RLJ Lodging Trust
Form 10-Q
August 06, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý 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

o 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 001-35169

RLJ LODGING TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	27-4706509
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
3 Bethesda Metro Center, Suite 1000 Bethesda, Maryland	20814
(Address of Principal Executive Offices)	(Zip Code)

(301) 280-7777
(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. ý Yes o 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). ý Yes o 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	o
Non-accelerated filer	o (do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes ý 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 July 31, 2014, 132,083,621 common shares of beneficial interest of the Registrant, $0.01 par value per share, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
RLJ Lodging Trust
Consolidated Balance Sheets
(Amounts in thousands, except share and per share data)

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Investment in hotels and other properties, net	$3,590,978	$3,241,163
Cash and cash equivalents	373,732	332,248
Restricted cash reserves	60,610	62,430
Hotel and other receivables, net of allowance of $178 and $234, respectively	35,009	22,762
Deferred financing costs, net	10,917	11,599
Deferred income tax asset	3,256	2,529
Purchase deposits	1,000	7,246
Prepaid expense and other assets	33,262	37,997
Total assets	$4,108,764	$3,717,974
Liabilities and Equity		
Mortgage loans	$534,900	$559,665
Term loans	1,025,000	850,000
Accounts payable and accrued expense	117,857	115,011
Deferred income tax liability	3,494	3,548
Advance deposits and deferred revenue	10,950	9,851
Accrued interest	2,680	2,695
Distributions payable	30,919	30,870
Total liabilities	1,725,800	1,571,640
Commitments and Contingencies (Note 10)		
Equity		
Shareholders' equity:		
Preferred shares of beneficial interest, $0.01 par value, 50,000,000 shares authorized; zero shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively.	—	—
Common shares of beneficial interest, $0.01 par value, 450,000,000 shares authorized; 132,084,354 and 122,640,042 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively.	1,321	1,226
Additional paid-in-capital	2,415,578	2,178,004
Accumulated other comprehensive loss	(14,215)	(5,941)
Distributions in excess of net earnings	(37,223)	(45,522)
Total shareholders' equity	2,365,461	2,127,767
Noncontrolling interest		
Noncontrolling interest in joint venture	6,169	7,306
Noncontrolling interest in Operating Partnership	11,334	11,261
Total noncontrolling interest	17,503	18,567

Total equity	2,382,964	2,146,334
Total liabilities and equity	$4,108,764	$3,717,974

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

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RLJ Lodging Trust
Consolidated Statements of Operations and Comprehensive Income
(Amounts in thousands, except share and per share data)
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Revenue				
Operating revenue				
Room revenue	$259,447	$228,390	$465,472	$413,839
Food and beverage revenue	27,481	25,088	50,848	48,299
Other operating department revenue	8,119	7,345	15,100	13,555
Total revenue	295,047	260,823	531,420	475,693
Expense				
Operating expense				
Room expense	54,136	47,065	101,657	90,162
Food and beverage expense	18,746	17,220	35,619	33,777
Management fee expense	11,957	9,370	21,070	16,751
Other operating expense	78,932	73,070	151,008	139,437
Total property operating expense	163,771	146,725	309,354	280,127
Depreciation and amortization	35,422	31,853	68,298	63,197
Property tax, insurance and other	17,938	16,536	35,190	31,245
General and administrative	10,135	9,084	20,264	17,882
Transaction and pursuit costs	2,411	1,255	3,895	2,344
Total operating expense	229,677	205,453	437,001	394,795
Operating income	65,370	55,370	94,419	80,898
Other income	405	91	515	170
Interest income	962	240	1,285	536
Interest expense	(14,142)	(16,785)	(28,788)	(33,659)
Income from continuing operations before income tax expense	52,595	38,916	67,431	47,945
Income tax expense	(494)	(345)	(788)	(571)
Income from continuing operations	52,101	38,571	66,643	47,374
Income from discontinued operations	—	2,410	—	2,191
Gain (loss) on disposal of hotel properties	1,260	—	(1,297)	—
Net income	53,361	40,981	65,346	49,565
Net income attributable to non-controlling interests				
Noncontrolling interest in consolidated joint venture	(79)	(203)	(45)	(155)
Noncontrolling interest in common units of Operating Partnership	(378)	(268)	(465)	(407)
Net income attributable to common shareholders	$52,904	$40,510	$64,836	$49,003
Basic per common share data				
Income from continuing operations attributable to common shareholders, including loss on disposal of hotel properties	$0.42	$0.31	$0.52	$0.41
Discontinued operations	—	0.02	—	0.02
Net income per share attributable to common shareholders	$0.42	$0.33	$0.52	$0.43

