

ESSEX PROPERTY TRUST INC
Form 10-K/A
March 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 1)

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

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 1-13106

Essex Property Trust, Inc
(Exact name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or
Organization)

77-0369576
(IRS Employer Identification Number)

925 East Meadow Drive
Palo Alto, California 94303
(Address of Principal Executive Offices including Zip Code)
(650) 494-3700
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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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 (§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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. o

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
(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 Act). Yes No

As of June 30, 2011, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$4,357,742,310. The aggregate market value was computed with reference to the closing price on the New York Stock Exchange on such date Shares of common stock held by executive officers, directors and holders of more than ten percent of the outstanding common stock have been excluded from this calculation because such persons may be deemed to be affiliates. This exclusion does not reflect a determination that such persons are affiliates for any other purposes.

As of February 23, 2012, 34,809,580 shares of common stock (\$.0001 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

The following document is incorporated by reference in Part III of the Annual Report on Form 10-K: Proxy statement for the annual meeting of stockholders of Essex Property Trust, Inc to be held May 15, 2012.

Explanatory Paragraph

This Amendment No. 1 on Form 10-K/A amends and restates the Annual Report on Form 10-K of Essex Property Trust, Inc. for the fiscal year ended December 31, 2011 as originally filed with the Securities and Exchange Commission (the “SEC”) on February 27, 2011 (the “Original Filing”). This Form 10-K/A amends the Original Filing to replace in its entirety the information provided due to the Company’s third-party service provider filing an incorrect version of the Original Filing. The Company has changed the Earnings Per Share Data included on the Consolidated Statements of Operations to include decimal points that were excluded in the Original Filing. In addition, the Company has replaced in its entirety the information previously disclosed in Note 10, “Lease Agreements.”

Except for the changes regarding the decimal points for Earnings Per Share Data and Note 10, as described above, we have not materially modified or updated disclosures presented in the Original Filing in this Form 10-K/A. Accordingly, this Form 10-K/A does not reflect events occurring after the filing of the Original Filing or modify or update those disclosures affected by subsequent events. Information not affected by this amendment remains unchanged and reflects the disclosures made at the time the Original Filing was filed.

Essex Property Trust, Inc
2011 ANNUAL REPORT ON FORM 10-K
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PART I

Forward Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the section, "Forward Looking Statements." Actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including Item 1A, Risk Factors of this Form 10-K.

Item 1 Business

OVERVIEW

Essex Property Trust, Inc. ("Essex" or the "Company") is a Maryland corporation that operates as a self-administered and self-managed real estate investment trust ("REIT"). The Company owns all of its interest in its real estate investments directly or indirectly through Essex Portfolio, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership and as of December 31, 2011 owns a 93.8% general partnership interest. In this report, the terms "Essex" or the "Company" also refer to Essex Property Trust, Inc., its Operating Partnership and the Operating Partnership's subsidiaries.

The Company has elected to be treated as a REIT for federal income tax purposes, commencing with the year ended December 31, 1994 as the Company completed an initial public offering on June 13, 1994. In order to maintain compliance with REIT tax rules, the Company utilizes taxable REIT subsidiaries for various revenue generating or investment activities. All taxable REIT subsidiaries are consolidated by the Company.

The Company is engaged primarily in the ownership, operation, management, acquisition, development and redevelopment of predominantly apartment communities. As of December 31, 2011, the Company owned or held an interest in 159 communities, aggregating 32,753 units, located along the West Coast, as well as five commercial buildings (totaling approximately 315,900 square feet), and five active development projects with 1,235 units in various stages of development (collectively, the "Portfolio").

The Company's website address is <http://www.essexpropertytrust.com>. The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, and the Proxy Statement for its Annual Meeting of Stockholders are available, free of charge, on its website as soon as practicable after the Company files the reports with the Securities and Exchange Commission ("SEC").

BUSINESS STRATEGIES

The following is a discussion of the Company's business strategies in regards to real estate investment and management

Business Strategies

Research Driven Approach –

The Company believes that successful real estate investment decisions and portfolio growth begin with extensive regional economic research and local market knowledge.

Utilizing a proprietary research model that the Company has developed over the last three decades, the Company continually assesses markets where the Company operates, as well as markets where the Company considers future investment opportunities by evaluating the following:

- Focus on markets in major metropolitan areas that have regional population in excess of one million;
- Constraints on new supply driven by: (i) low availability of developable land sites where competing housing could be economically built; (ii) political growth barriers, such as protected land, urban growth boundaries, and potential lengthy and expensive development permit processes; and (iii) natural limitations to development, such as mountains or waterways;

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- Rental demand is enhanced by affordability of rents relative to costs of for-sale housing; and
- Housing demand that is based on proximity to jobs, high median incomes, the quality of life and related commuting factors, as well as potential job growth

Recognizing that all real estate markets are cyclical, the Company regularly evaluates the results of its regional economic, and its local market research, and adjusts the geographic focus of its portfolio accordingly. The Company seeks to increase its Portfolio allocation in markets projected to have the strongest local economies and to decrease such allocations in markets projected to have declining economic conditions. Likewise, the Company also seeks to increase its portfolio allocation in markets that have attractive property valuations and to decrease such allocations in markets that have inflated valuations and low relative yields.

