

CAMDEN PROPERTY TRUST
Form 10-Q
May 03, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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: 1-12110

CAMDEN PROPERTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

Texas 76-6088377
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3 Greenway Plaza, Suite 1300 77046
Houston, Texas (Zip Code)
(Address of principal executive offices)
(713) 354-2500
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Edgar Filing: CAMDEN PROPERTY TRUST - Form 10-Q

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

On April 26, 2013, 84,837,950 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

Table of Contents

CAMDEN PROPERTY TRUST

Table of Contents

	Page
PART I	<u>3</u>
	<u>3</u>
Item 1	<u>3</u>
	<u>3</u>
	<u>4</u>
	<u>6</u>
	<u>8</u>
	<u>10</u>
Item 2	<u>22</u>
Item 3	<u>34</u>
Item 4	<u>34</u>
Part II	<u>35</u>
Item 1	<u>35</u>
Item 1A	<u>35</u>
Item 2	<u>35</u>
Item 3	<u>35</u>
Item 4	<u>35</u>
Item 5	<u>35</u>
Item 6	<u>35</u>
<u>SIGNATURES</u>	
Exhibit 31.1	
Exhibit 31.2	

Exhibit 32.1
Exhibit 101.INS
Exhibit 101.SCH
Exhibit 101.CAL
Exhibit 101.DEF
Exhibit 101.LAB
Exhibit 101.PRE

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CAMDEN PROPERTY TRUST

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)	March 31, 2013	December 31, 2012
Assets		
Real estate assets, at cost		
Land	\$949,244	\$949,777
Buildings and improvements	5,404,616	5,389,674
	6,353,860	6,339,451
Accumulated depreciation	(1,552,499)	(1,518,896)
Net operating real estate assets	4,801,361	4,820,555
Properties under development, including land	339,848	334,463
Investments in joint ventures	45,260	45,092
Properties held for sale	14,986	30,517
Total real estate assets	5,201,455	5,230,627
Accounts receivable – affiliates	26,948	33,625
Other assets, net	89,233	88,260
Cash and cash equivalents	59,642	26,669
Restricted cash	5,578	5,991
Total assets	\$5,382,856	\$5,385,172
Liabilities and equity		
Liabilities		
Notes payable		
Unsecured	\$1,538,471	\$1,538,212
Secured	945,134	972,256
Accounts payable and accrued expenses	102,307	101,896
Accrued real estate taxes	20,683	28,452
Distributions payable	56,559	49,969
Other liabilities	69,679	67,679
Total liabilities	2,732,833	2,758,464
Commitments and contingencies		
Equity		
Common shares of beneficial interest; \$0.01 par value per share; 175,000 shares authorized; 99,294 and 99,106 issued; 96,249 and 96,201 outstanding at March 31, 2013 and December 31, 2012, respectively	962	962
Additional paid-in capital	3,590,261	3,587,505
Distributions in excess of net income attributable to common shareholders	(590,831)	(598,951)
Treasury shares, at cost (11,419 and 11,771 common shares at March 31, 2013 and December 31, 2012, respectively)	(412,643)	(425,355)
Accumulated other comprehensive loss	(1,048)	(1,062)
Total common equity	2,586,701	2,563,099
Non-controlling interests	63,322	63,609
Total equity	2,650,023	2,626,708
Total liabilities and equity	\$5,382,856	\$5,385,172