Weighted-average number of common shares	125,260,607	121,520,253	123,510,507	114,208,435

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Diluted per common share data				
Income from continuing operations attributable to common shareholders, including loss on disposal of hotel properties	$0.42	$0.31	$0.52	$0.41
Discontinued operations	—	0.02	—	0.02
Net income per share attributable to common shareholders	$0.42	$0.33	$0.52	$0.43
Weighted-average number of common shares	126,475,051	122,280,431	124,696,925	114,912,726
Amounts attributable to the Company's common shareholders				
Income from continuing operations	$51,652	$38,120	$66,124	$46,830
Income from discontinued operations	—	2,390	—	2,173
Gain (loss) on disposal of hotel properties	1,252	—	(1,288)	—
Net income attributable to common shareholders	$52,904	$40,510	$64,836	$49,003
Comprehensive income				
Net income	$53,361	$40,981	$65,346	$49,565
Unrealized gain (loss) on interest rate derivatives	(6,913)	5,004	(8,274)	4,527
Comprehensive income	46,448	45,985	57,072	54,092
Comprehensive income attributable to consolidated joint venture	(79)	(203)	(45)	(155)
Comprehensive income attributable to common units of Operating Partnership	(378)	(268)	(465)	(407)
Comprehensive income attributable to the Company	$45,991	$45,514	$56,562	$53,530

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

RLJ Lodging Trust
Consolidated Statements of Changes in Equity
(Amounts in thousands, except share data)
(unaudited)

	Shareholders' Equity Common Stock					Noncontrolling Interests			
	Shares	Par Value	Additional Paid-in Capital	Distributions in Excess of Net Earnings	Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Venture	Total Non-controlling Interest	Total Equity
Balance at December 31, 2013	122,640,042	$1,226	$2,178,004	$(45,522)	$(5,941)	$11,261	$7,306	$18,567	$2,146,334
Net income	—	—	—	64,836	—	465	45	510	65,346
Proceeds from sale of common stock, net	9,200,000	92	232,722	—	—	—	—	—	232,814
Unrealized loss on interest rate derivative	—	—	—	—	(8,274)	—	—	—	(8,274)
Distributions to JV partner	—	—	—	—	—	—	(1,182)	(1,182)	(1,182)
Issuance of restricted stock	343,887	3	(3)	—	—	—	—	—	—
Amortization of share based compensation	—	—	7,393	—	—	—	—	—	7,393
Share grants to trustees	2,197	—	61	—	—	—	—	—	61
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	(98,204)	—	(2,599)	—	—	—	—	—	(2,599)
Forfeiture of restricted stock	(3,568)	—	—	—	—	—	—	—	—
Distributions on common shares and	—	—	—	(56,537)	—	(392)	—	(392)	(56,929)

units									
Balance at June 30, 2014	132,084,354	$1,321	$2,415,578	$(37,223)	$(14,215)	$11,334	$6,169	$17,503	$2,382,964

