333	13,419
Diluted	14,478	14,178	14,433	13,469

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Per common share attributable to common
stockholders basic:

Income from continuing operations	\$.24	\$.29	\$.45	\$.48
Income from discontinued operations		.15		.07		.16		.09
	\$.39	\$.36	\$.61	\$.57

Per common share attributable to common
stockholders diluted:

Income from continuing operations	\$.24	\$.28	\$.44	\$.48
Income from discontinued operations		.15		.07		.16		.09
	\$.39	\$.35	\$.60	\$.57

Cash distribution declared per share of common

stock	\$.33	\$.33	\$.66	\$.66
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See accompanying notes to consolidated financial statements.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 5,754	\$ 5,142	\$ 8,979	\$ 7,874
Other comprehensive income (loss)				
Net unrealized (loss) gain on available-for-sale securities	(19)	(8)	11	(87)
Net unrealized loss on derivative instruments	(401)	(259)	(412)	(128)
One Liberty Property's share of joint venture net unrealized loss on derivative instruments	(35)	(49)	(24)	(72)
Other comprehensive income (loss)	(455)	(316)	(425)	(287)
Comprehensive income	5,299	4,826	8,554	7,587
Less: comprehensive income attributable to non-controlling interests	(4)		(7)	
Comprehensive income attributable to One Liberty Properties, Inc.	\$ 5,295	\$ 4,826	\$ 8,547	\$ 7,587

See accompanying notes to consolidated financial statements.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six month period ended June 30, 2012 (Unaudited)

and the year ended December 31, 2011

(Amounts in Thousands, Except Per Share Data)

	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Undistributed Net Income	Non-Controlling Interests in Joint Ventures	Total
Balances, January 1, 2011	\$ 11,212	\$ 147,158	\$ (156)	\$ 20,969	\$	\$ 179,183
Distributions - common stock						
Cash - \$1.32 per share				(19,088)		(19,088)
Shares issued in public offering - net of offering costs of \$282	2,700	37,869				40,569
Shares issued through dividend reinvestment plan	255	3,496				3,751
Contribution from non-controlling interest					666	666
Restricted stock vesting	46	(46)				
Compensation expense - restricted stock		1,009				1,009
Net income				13,724	(4)	13,720
Other comprehensive (loss)			(863)			(863)
Balances, December 31, 2011	14,213	189,486	(1,019)	15,605	662	218,947
Distributions - common stock						
Cash - \$.66 per share				(9,741)		(9,741)
Shares issued through dividend reinvestment plan	116	1,773				1,889
Contributions from non-controlling interests					93	93
Distribution to non-controlling interest					(290)	(290)
Restricted stock vesting	49	(49)				
Compensation expense - restricted stock		586				586
Net income				8,972	7	8,979
Other comprehensive (loss)			(425)			(425)
Balances, June 30, 2012	\$ 14,378	\$ 191,796	\$ (1,444)	\$ 14,836	\$ 472	\$ 220,038