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended	
	March 31, 2013	2012
Property revenues		
Rental revenues	\$ 169,603	\$ 146,254
Other property revenues	26,587	23,445
Total property revenues	196,190	169,699
Property expenses		
Property operating and maintenance	50,494	46,114
Real estate taxes	21,653	17,373
Total property expenses	72,147	63,487
Non-property income		
Fee and asset management	2,894	2,923
Interest and other income (loss)	52	(688)
Income on deferred compensation plans	2,999	7,786
Total non-property income	5,945	10,021
Other expenses		
Property management	5,983	5,284
Fee and asset management	1,477	1,743
General and administrative	9,794	8,679
Interest	24,895	26,683
Depreciation and amortization	53,255	47,906
Amortization of deferred financing costs	916	912
Expense on deferred compensation plans	2,999	7,786
Total other expenses	99,319	98,993
Gain on sale of land	698	—
Gain on acquisition of controlling interest in joint ventures	—	40,191
Equity in income of joint ventures	934	366
Income from continuing operations before income taxes	32,301	57,797
Income tax expense – current	(399)	(224)
Income from continuing operations	31,902	57,573
Income from discontinued operations	748	2,990
Gain on sale of discontinued operations, net of tax	31,783	32,541
Net income	64,433	93,104
Less income allocated to non-controlling interests from continuing operations	(917)	(764)
Less income, including gain on sale, allocated to non-controlling interests from discontinued operations	(40)	(731)
Less income allocated to perpetual preferred units	—	(776)
Less write off of original issuance costs of redeemed perpetual preferred units	—	(2,075)
Net income attributable to common shareholders	\$ 63,476	\$ 88,758

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (continued)
(Unaudited)

(in thousands, except per share amounts)	Three Months Ended		
	March 31, 2013	2012	
Earnings per share – basic			
Income from continuing operations attributable to common shareholders	\$0.35	\$0.66	
Income from discontinued operations, including gain on sale, attributable to common shareholders	0.37	0.44	
Net income attributable to common shareholders	\$0.72	\$1.10	
Earnings per share – diluted			
Income from continuing operations attributable to common shareholders	\$0.35	\$0.65	
Income from discontinued operations, including gain on sale, attributable to common shareholders	0.37	0.42	
Net income attributable to common shareholders	\$0.72	\$1.07	
Distributions declared per common share	\$0.63	\$0.56	
Weighted average number of common shares outstanding – basic	86,703	79,885	
Weighted average number of common shares outstanding – diluted	87,276	82,855	
Net income attributable to common shareholders			
Income from continuing operations	\$31,902	\$57,573	
Less income allocated to non-controlling interests from continuing operations	(917) (764)
Less income allocated to perpetual preferred units	—	(776)
Less write off of original issuance costs of redeemed perpetual preferred units	—	(2,075)
Income from continuing operations attributable to common shareholders	30,985	53,958	
Income from discontinued operations, including gain on sale	32,531	35,531	
Less income, including gain on sale, allocated to non-controlling interests from discontinued operations	(40) (731)
Income from discontinued operations, including gain on sale, attributable to common shareholders	32,491	34,800	
Net income attributable to common shareholders	\$63,476	\$88,758	
Condensed Consolidated Statements of Comprehensive Income:			
Net income	\$64,433	\$93,104	
Other comprehensive income			
Reclassification of prior service cost and net loss on post retirement obligations	14	8	
Comprehensive income	64,447	93,112	
Less income allocated to non-controlling interests from continuing operations	(917) (764)
Less income, including gain on sale, allocated to non-controlling interests from discontinued operations	(40) (731)
Less income allocated to perpetual preferred units	—	(776)
Less write off of original issuance costs of redeemed perpetual preferred units	—	(2,075)
Comprehensive income attributable to common shareholders	\$63,490	\$88,766	
See Notes to Condensed Consolidated Financial Statements.			

Table of Contents

CAMDEN PROPERTY TRUST
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND PERPETUAL PREFERRED UNITS
 (Unaudited)

(in thousands)	Common Shareholders				Accumulated other comprehensive loss	Non-controlling interests	Total equity
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost			
Equity, December 31, 2012	\$962	\$3,587,505	\$(598,951)	\$(425,355)	\$ (1,062)	\$ 63,609	\$2,626,708
Net income			63,476			957	64,433
Other comprehensive income					14		14
Common shares issued	1	9,365					9,366
Net share awards		(7,198)		11,939			4,741
Employee share purchase plan		174		180			354
Common share options exercised		367		593			960
Conversions of operating partnership units		47				(47)	—
Cash distributions declared to equity holders			(55,356)			(1,197)	(56,553)
Other	(1)	1					—
Equity, March 31, 2013	\$962	\$3,590,261	\$(590,831)	\$(412,643)	\$ (1,048)	\$ 63,322	\$2,650,023