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

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	Shareholders' Equity Common Stock					Noncontrolling Interests			
	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings	Accumulated Other Comprehensive Income	Operating Partnership	Consolidated Joint Venture	Total Non-controlling Interests	Total Equity
Balance at December 31, 2012	106,565,516	$ 1,066	$ 1,841,449	$ (52,681)	$ —	$ 11,311	$ 6,766	$ 18,077	$ 1,807,911
Net income	—	—	—	49,003	—	407	155	562	49,565
Unrealized income on interest rate derivative	—	—	—	—	4,527	—	—	—	4,527
Proceeds from sale of common stock, net	15,870,000	159	327,386	—	—	—	—	—	327,545
Issuance of restricted stock	377,830	3	(3)	—	—	—	—	—	—
Amortization of share based compensation	—	—	6,348	—	—	—	—	—	6,348
Share grants to trustees	3,005	—	68	—	—	—	—	—	68
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	(78,628)	(1)	(1,765)	—	—	—	—	—	(1,766)
Forfeiture of restricted stock	(2,270)	—	—	—	—	—	—	—	—
Distributions on common shares and units	—	—	—	(50,731)	—	(367)	—	(367)	(51,098)
Balance at June 30, 2013	122,735,453	$ 1,227	$ 2,173,483	$ (54,409)	$ 4,527	$ 11,351	$ 6,921	$ 18,272	$ 2,143,100

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

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RLJ Lodging Trust
Consolidated Statements of Cash Flows
(Amounts in thousands)
(unaudited)

	For the six months ended June 30, 2014	2013
Cash flows from operating activities		
Net income	$65,346	$49,565
Adjustments to reconcile net income to cash flow provided by operating activities:		
Loss on defeasance	804	—
Loss on disposal of hotel properties	1,297	—
Gain on extinguishment of indebtedness	—	(2,425)
Depreciation and amortization	68,298	63,353
Amortization of deferred financing costs	2,261	1,588
Amortization of deferred management fees	482	500
Accretion of interest income on investment in loans	(109)	—
Share grants to trustees	61	68
Amortization of share based compensation	7,393	6,348
Deferred income taxes	(781)	(198)
Changes in assets and liabilities:		
Hotel and other receivables, net	(11,497)	(10,335)
Prepaid expense and other assets	2,625	(5,805)
Accounts payable and accrued expense	(4,714)	(5,736)
Advance deposits and deferred revenue	590	3,011
Accrued interest	(15)	(191)
Net cash flow provided by operating activities	132,041	99,743
Cash flows from investing activities		
Acquisition of hotel and other properties, net	(504,103)	(184,165)
Proceeds from the disposal of hotel properties, net	124,076	—
Purchase deposits	6,246	2,677
Proceeds from principal payments on investment in loans	—	69
Improvements and additions to hotel and other properties	(38,581)	(25,984)
Additions to property and equipment	(20)	(48)
Releases from (funding of) restricted cash reserves, net	1,820	(301)
Net cash flow used in investing activities	(410,562)	(207,752)
Cash flows from financing activities		
Borrowings under revolving credit facility	258,500	83,000
Repayments under revolving credit facility	(258,500)	(99,000)
Borrowings on term loans	175,000	—
Payment of mortgage principal	(25,569)	(7,279)
Repurchase of common shares	(2,599)	(1,766)
Distributions on common shares	(56,469)	(47,012)
Distributions on Operating Partnership units	(411)	(367)
Payment of deferred financing costs	(1,579)	(76)
Distribution to noncontrolling interest	(1,182)	—
Proceeds from issuance of common shares	232,814	327,545
Net cash flow provided by financing activities	320,005	255,045
Net change in cash and cash equivalents	41,484	147,036

Cash and cash equivalents, beginning of period	332,248	115,861
Cash and cash equivalents, end of period	$373,732	$262,897

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

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RLJ Lodging Trust
Notes to the Consolidated Financial Statements
(unaudited)

1. Organization

RLJ Lodging Trust (the "Company") was formed as a Maryland real estate investment trust ("REIT") on January 31, 2011. The Company is a self-advised and self-administered REIT that acquires primarily premium-branded, focused-service and compact full-service hotels. The Company qualified and elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with the portion of its taxable year ended December 31, 2011.