See accompanying notes to consolidated financial statements.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 8,979	\$ 7,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on settlement of debt		(1,240)
Gain on sale of real estate	(2,524)	(932)
Gain on sale of available-for-sale securities	(9)	
Increase in rental income from straight-lining of rent	(671)	(679)
(Increase) decrease in rental income resulting from bad debt expense	(17)	508
Decrease in rental income from amortization of intangibles relating to leases	4	47
Amortization of restricted stock expense	586	521
Equity in earnings of unconsolidated joint ventures	(453)	(135)
Distributions of earnings from unconsolidated joint ventures	236	199
Depreciation and amortization	5,076	4,711
Amortization and write off of financing costs	398	495
Changes in assets and liabilities:		
Increase in escrow, deposits, other assets and receivables	(752)	(693)
Decrease in accrued expenses and other liabilities	(841)	(887)
Net cash provided by operating activities	10,012	9,789
Cash flows from investing activities:		
Net proceeds from sale of real estate	7,048	11,544
Purchase of real estate and improvements	(16,516)	(2,612)
Investment in unconsolidated joint ventures		(669)
Distributions of return of capital from unconsolidated joint ventures	84	23
Net proceeds from sale of available-for-sale securities	369	
Net cash (used in) provided by investing activities	(9,015)	8,286
Cash flows from financing activities:		
Scheduled amortization payments of mortgages payable	(2,936)	(2,750)
Repayment of mortgages payable		(15,303)
Proceeds from mortgage financings	13,817	2,000
Proceeds from common stock offering, net		40,569
Proceeds from bank line of credit	9,300	4,500
Repayment on bank line of credit	(9,700)	(36,200)
Issuance of shares through dividend reinvestment plan	1,889	1,843
Payment of financing costs	(819)	(475)
Capital contributions from non-controlling interests	93	
Distribution to non-controlling interest	(290)	
Cash distributions to common stockholders	(9,666)	(8,544)
Net cash provided by (used in) financing activities	1,688	(14,360)
Net increase in cash and cash equivalents	2,685	3,715

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Cash and cash equivalents at beginning of period		12,668		7,732
Cash and cash equivalents at end of period	\$	15,353	\$	11,447

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited) (Continued)

	Six Months Ended June 30,	
	2012	2011
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest expense	\$ 6,874	\$ 7,131
Supplemental schedule of non-cash investing and financing activities:		
Contribution of property to unconsolidated joint venture	11,734	
Settlement of mortgage debt		1,259
Purchase accounting allocation - intangible lease assets	3,487	234
Purchase accounting allocation - intangible lease liabilities	11	612
Reclassification of real estate owned to property contributed to joint venture		11,842
Reclassification of real estate owned to properties held for sale	2,732	7,718
Reclassification of 2010 prepaid tenant improvement allowance to building improvements		1,750

See accompanying notes to consolidated financial statements.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2012

Note 1 - Organization and Background

One Liberty Properties, Inc. (OLP) was incorporated in 1982 in Maryland. OLP is a self-administered and self-managed real estate investment trust (REIT). OLP acquires, owns and manages a geographically diversified portfolio of retail (including furniture and office supply stores), industrial, office, flex, health and fitness and other properties, a substantial portion of which are under long-term net leases. As of June 30, 2012, OLP owned 92 properties, two of which are owned by consolidated joint ventures and one of which is a 50% tenancy in common interest. OLP s unconsolidated joint ventures owned a total of six properties. The 98 properties are located in 29 states.

Note 2 - Basis of Preparation

The accompanying interim unaudited consolidated financial statements as of June 30, 2012 and for the three and six months ended June 30, 2012 and 2011 reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results for such interim periods. The results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of the results for the full year.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include the accounts and operations of OLP, its wholly-owned subsidiaries and its investment in two joint ventures in which the Company, as defined, has a controlling interest. OLP and its subsidiaries are hereinafter referred to as the Company . Material intercompany items and transactions have been eliminated in consolidation.

With respect to its two consolidated joint ventures in which the Company has a 90% and 95% interest, the Company has determined that (i) such ventures are not variable interest entities and (ii) the Company exercises substantial operating control and accordingly, such ventures are consolidated for financial statement purposes.

In February 2012, the Company entered into a joint venture (see Note 4) and contributed its property located in Plano, Texas in exchange for a 90% equity interest therein. Current accounting guidance provides a framework for determining whether an entity is a variable interest entity (VIE) and if consolidation of an entity in which it owns an interest is appropriate. The Company has determined that this joint venture is a VIE;

however, the Company is not the primary beneficiary since it does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance due to shared power of the parties to the VIE. Accordingly, the Company accounts for its investment in this joint venture under the equity method from the date of contribution.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2012 (Continued)

Note 2 Basis of Preparation (Continued)

The Company accounts for its investments in its five other unconsolidated joint ventures under the equity method of accounting. All investments in these five joint ventures have sufficient equity at risk to permit the entity to finance its activities without additional subordinated financial support and, as a group, the holders of the equity at risk have power through voting rights to direct the activities of these ventures. As a result, none of these five joint ventures are variable interest entities. In addition, although the Company is the managing member, it does not exercise substantial operating control over these entities, and therefore the entities are not consolidated. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for their share of equity in earnings, cash contributions and distributions. None of the joint venture debt is recourse to the Company, subject to standard carve-outs.