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND PERPETUAL PREFERRED UNITS
(continued)
(Unaudited)

(in thousands)	Common Shareholders				Accumulated other comprehensive loss	Non-controlling interests	Total equity	Perpetual preferred units
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost				
Equity, December 31, 2011	\$ 845	\$ 2,901,024	\$(690,466)	\$(452,003)	\$ (683)	\$ 69,051	\$ 1,827,768	\$ 97,925
Net income			88,758			1,495	90,253	2,851
Other comprehensive income					8		8	
Common shares issued	73	435,838					435,911	
Net share awards		(9,110)		13,229			4,119	
Employee share purchase plan		148		170			318	
Common share options exercised		510		1,389			1,899	
Conversions of operating partnership units	2	(450)				448	—	
Cash distributions declared to perpetual preferred units								(776)
Cash distributions declared to equity holders			(46,366)			(2,379)	(48,745)	
Redemption of perpetual preferred units								(100,000)
Other	(1)	1					—	
Equity, March 31, 2012	\$ 919	\$ 3,327,961	\$(648,074)	\$(437,215)	\$ (675)	\$ 68,615	\$ 2,311,531	\$—

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months Ended	
	March 31, 2013	2012
Cash flows from operating activities		
Net income	\$64,433	\$93,104
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization, including discontinued operations	53,470	50,304
Gain on acquisition of controlling interest in joint ventures	—	(40,191)
Gain on sale of discontinued operations, net of tax	(31,783)	(32,541)
Gain on sale of land	(698)	—
Distributions of income from joint ventures	1,299	1,024
Equity in income of joint ventures	(934)	(366)
Share-based compensation	3,274	3,005
Amortization of deferred financing costs	916	912
Net change in operating accounts and other	(5,107)	528
Net cash from operating activities	\$84,870	\$75,779
Cash flows from investing activities		
Development and capital improvements	(58,390)	(60,269)
Acquisition of operating properties, including joint venture interests, net of cash acquired	—	(96,106)
Proceeds from sale of properties, including land and discontinued operations	68,237	54,125
Investments in joint ventures	(600)	(5,656)
Distributions of investments from joint ventures	276	2,620
Other	(1,444)	(183)
Net cash from investing activities	\$8,079	\$(105,469)
Cash flows from financing activities		
Borrowings on unsecured line of credit	—	43,000
Repayments on unsecured line of credit	—	(43,000)
Repayment of notes payable	(27,122)	(273,809)
Proceeds from issuance of common shares	9,366	435,911
Redemption of perpetual preferred units	—	(100,000)
Distributions to common shareholders, perpetual preferred units and non-controlling interests	(49,941)	(41,264)
Payment of deferred financing costs	(306)	(222)
Net decrease in accounts receivable – affiliates	6,677	1,294
Other	1,350	2,323
Net cash from financing activities	\$(59,976)	\$24,233
Net increase (decrease) in cash and cash equivalents	32,973	(5,457)
Cash and cash equivalents, beginning of period	26,669	55,159
Cash and cash equivalents, end of period	\$59,642	\$49,702
Supplemental information		
Cash paid for interest, net of interest capitalized	\$7,160	\$8,633
Cash paid for income taxes	9	12

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CAMDEN PROPERTY TRUST
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
 (Unaudited)

(in thousands)	Three Months Ended	
	March 31, 2013	2012
Supplemental schedule of noncash investing and financing activities		
Distributions declared but not paid	\$56,559	\$47,594
Value of shares issued under benefit plans, net of cancellations	22,811	20,055
Conversion of operating partnership units to common shares	47	448
Accrual associated with construction and capital expenditures	9,118	12,504
Acquisition of operating properties, including joint venture interests:		
Mortgage debt assumed	—	272,606
Other liabilities assumed	—	4,621
See Notes to Condensed Consolidated Financial Statements.		

