

ONE LIBERTY PROPERTIES INC
Form 10-Q
August 06, 2018
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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, 2018

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)

60 Cutter Mill Road, Great Neck, New York

11021

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(Address of principal executive offices)

(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, smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) 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).

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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, 2018, the registrant had 19,288,127 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)

ASSETS

| | June 30, 2018 (Unaudited) | December 31, 2017 |
|---------------------------------------------------|---------------------------------|----------------------|
| Real estate investments, at cost | | |
| Land | \$ 209,101 | \$ 209,320 |
| Buildings and improvements | 583,991 | 566,007 |
| Total real estate investments, at cost | 793,092 | 775,327 |
| Less accumulated depreciation | 116,451 | 108,953 |
| Real estate investments, net | 676,641 | 666,374 |
| Investment in unconsolidated joint ventures | 11,214 | 10,723 |
| Cash and cash equivalents | 12,925 | 13,766 |
| Restricted cash | 416 | 443 |
| Unbilled rent receivable | 14,617 | 14,125 |
| Unamortized intangible lease assets, net | 27,931 | 30,525 |
| Escrow, deposits and other assets and receivables | 8,158 | 6,630 |
| Total assets(1) | \$ 751,902 | \$ 742,586 |

LIABILITIES AND EQUITY

| | | |
|-----------------------------------------------------------------------------------------|------------|------------|
| Liabilities: | | |
| Mortgages payable, net of \$3,758 and \$3,789 of deferred financing costs, respectively | \$ 391,599 | \$ 393,157 |
| Line of credit, net of \$468 and \$624 of deferred financing costs, respectively | 19,832 | 8,776 |
| Dividends payable | 8,652 | 8,493 |
| Accrued expenses and other liabilities | 13,504 | 16,107 |
| Unamortized intangible lease liabilities, net | 16,617 | 17,551 |
| Total liabilities (1) | 450,204 | 444,084 |

Commitments and contingencies

Equity:

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One Liberty Properties, Inc. stockholders' equity:

| | | | |
|--------------------------------------------------------------------------------------------------------|----|---------|------------|
| Preferred stock, \$1 par value; 12,500 shares authorized; none issued | | | |
| Common stock, \$1 par value; 25,000 shares authorized; 18,575 and 18,261 shares issued and outstanding | | 18,575 | 18,261 |
| Paid-in capital | | 281,396 | 275,087 |
| Accumulated other comprehensive income | | 3,913 | 155 |
| Accumulated (distributions in excess of net income) undistributed net income | | (3,608) | 3,257 |
| Total One Liberty Properties, Inc. stockholders' equity | | 300,276 | 296,760 |
| Non-controlling interests in consolidated joint ventures (1) | | 1,422 | 1,742 |
| Total equity | | 301,698 | 298,502 |
| Total liabilities and equity | \$ | 751,902 | \$ 742,586 |

(1) The Company's consolidated balance sheets include assets and liabilities of consolidated variable interest entities (VIEs). See Note 6. The consolidated balance sheets include the following amounts related to the Company's consolidated VIEs: \$14,722 and \$17,844 of land, \$28,145 and \$31,789 of building and improvements, net of \$3,615 and \$3,811 of accumulated depreciation, \$3,667 and \$4,345 of other assets included in other line items, \$27,411 and \$32,252 of real estate debt, net, \$2,386 and \$2,885 of other liabilities included in other line items and \$1,422 and \$1,742 of non-controlling interests as of June 30, 2018 and December 31, 2017, respectively.

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, | |
|------------------------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Rental income, net | \$ 17,718 | \$ 16,720 | \$ 35,308 | \$ 33,553 |
| Tenant reimbursements | 2,034 | 1,693 | 3,978 | 3,332 |
| Total revenues | 19,752 | 18,413 | 39,286 | 36,885 |
| Operating expenses: | | | | |
| Depreciation and amortization | 5,250 | 5,190 | 10,432 | 10,743 |
| General and administrative (see Note 10 for related party information) | 2,969 | 2,893 | 5,928 | 5,708 |
| Real estate expenses (see Note 10 for related party information) | 2,515 | 2,371 | 5,182 | 5,075 |
| Federal excise and state taxes | 154 | 224 | 227 | 312 |
| Leasehold rent | 77 | 77 | 154 | 154 |
| Total operating expenses | 10,965 | 10,755 | 21,923 | 21,992 |
| Operating income | 8,787 | 7,658 | 17,363 | 14,893 |
| Other income and expenses: | | | | |
| Equity in earnings of unconsolidated joint ventures | 348 | 206 | 543 | 451 |
| Equity in earnings from sale of unconsolidated joint venture property | 71 | | 71 | |
| Other income | 6 | 320 | 10 | 342 |
| Interest: | | | | |
| Expense | (4,445) | (4,532) | (8,747) | (8,921) |
| Amortization and write-off of deferred financing costs | (221) | (227) | (449) | (454) |
| Income before gain on sale of real estate, net | 4,546 | 3,425 | 8,791 | 6,311 |
| Gain on sale of real estate, net | | 6,568 | 2,408 | 6,568 |
| Net income | 4,546 | 9,993 | 11,199 | 12,879 |
| Net income attributable to non-controlling interests | (29) | (21) | (831) | (42) |
| Net income attributable to One Liberty Properties, Inc. | \$ 4,517 | \$ 9,972 | \$ 10,368 | \$ 12,837 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 18,519 | 17,824 | 18,458 | 17,788 |
| Diluted | 18,593 | 17,938 | 18,532 | 17,902 |