Substantially all of the Company's assets are held by, and all of its operations are conducted through, RLJ Lodging Trust, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. As of June 30, 2014, there were 132,978,354 units of limited partnership interest in the Operating Partnership ("OP units") outstanding and the Company owned, through a combination of direct and indirect interests, 99.3% of the outstanding OP units.

As of June 30, 2014, the Company owned 148 properties, comprised of 146 hotels with approximately 22,900 rooms and two planned hotel conversions, located in 21 states and the District of Columbia, and an interest in one mortgage loan secured by a hotel. The Company owned, through wholly-owned subsidiaries, 100% of the interests in all properties, with the exception of the DoubleTree Metropolitan Hotel New York City, in which the Company, through wholly-owned subsidiaries, owned a 98.1% controlling interest in a joint venture, DBT Met Hotel Venture, LP, which was formed to engage in hotel operations related to the DoubleTree Metropolitan hotel. An independent operator manages each property.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The unaudited consolidated financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to financial information. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC. The unaudited financial statements include adjustments based on management's estimates (consisting of normal recurring adjustments), which the Company considers necessary for the fair statement of the consolidated balance sheets, statements of operations and comprehensive income, statements of changes in equity and statements of cash flows for the periods presented. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2013, included in the Company's Annual Report on Form 10-K filed with the SEC on February 27, 2014. Operating results for the three and six months ended June 30, 2014 are not necessarily indicative of actual operating results for the entire year.

The unaudited consolidated financial statements include the accounts of the Company, the Operating Partnership and its wholly-owned subsidiaries, including a consolidated joint venture. All intercompany balances have been eliminated in consolidation.

Reclassifications

Certain prior year amounts in these financial statements have been reclassified to conform to the current year presentation with no impact to net income, shareholders' equity or cash flows.

Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the amounts of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Revenue Recognition

The Company's revenue comprises hotel operating revenue, such as room revenue, food and beverage revenue and revenue from other hotel operating departments (such as telephone, parking and business centers). These revenues are recorded net of any sales and occupancy taxes collected from guests. All rebates or discounts are recorded as a reduction in revenue, and there are no material contingent obligations with respect to rebates and discounts offered by the hotels. All revenues are recorded on an accrual basis as earned. Appropriate allowances are made for doubtful accounts and are recorded as bad debt expenses. The allowances are calculated as a percentage of aged accounts receivable. Cash received prior to guest arrival is recorded as an advance from the guest and recognized as revenue at the time of occupancy.

Incentive payments received pursuant to entry into management agreements are deferred and amortized into income over the life of the respective agreements. In May 2012, the Company received an incentive payment of $4.0 million related to purchasing a hotel and entering into a franchise agreement, which is being recognized over the remaining term of the franchise agreement. As of June 30, 2014, there was approximately $3.7 million remaining to be recognized.

Investment in Hotels and Other Properties

The Company's acquisitions generally consist of land, land improvements, buildings, building improvements, furniture, fixtures and equipment ("FF&E"), and inventory. The Company may also acquire intangibles related to in-place leases, management agreements and franchise agreements when properties are acquired. The Company allocates the purchase price among the assets acquired and liabilities assumed based on their respective fair values. Transaction costs are expensed for acquisitions that are considered business combinations and capitalized for asset acquisitions.

The Company's investments in hotels and other properties are carried at cost and are depreciated using the straight-line method over estimated useful lives of 15 years for land improvements, 15 years for building improvements, 40 years for buildings and three to five years for FF&E. Intangibles arising from acquisitions are amortized using the straight-line method over the non-cancelable portion of the term of the agreement. Maintenance and repairs are expensed and major renewals or improvements are capitalized. Interest used to finance real estate under development is capitalized as an additional cost of development. Upon the sale or disposal of a property, the asset and related accumulated depreciation are removed from the accounts and the related gain or loss is recognized.