Table of Contents

CAMDEN PROPERTY TRUST

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust (“REIT”), is primarily engaged in the ownership, management, development, acquisition, and construction of multifamily apartment communities. Our multifamily apartment communities are referred to as “communities,” “multifamily communities,” “properties,” or “multifamily properties” in the following discussion. As of March 31, 2013, we owned interests in, operated, or were developing 201 multifamily properties comprised of 67,850 apartment homes across the United States. Of the 201 properties, nine properties were under development, and when completed will consist of a total of 2,845 apartment homes. In addition, we own land parcels we may develop into multifamily apartment communities in the future.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Principles of Consolidation. Our condensed consolidated financial statements include our accounts and the accounts of other subsidiaries and joint ventures (including partnerships and limited liability companies) over which we have control. All intercompany transactions, balances, and profits have been eliminated in consolidation. Investments acquired or created are continuously evaluated based on the accounting guidance relating to variable interest entities (“VIEs”), which requires the consolidation of VIEs in which we are considered to be the primary beneficiary. If the investment is determined not to be a VIE, then the investment is evaluated for consolidation (primarily using a voting interest model) under the remaining consolidation guidance relating to real estate entities. If we are the general partner of a limited partnership, or manager of a limited liability company, we also consider the consolidation guidance relating to the rights of limited partners (non-managing members) to assess whether any rights held by the limited partners overcome the presumption of control by us.

Interim Financial Reporting. We have prepared these financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, these statements do not include all information and footnote disclosures required for annual statements. While we believe the disclosures presented are adequate for interim reporting, these interim financial statements should be read in conjunction with the audited financial statements and notes included in our 2012 Annual Report on Form 10-K. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments, necessary for a fair representation of our financial statements for the interim period reported have been included. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results which may be expected for the full year.

Allocations of Purchase Price. Upon acquisition of real estate, we allocate the fair value between tangible and intangible assets, which includes land, buildings (as-if-vacant), furniture and fixtures, the value of in-place leases, including above and below market leases, and acquired liabilities. In allocating these values we apply methods similar to those used by independent appraisers of income-producing property. Upon the acquisition of a controlling interest of an investment in an unconsolidated joint venture, such joint venture is consolidated and our initial equity investment is remeasured to fair value at the date the controlling interest is acquired; any differences between the carrying value of the previously held equity investment is recognized in earnings at the time of obtaining control. Transaction costs associated with the acquisition of operating real estate assets are expensed. Depreciation is computed on a straight-line basis over the remaining useful lives of the related tangible assets. The value of in-place leases and above or below market leases is amortized over the estimated average remaining life of leases in place at the time of acquisition. The unamortized value of in-place leases at March 31, 2013 was approximately \$0.7 million and is included in other assets, net, in our condensed consolidated balance sheet. Amortization expense related to the

value of in-place leases for the three months ended March 31, 2013 and 2012 was approximately \$1.9 million and \$3.6 million, respectively. The unamortized value of above or below market leases at March 31, 2013 was \$0.3 million and is included in other liabilities in our condensed consolidated balance sheet. We recognized approximately \$0.4 million of revenues related to the value of above or below market leases during each of the three months ended March 31, 2013 and 2012. Estimates of fair value of acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities.

Asset Impairment. Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists if estimated future undiscounted cash flows associated with long-lived assets are not sufficient to recover the carrying value of such assets. We consider projected future discounted and undiscounted cash flows, trends, strategic decisions regarding future development plans, and other factors in our assessment of whether impairment conditions exist. When impairment exists, the long-lived asset is adjusted to its fair value. While we believe our estimates of future cash flows are reasonable, different assumptions regarding a number of factors, including market rents, economic conditions, and occupancies, could significantly affect these estimates. In estimating fair value, management

Table of Contents

uses appraisals, management estimates, and discounted cash flow calculations which utilize inputs from a marketplace participant’s perspective. In addition, we evaluate our equity investments in joint ventures and if we believe there is an other than temporary decline in market value of our investment below our carrying value, we will record an impairment charge.

The value of our properties under development depends on market conditions, including estimates of the project start date as well as estimates of demand for multifamily communities. We have reviewed market trends and other marketplace information and have incorporated this information as well as our current outlook into the assumptions we use in our impairment analyses. Due to the judgment and assumptions applied in the impairment analyses, it is possible actual results could differ substantially from those estimated.