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| | | | | | | | |
|-------------------------------------------------------|----|-----|----|-----|----|-----|--------|
| Per common share attributable to common stockholders: | | | | | | | |
| Basic | \$ | .23 | \$ | .54 | \$ | .53 | \$.69 |
| Diluted | \$ | .23 | \$ | .54 | \$ | .53 | \$.69 |
| Cash distributions declared per share of common stock | | | | | | | |
| | \$ | .45 | \$ | .43 | \$ | .90 | \$.86 |

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 | |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------|----------|-----------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 4,546 | \$ 9,993 | \$ 11,199 | \$ 12,879 |
| Other comprehensive gain (loss) | | | | |
| Net unrealized gain (loss) on derivative instruments | 1,104 | (510) | 3,800 | 68 |
| Reclassification of One Liberty Properties Inc.'s share of joint venture net realized gain on derivative instrument | (110) | | (110) | |
| One Liberty Properties Inc.'s share of joint venture net unrealized gain (loss) on derivative instruments | 22 | (5) | 76 | 23 |
| Other comprehensive gain (loss) | 1,016 | (515) | 3,766 | 91 |
| Comprehensive income | 5,562 | 9,478 | 14,965 | 12,970 |
| Net income attributable to non-controlling interests | (29) | (21) | (831) | (42) |
| Adjustment for derivative instruments attributable to non-controlling interests | (2) | 2 | (8) | (1) |
| Comprehensive income attributable to One Liberty Properties, Inc. | \$ 5,531 | \$ 9,459 | \$ 14,126 | \$ 12,927 |

See accompanying notes to consolidated financial statements.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

| | Common Stock | Paid-in Capital | Accumulated Other Comprehensive (Loss) Income | Accumulated (distributions in excess of net income) undistributed net income | Non-Controlling Interests in Consolidated Joint Ventures | Total |
|---------------------------------------------------|-----------------|--------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------|
| Balances, December 31, 2016 | \$ 17,600 | \$ 262,511 | \$ (1,479) | \$ 11,501 | \$ 1,794 | \$ 291,927 |
| Distributions - common stock | | | | | | |
| Cash - \$.86 per share | | | | (15,846) | | (15,846) |
| Shares issued through equity offering program net | 32 | 617 | | | | 649 |
| Restricted stock vesting | 118 | (118) | | | | |
| Shares issued through dividend reinvestment plan | 93 | 2,052 | | | | 2,145 |
| Distributions to non-controlling interests | | | | | (127) | (127) |
| Compensation expense - restricted stock | | 1,657 | | | | 1,657 |
| Net income | | | | 12,837 | 42 | 12,879 |
| Other comprehensive income | | | 90 | | 1 | 91 |
| Balances, June 30, 2017 | \$ 17,843 | \$ 266,719 | \$ (1,389) | \$ 8,492 | \$ 1,710 | \$ 293,375 |
| Balances, December 31, 2017 | \$ 18,261 | \$ 275,087 | \$ 155 | \$ 3,257 | \$ 1,742 | \$ 298,502 |
| Distributions - common stock | | | | | | |
| Cash - \$.90 per share | | | | (17,233) | | (17,233) |
| Shares issued through equity offering program net | 93 | 2,165 | | | | 2,258 |
| Restricted stock vesting | 106 | (106) | | | | |
| Shares issued through dividend reinvestment plan | 115 | 2,568 | | | | 2,683 |
| Distributions to non-controlling interests | | | | | (1,159) | (1,159) |
| Compensation expense restricted stock | | 1,682 | | | | 1,682 |
| Net income | | | | 10,368 | 831 | 11,199 |
| Other comprehensive income | | | 3,758 | | 8 | 3,766 |
| Balances, June 30, 2018 | \$ 18,575 | \$ 281,396 | \$ 3,913 | \$ (3,608) | \$ 1,422 | \$ 301,698 |

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, | |
|-----------------------------------------------------------------------------------|------------------------------|-----------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 11,199 | \$ 12,879 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on sale of real estate, net | (2,408) | (6,568) |
| Loss on derivative instrument reclassified into interest expense | | 118 |
| Increase in unbilled rent receivable | (537) | (344) |
| Write-off of unbilled rent receivable | | 362 |
| Bad debt expense | | 310 |
| Amortization and write-off of intangibles relating to leases, net | (488) | (422) |
| Amortization of restricted stock expense | 1,682 | 1,657 |
| Equity in earnings of unconsolidated joint ventures | (543) | (451) |
| Equity in earnings from sale of unconsolidated joint venture property | (71) | |
| Distributions of earnings from unconsolidated joint ventures | 88 | 396 |
| Depreciation and amortization | 10,432 | 10,743 |
| Amortization and write-off of deferred financing costs | 449 | 454 |
| Payment of leasing commissions | (95) | (36) |
| Decrease in escrow, deposits, other assets and receivables | 718 | 607 |
| (Decrease) increase in accrued expenses and other liabilities | (1,627) | 554 |
| Net cash provided by operating activities | 18,799 | 20,259 |
| Cash flows from investing activities: | | |
| Purchase of real estate | (18,452) | (35,432) |
| Improvements to real estate | (5,991) | (643) |
| Net proceeds from sale of real estate | 8,958 | 9,173 |
| Distributions of capital from unconsolidated joint ventures | | 141 |
| Net cash used in investing activities | (15,485) | (26,761) |
| Cash flows from financing activities: | | |
| Scheduled amortization payments of mortgages payable | (5,313) | (5,162) |
| Repayment of mortgages payable | | |