In accordance with the guidance on impairment or disposal of long-lived assets, the Company does not consider "held for sale" classification until it is probable that the sale will be completed within one year and the other requisite criteria for such classification have been met. The Company does not depreciate properties so long as they are classified as held for sale. Upon designation as held for sale and quarterly thereafter, the Company reviews the realizability of the carrying value, less cost to sell, in accordance with the guidance. Any such adjustment in the carrying value is reflected as an impairment charge.

The Company assesses carrying value whenever events or changes in circumstances indicate that the carrying amounts may not be fully recoverable. Recoverability is measured by comparison of the carrying amount to the estimated future undiscounted cash flows which take into account current market conditions and the Company's intent with respect to holding or disposing of properties. If the Company's analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, it recognizes an impairment charge for the amount by which the carrying value exceeds the fair value. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third party appraisals, where considered necessary.

The use of projected future cash flows is based on assumptions that are consistent with a market participant’s future expectations for the travel industry and economy in general and the Company’s expected use of the underlying properties. The assumptions and estimates about future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions that occur subsequent to a current impairment analysis and the Company’s ultimate use of the property could impact these assumptions and result in future impairment charges with respect to the properties.

Noncontrolling Interest

The consolidated financial statements include all subsidiaries controlled by the Company. For controlled subsidiaries that are not wholly-owned, the noncontrolling interests in these subsidiaries are presented separately in the consolidated financial statements. As of June 30, 2014 the Company consolidated DBT Met Hotel Venture, LP, a majority-owned partnership that has a third-party, noncontrolling 1.9% ownership interest. The third-party partnership interest is included in noncontrolling interest in joint venture on the consolidated balance sheet. Profits and losses are allocated in proportion to each party's respective ownership interest.

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Franchise Agreements

As of June 30, 2014, 130 of the Company’s hotel properties were operated under franchise agreements with initial terms ranging from 10 to 30 years. The franchise agreements for these hotels allow the properties to operate under the respective brands. Pursuant to the franchise agreements, the Company pays a royalty fee, generally between 3.0% and 6.0% of room revenue, plus additional fees for marketing, central reservation systems and other franchisor costs that amount to between 1.0% and 4.3% of room revenue. Certain full service hotels are also charged a royalty fee of between 1.0% and 3.0% of food and beverage revenues. Franchise fees are included in other hotel operating expenses in the consolidated financial statements.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the period excluding the weighted-average number of unvested restricted shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the period, plus any shares that could potentially be outstanding during the period. Potential shares consist of unvested restricted share grants and unvested performance units, calculated using the treasury stock method. Any anti-dilutive shares have been excluded from the diluted earnings per share calculation.

Share-based Compensation

From time to time, the Company may issue share-based awards under the 2011 Equity Incentive Plan (the "2011 Plan"), as compensation to officers, employees and non-employee trustees (see Note 12). The vesting of awards issued to officers and employees is based on either continued employment (time-based) or based on the relative total shareholder returns of the Company (performance-based) and continued employment, as determined by the board of trustees at the date of grant. The Company recognizes, for time-based awards, compensation expense for non-vested shares on a straight-line basis over the vesting period based upon the fair market value of the shares on the date of grant, adjusted for forfeitures. The Company recognizes, for performance-based awards, compensation expense over the requisite service period for each award, based on the fair market value of the shares on the date of grant, as determined using a Monte Carlo simulation, adjusted for forfeitures.

Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which significantly changed the requirements for reporting discontinued operations. Under the new guidance, only disposals representing a strategic shift that has (or will have) a major effect on operations and final results should be presented as discontinued operations. The guidance also provides additional disclosure requirements in connection with both discontinued operations and other dispositions not qualifying as discontinued operations. The guidance applies to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company adopted the new guidance for the quarterly period ended March 31, 2014. Prior to January 1, 2014, properties disposed of were presented in discontinued operations for all periods presented.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. The guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Early adoption is not permitted. The Company is currently evaluating whether this ASU will have a material impact on its financial position, results of operations or cash flows.