We believe the carrying value of our operating real estate assets, properties under development, and land is currently recoverable. However, if market conditions deteriorate or if changes in our development strategy significantly affect any key assumptions used in our fair value estimates, we may need to take material charges in future periods for impairments related to existing assets. Any such material non-cash charges could have an adverse effect on our consolidated financial position and results of operations.

Cost Capitalization. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Capitalized interest is generally based on the weighted average interest rate of our unsecured debt. Expenditures directly related to the development and improvement of real estate assets are capitalized at cost as land and buildings and improvements. Indirect development costs, including salaries and benefits and other related costs directly attributable to the development of properties, are also capitalized. We begin capitalizing development, construction, and carrying costs when the development of the future real estate asset is probable and activities necessary to get the underlying real estate ready for its intended use have been initiated. All construction and carrying costs are capitalized and reported in the balance sheet as properties under development until the apartment homes are substantially completed. Upon substantial completion of the apartment homes, the total capitalized development cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively.

As discussed above, carrying charges are principally interest and real estate taxes capitalized as part of properties under development. Capitalized interest was approximately \$3.2 million and \$3.0 million for the three months ended March 31, 2013 and 2012, respectively. Capitalized real estate taxes were approximately \$0.9 million and \$0.8 million for the three months ended March 31, 2013 and 2012, respectively.

Where possible, we stage our construction to allow leasing and occupancy during the construction period, which we believe minimizes the duration of the lease-up period following completion of construction. Our accounting policy related to properties in the development and leasing phase is to expense all operating expenses associated with completed apartment homes. We capitalize renovation and improvement costs we believe extend the economic lives of depreciable property. Capital expenditures subsequent to initial construction are capitalized and depreciated over their estimated useful lives.

Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis with lives generally as follows:

	Estimated Useful Life
Buildings and improvements	5-35 years
Furniture, fixtures, equipment, and other	3-20 years

Intangible assets (in-place leases and above and below market leases)

underlying lease term

Discontinued Operations. A property is classified as a discontinued operation when (i) the operations and cash flows of the property can be clearly distinguished and have been or will be eliminated from our ongoing operations; (ii) the property has either been disposed of or is classified as held for sale; and (iii) we will not have any significant continuing involvement in the operations of the property after the disposal transaction. Significant judgments are involved in determining whether a property meets the criteria for discontinued operations reporting and the period in which these criteria are met. A property is classified as held for sale when (i) management commits to a plan to sell and it is actively marketed; (ii) it is available for immediate sale in its present condition and the sale is expected to be completed within one year; and (iii) it is unlikely significant changes to the plan will be made or the plan will be withdrawn.

Table of Contents

The results of operations for properties sold during the period or classified as held for sale at the end of the current period are classified as discontinued operations in the current and prior periods. The property-specific components of earnings classified as discontinued operations include separately identifiable property-specific revenues, expenses, depreciation, and interest expense, if any. The gain or loss resulting from the eventual disposal of the held for sale properties is also classified within discontinued operations. Real estate assets held for sale are measured at the lower of carrying amount or fair value less costs to sell and are presented separately in the accompanying condensed consolidated balance sheets. Subsequent to classification of a property as held for sale, no further depreciation is recorded. Properties sold by our unconsolidated entities are not included in discontinued operations and related gains or losses are reported as a component of equity in income of joint ventures.

Gains on sale of real estate are recognized using the full accrual or partial sale methods, as applicable, in accordance with GAAP, provided various criteria relating to the terms of sale and any subsequent involvement with the real estate sold are satisfied.

Fair Value. For financial assets and liabilities recorded at fair value on a recurring or nonrecurring basis, fair value is the price we would receive to sell an asset, or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date. In the absence of such data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction.

In determining fair value, observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions; preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Disclosures. The valuation methodology we use to measure our deferred compensation plan investment at fair value on a recurring basis is based on quoted market prices utilizing public information for the same transactions. Our deferred compensation plan investments are recorded in other assets in our condensed consolidated balance sheets.