Property Operations – The Company manages its communities by focusing on strategies that will generate above-average rental growth, tenant retention/satisfaction and long-term asset appreciation. The Company intends to achieve this by utilizing the strategies set forth below:

- Property Management – The Senior Vice President of Operations, Divisional Managers, Regional Portfolio Managers and Area Managers are accountable for the performance and maintenance of the communities. They supervise, provide training for the on-site managers, review actual performance against budget, monitor market trends and prepare operating and capital budgets.
- Capital Preservation – The Executive Vice President and First Vice President of Asset Management and the Capital and Maintenance department are responsible for the planning, budgeting and completion of major capital improvement projects at the Company’s communities.
- Business Planning and Control – Comprehensive business plans are implemented in conjunction with every investment decision. These plans include benchmarks for future financial performance, based on collaborative discussions between on-site managers and senior management.
- Development and Redevelopment – The Company focuses on acquiring and developing apartment communities in supply constrained markets, and redeveloping its existing communities to improve the financial and physical aspects of the Company’s communities.

CURRENT BUSINESS ACTIVITIES

Acquisitions of Real Estate

Acquisitions are an important component of the Company’s business plan, and during 2011, the Company acquired ownership interest in eleven communities totaling \$533 million. The following is a summary of its 2011 acquisitions:

- 1) In March, the Company acquired Santee Village, a 73-unit vacant condominium community that is operated as a rental community located in downtown Los Angeles for \$17.0 million. This community is adjacent to Santee Court apartments which the Company acquired in 2010.
- 2) Also in March, the Company purchased 1000 Kiely (formerly Family Tree Apartments), a 121-unit garden-style community located in Santa Clara, California for \$31.4 million.
- 3) In June, the Company acquired Bellerive, a recently constructed 63-unit vacant condominium project that is operated as a rental community located in West Los Angeles for \$27.0 million.
- 4) In May, the Company entered into a 50/50 programmatic joint venture, Wesco I, LLC (“Wesco I”), with an institutional partner for a total equity commitment of \$200 million. Wesco I's first acquisition was Arbors at Parc Rose, a 373-unit community located in Oxnard, California, for \$92.0 million.
- 5) In July, Wesco I acquired Reveal (formerly Millennium at Warner Center), a 438-unit community located in the Canoga Park area of Los Angeles. The property, which was completed in 2010, was acquired for \$132.9 million.
- 6)

In September, the Company acquired the Bernard, a 63-unit community located in the Lower Queen Anne district of Seattle, Washington for \$13.8 million.

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- 7) In September, Wesco I acquired Redmond Hill East and Redmond Hill West, a group of communities built between 1985 and 2003 totaling 882-units in Redmond, Washington. The properties are operated as two separate communities and the total purchase price was \$151.3 million.
- 8) In November, Wesco I acquired Briarwood for \$27.8 million. The property is a 160-unit community located in Fremont, California that was built in 1979.
- 9) Also in November, Wesco I acquired The Woods for \$25.2 million. The property is a 160-unit community built in 1978 and located less than a half mile from Briarwood, in Fremont, California.
- 10) In December, the Company acquired Delano, a 66-unit community located in Redmond, Washington for \$14.1 million.

Dispositions of Real Estate

As part of its strategic plan to own quality real estate in supply-constrained markets, the Company continually evaluates all the communities and sells those which no longer meet its strategic criteria. The Company may use the capital generated from the dispositions to invest in higher-return communities or other real estate investments, repurchase the Company's common stock, or repay debts. The Company believes that the sale of these communities will not have a material impact on its future results of operations or cash flows nor will their sale materially affect its ongoing operations. Generally, the Company seeks to have any impact of earnings dilution resulting from these dispositions offset by the positive impact of its acquisitions, development and redevelopment activities.

During 2011, the Company sold one apartment community, Woodlawn Colonial, and one office building, Clarendon for a total of \$23.4 million resulting in a gain of \$8.4 million.

Marketable Securities

During the year ended December 31, 2011, the proceeds from sales of available for sale securities totaled \$33.0 million, which resulted in gains, which totaled \$5.0 million.

Development Pipeline

The Company defines development activities as new communities that are in various stages of active development, or the community is in lease-up and phases of the project are not completed. As of December 31, 2011, the Company had five joint venture development projects comprised of 1,235 units for an estimated cost of \$422.6 million, of which \$282.6 million remains to be expended.

The following table sets forth information regarding the Company's development pipeline:

Development Pipeline	Location	Ownership		Units	As of 12/31/11 (\$ in millions)		
					Incurred Project Cost	Estimated Remaining Cost	Estimated Project Cost(1)
Development Projects - Joint Venture							
Queen Anne	Seattle, WA	50	%	275	\$ 33.5	\$ 45.6	\$ 79.1
Epic (formerly Cadence) Phase I	San Jose, CA	55	%	280	36.7	61.9	98.6
West Dublin	Dublin, CA	55	%	309	23.1	71.4	94.5
Fountain at La Brea	West Hollywood,	50	%	187	27.0	48.0	75.0

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Santa Monica at La Brea	CA West Hollywood, CA	50	%	184	19.7	55.7	75.4
				1,235	140.0	\$ 282.6	\$ 422.6
Predevelopment project - joint venture	San Jose, CA	55	%	481	42.8		
Land held for future development or sale	various			298	44.3		
Development Pipeline				2,014	\$ 227.1		