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3. Acquisition of Hotel and Other Properties

During the six months ended June 30, 2014, the Company acquired a 100% interest in the following properties:

Property	Location	Acquisition Date	Management Company	Rooms	Purchase Price (in thousands)
Hyatt House Charlotte Center City	Charlotte, NC	March 12, 2014	Hyatt Affiliate	163	$32,496
Hyatt House Cypress Anaheim	Cypress, CA	March 12, 2014	Hyatt Affiliate	142	14,753
Hyatt House Emeryville San Francisco Bay Area	Emeryville, CA	March 12, 2014	Hyatt Affiliate	234	39,274
Hyatt House San Diego Sorrento Mesa	San Diego, CA	March 12, 2014	Hyatt Affiliate	193	35,985
Hyatt House San Jose Silicon Valley	San Jose, CA	March 12, 2014	Hyatt Affiliate	164	44,159
Hyatt House San Ramon	San Ramon, CA	March 12, 2014	Hyatt Affiliate	142	20,833
Hyatt House Santa Clara	Santa Clara, CA	March 12, 2014	Hyatt Affiliate	150	40,570
Hyatt Market Street The Woodlands	The Woodlands, TX	March 12, 2014	Hyatt Corporation	70	25,817
Hyatt Place Fremont Silicon Valley	Fremont, CA	March 12, 2014	Hyatt Affiliate	151	23,525
Hyatt Place Madison Downtown	Madison, WI	March 12, 2014	Hyatt Affiliate	151	35,088
Courtyard Portland City Center	Portland, OR	May 22, 2014	Sage Hospitality	256	67,000
Embassy Suites Irvine Orange County	Irvine, CA	May 22, 2014	Sage Hospitality	293	53,000
Hilton Cabana Miami Beach	Miami, FL	June 19, 2014	Highgate Hotels	231	71,700
				2,340	$504,200

During the six months ended June 30, 2013, the Company acquired a 100% interest in the following properties:

Property	Location	Acquisition Date	Management Company	Rooms	Purchase Price (in thousands)
Courtyard Houston Downtown Convention Center	Houston, TX	March 19, 2013	White Lodging Services	191	$34,308
Residence Inn Houston Downtown Convention Center	Houston, TX	March 19, 2013	White Lodging Services	171	29,421
Humble Tower Apartments (1)	Houston, TX	March 19, 2013	n/a	82	15,547
Courtyard Waikiki Beach	Honolulu, HI	June 17, 2013	Highgate Hotels	399	75,250
Vantaggio Suites Cosmo (2)	San Francisco, CA	June 21, 2013	n/a	150	29,474
				993	$184,000

(1) Conversion to a SpringHill Suites is in progress.
(2) Conversion to a Courtyard by Marriott is in progress.

The allocation of purchase price for the properties acquired was as follows (in thousands):

For the six months ended June 30,

	2014	2013
Land and land improvements	$112,467	$24,132
Buildings and improvements	339,889	160,070
Furniture, fixtures and equipment	51,844	3,151
Lease intangibles	—	342
Management agreement intangibles	—	(3,695)
Total purchase price	$504,200	$184,000

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For the properties acquired during the six months ended June 30, 2014, total revenues and net income from the date of acquisition through June 30, 2014 are included in the accompanying consolidated statements of operations for the three and six months ended June 30, 2014, as follows (in thousands):

	2014 acquisitions	
	For the three months ended June 30, 2014	For the six months ended June 30, 2014
Revenue	$25,276	$29,807
Net income	$4,301	$3,272