Certain amounts reported in previous consolidated financial statements have been reclassified in the accompanying consolidated financial statements to conform to the current period's presentation, primarily to reclassify the transferred assets and liabilities of two properties that were sold in June 2012 and one property deemed held for sale at June 30, 2012 to properties held for sale at December 31, 2011 and to classify the operations of these properties to discontinued operations for all periods presented. In addition, the net book value of the Plano, Texas property that was contributed to a joint venture in February 2012 was reclassified from real estate investments to property contributed to joint venture at December 31, 2011. The accounting treatment presentation on the accompanying consolidated statements of income is to reflect the results of this property's operations prospectively following its transfer to the joint venture as equity in earnings of unconsolidated joint ventures with no reclassification adjustments for discontinued operations.

Property management costs of \$150,000 and \$300,000 incurred under the compensation and services agreement were reclassified from general and administrative expenses to real estate operating expenses for the three and six months ended June 30, 2011.

These statements should be read in conjunction with the consolidated financial statements and related notes which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Note 3 - Earnings Per Common Share

For the three and six months ended June 30, 2012 and 2011, basic earnings per share was determined by dividing net income allocable to common stockholders for the applicable period by the weighted average number of shares of common stock outstanding during such period. Net income is also allocated to the unvested restricted stock, during the applicable period as the restricted stock is entitled to receive dividends and is therefore considered a participating security. Unvested restricted stock is not allocated net losses and/or any excess of dividends declared over net income; such amounts are allocated entirely to the common stockholders other than the holders of unvested restricted stock. The restricted stock units awarded under the Pay-for-Performance program described in Note 11 are excluded from the

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2012 (Continued)

Note 3 - Earnings Per Common Share (Continued)

basic earnings per share calculation, as these units are not participating securities.

Diluted earnings per share reflects the potential dilution that could occur if securities or other rights exercisable for, or convertible into, common stock were exercised or converted or otherwise resulted in the issuance of common stock that shared in the earnings of the Company. For the three and six months ended June 30, 2012 and 2011, the diluted weighted average number of common shares also includes 100,000 shares of common stock underlying the restricted stock units awarded on September 14, 2010 under the Pay-For-Performance Program. These 100,000 shares may vest upon satisfaction of the total stockholder return threshold based on the number of shares that would be issued based on the current market price and dividends paid at the end of each quarterly period assuming the end of that quarterly period was the end of the vesting period. The remaining 100,000 shares of common stock underlying the restricted stock units awarded under the Pay-For-Performance Program are not included, as they did not meet the defined performance metric during the three and six months ended June 30, 2012 and 2011.

There were no options outstanding to purchase shares of common stock or other rights exercisable for, or convertible into, common stock during the three and six months ended June 30, 2012 and 2011.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2012 (Continued)

Note 3 - Earnings Per Common Share (Continued)

The following table provides a reconciliation of the numerator and denominator of earnings per share calculations (dollars in thousands, except per share calculations):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Numerator for basic and diluted earnings per share:				
Income from continuing operations	\$ 3,496	\$ 4,084	\$ 6,689	\$ 6,614
Less net income attributable to noncontrolling interests	(4)		(7)	
Less earnings allocated to unvested shares			(270)	(230)
Income from continuing operations available for common stockholders	3,492	4,084	6,412	6,384
Discontinued operations	2,258	1,058	2,290	1,260
Net income available for common stockholders, basic and diluted	\$ 5,750	\$ 5,142	\$ 8,702	\$ 7,644
Denominator for basic earnings per share				
- weighted average common shares	14,378	14,078		