For properties acquired during the six months ended June 30, 2013, respectively, total revenues and net income (loss) from the date of acquisition through June 30, 2013 are included in the accompanying consolidated statements of operations for the three and six months ended June 30, 2013, as follows (in thousands):

	2013 acquisitions	
	For the three months ended June 30, 2013	For the six months ended June 30, 2013
Revenue	$5,868	$6,561
Net income (loss)	$319	$(568)

The following unaudited condensed pro forma financial information presents the results of operations as if the 2014 acquisitions had taken place on January 1, 2013 and the 2013 acquisitions had taken place on January 1, 2012. The unaudited condensed pro forma financial information is not necessarily indicative of what actual results of operations of the Company would have been assuming the 2014 and 2013 acquisitions had taken place on January 1, 2013 and 2012, respectively, nor does it purport to represent the results of operations for future periods. The unaudited condensed pro forma financial information is as follows (in thousands, except share and per share data):

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Revenue	$299,416	$294,092	$556,647	$544,978
Net income attributable to common shareholders	$53,770	$48,066	$70,476	$64,418
Net income per share attributable to common shareholders - basic	$0.43	$0.40	$0.57	$0.56
Net income per share attributable to common shareholders - diluted	$0.43	$0.39	$0.57	$0.56
Weighted-average number of shares outstanding - basic	125,260,607	121,520,253	123,510,507	114,208,435
Weighted-average number of shares outstanding - diluted	126,475,051	122,280,431	124,696,925	114,912,726

4. Disposal of Hotel Properties

During the six months ended June 30, 2014, the Company disposed of 14 hotel properties in four separate transactions for a total sale price of approximately $128.0 million. In conjunction with these transactions, the Company recorded a $1.3 million loss on disposal, which is included in the consolidated statement of operations. Additionally, the Company completed a legal defeasance of the mortgage indebtedness secured by three of the properties that were sold. The cost of the defeasance was approximately $0.8 million, which is included in interest expense in the consolidated statement of operations.

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The following table provides a list of properties that were disposed of during the six months ended June 30, 2014:

Property Name	Location	Disposal Date	Rooms
Courtyard Denver Southwest Lakewood	Lakewood, CO	February 20, 2014	90
Residence Inn Denver Southwest Lakewood	Lakewood, CO	February 20, 2014	102
Hyatt House Colorado Springs	Colorado Springs, CO	February 20, 2014	125
SpringHill Suites Gainesville	Gainesville, FL	February 20, 2014	126
Residence Inn Indianapolis Airport	Indianapolis, IN	February 20, 2014	95
Fairfield Inn & Suites Indianapolis Airport	Indianapolis, IN	February 20, 2014	86
Courtyard Grand Rapids Airport	Kentwood, MI	February 20, 2014	84
Hampton Inn Suites Las Vegas Red Rock Summerlin	Las Vegas, NV	February 20, 2014	106
Courtyard Austin University Area	Austin, TX	February 20, 2014	198
Fairfield Inn & Suites Austin University Area	Austin, TX	February 20, 2014	63
Hyatt House Dallas Richardson	Richardson, TX	February 20, 2014	130
Hilton Garden Inn St. George	St. George, UT	February 25, 2014	150
Hilton Mystic	Mystic, CT	March 26, 2014	182
Holiday Inn Austin NW Arboretum Area	Austin, TX	June 18, 2014	194
		Total	1,731

During 2013, the Company disposed of three properties in three separate transactions. The operating results for the six months ended June 30, 2013 for these properties is included in discontinued operations in the statement of operations.

The following table provides a list of properties that were disposed of during 2013:

Property Name	Location	Disposal Date	Rooms
SpringHill Suites Southfield	Southfield, MI	May 30, 2013	84
Courtyard Goshen	Goshen, IN	August 28, 2013	91
Fairfield Inn & Suites Memphis	Memphis, TN	November 18, 2013	63
		Total	238

Operating results of discontinued operations were as follows (in thousands):

	For the three months ended June 30, 2013	For the six months ended June 30, 2013
Operating revenue	$1,105	$2,122
Operating expense	(938)	(2,014)
Operating loss	167	108
Interest expense	(182)	(342)
Loss from discontinued operations before gain on extinguishment of indebtedness	(15)	(234)
Gain on extinguishment of indebtedness	2,425	2,425
Net income from discontinued operations	$2,410	$2,191

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5. Investment in Hotels and Other Properties

Investment in hotels and other properties as of June 30, 2014 and December 31, 2013 consisted of the following (in thousands):

	June 30, 2014	December 31, 2013
Land and land improvements	$681,998	$594,402
Buildings and improvements	3,112,640	2,866,849
Furniture, fixtures and equipment	512,700	485,531
Intangibles	2,507	2,507
	4,309,845	3,949,289
Accumulated depreciation and amortization	(718,867)	(708,126)
Investment in hotels and other properties, net	$3,590,978	$3,241,163

For the three and six months ended June 30, 2014, depreciation and amortization expense related to investment in hotels and other properties was approximately $35.3 million and $68.1 million, respectively. For the three and six months ended June 30, 2013, depreciation and amortization expense related to investment in hotels and other properties, excluding discontinued operations, was approximately $31.7 million and $63.0 million, respectively.

Impairment

The Company determined that there was no impairment of any assets for either the three and six months ended June 30, 2014 or 2013.

6. Debt

Credit Facilities

The Company has in place a credit agreement that provides for (i) an unsecured revolving credit facility of up to $300 million with a scheduled maturity date of November 20, 2016 with a one-year extension option if certain conditions are satisfied (the “Revolver”), (ii) an unsecured term loan of $400 million with a scheduled maturity date of March 20, 2019 (which originally was scheduled to mature in 2017) (the “2012 Five-Year Term Loan”), (iii) an unsecured term loan of $225 million with a scheduled maturity date of November 20, 2019 (the “Seven-Year Term Loan”), and (iv) an unsecured term loan of $400 million with a scheduled maturity date of August 27, 2018 (the “2013 Five-Year Term Loan”).

The Revolver and Term Loans are subject to customary financial covenants. As of June 30, 2014, the Company was in compliance with all financial covenants.

As of and for the three and six months ended June 30, 2014 and 2013, details of the Revolver and Term Loans are as follows (in thousands):

				Interest expense for the three months ended June 30,		six months ended June 30,	
	Outstanding Borrowings at June 30, 2014	Maturity Date	Interest Rate at June 30, 2014 (1)	2014	2013	2014	2013
Revolver (2)	$—	11/2016	n/a	$296	$263	$619	$619
	400,000	08/2018	3.07%	3,102	—	5,953	—

2013 Five-Year Term Loan (3)							
2012 Five-Year Term Loan	400,000	03/2019	1.71%	1,728	1,391	3,150	2,807
Seven-Year Term Loan (4)	225,000	11/2019	4.04%	2,294	754	4,550	1,522
Total	$1,025,000			$7,420	$2,408	$14,272	$4,948

(1) Interest rate at June 30, 2014 gives effect to interest rate hedges and LIBOR floors, as applicable.

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(2) Includes the unused facility fee of \$0.3 million and \$0.5 million for the three and six months ended June 30, 2014, respectively and \$0.3 million and \$0.5 million for the three and six months ended June 30, 2013, respectively.
(3) Includes interest expense related to an interest rate hedge of \$1.3 million and \$2.5 million for the three and six months ended June 30, 2014, respectively.
(4) Includes interest expense related to an interest rate hedge of \$1.0 million and \$2.0 million for the three and six months ended June 30, 2014, respectively.

Mortgage Loans

As of June 30, 2014 and December 31, 2013, the Company was subject to the following mortgage loans (in thousands):

Lender	Number of Assets Encumbered	Interest Rate at June 30, 2014 (1)	Maturity Date	Principal balance at,