Financial Instrument Fair Value Disclosures. In calculating the fair value of our notes payable, interest rate and spread assumptions reflect current creditworthiness and market conditions available for the issuance of notes payable with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

Non-recurring Fair Value Disclosures. Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. These assets primarily include long-lived assets which are recorded at fair value when they are impaired. The fair value methodologies used to measure long-lived assets are described above at "Asset Impairment." The inputs associated with the valuation of long-lived assets are generally included in Level 3 of the fair value hierarchy.

3. Per Share Data

Basic earnings per share are computed using net income attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflect common shares issuable from the assumed conversion of common share options and share awards granted and units convertible into common shares. Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. Our unvested share-based awards are considered participating securities and are reflected in the calculation of basic and diluted earnings per share using the two-class method. The number of common share equivalent securities excluded from the diluted earnings per share calculation was approximately 3.0 million and 1.4 million for the three months ended March 31, 2013 and 2012, respectively. These securities, which include common share options and share awards granted and units convertible into common shares, were excluded from the diluted earnings per share calculation as they are anti-dilutive.

Table of Contents

The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated:

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2013	2012
Earnings per share calculation – basic		
Income from continuing operations attributable to common shareholders	\$ 30,985	\$ 53,958
Amount allocated to participating securities	(638) (890
Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	30,347	53,068
Income from discontinued operations, including gain on sale, attributable to common shareholders	32,491	34,800
Net income attributable to common shareholders, as adjusted	\$ 62,838	\$ 87,868
Income from continuing operations attributable to common shareholders, as adjusted – per share	\$ 0.35	\$ 0.66
Income from discontinued operations, including gain on sale, attributable to common shareholders – per share	0.37	0.44
Net income attributable to common shareholders, as adjusted – per share	\$ 0.72	\$ 1.10
Weighted average number of common shares outstanding – basic	86,703	79,885
Earnings per share calculation – diluted		
Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	\$ 30,347	\$ 53,068
Income allocated to common units from continuing operations	—	639
Income from continuing operations attributable to common shareholders, as adjusted	30,347	53,707
Income from discontinued operations, including gain on sale, attributable to common shareholders	32,491	34,800
Net income attributable to common shareholders, as adjusted	\$ 62,838	\$ 88,507
Income from continuing operations attributable to common shareholders, as adjusted – per share	\$ 0.35	\$ 0.65
Income from discontinued operations, including gain on sale, attributable to common shareholders – per share	0.37	0.42
Net income attributable to common shareholders, as adjusted – per share	\$ 0.72	\$ 1.07
Weighted average number of common shares outstanding – basic	86,703	79,885
Incremental shares issuable from assumed conversion of:		
Common share options and share awards granted	573	679
Common units	—	2,291
Weighted average number of common shares outstanding – diluted	87,276	82,855

4. Common Shares

In May 2012, we created an at-the-market ("ATM") share offering program through which we can, but have no obligation to, sell common shares having an aggregate offering price of up to \$300 million (the "2012 ATM

program"), in amounts and at times as we determine, into the existing trading market at current market prices as well as through negotiated transactions. Actual sales from time to time may depend on a variety of factors including, among others, market conditions, the trading price of our common shares, and determinations by management of the appropriate sources of funding for us. We intend to use the net proceeds from the 2012 ATM program for general corporate purposes, which may include funding for development and acquisition activities,

Table of Contents

the redemption or other repurchase of outstanding debt or equity securities, reducing future borrowings under our \$500 million unsecured line of credit, and the repayment of other indebtedness.

The following table presents activity under our 2012 ATM program for the three months ended March 31, 2013 (in thousands, except per share amounts):

	Three Months Ended March 31, 2013
Total net consideration	\$9,365.5
Common shares sold	135.7
Average price per share	\$70.63

At March 31, 2013, we had common shares having an aggregate offering price of up to \$114 million remaining available for sale under the 2012 ATM program. No additional shares were sold subsequent to quarter end through the date of this filing.

In May 2011, we created an ATM share offering program through which we could, but had no obligation to, sell common shares having an aggregate offering price of up to \$300 million (the "2011 ATM program"), in amounts and at times as we determined, into the existing trading market at current market prices as well as through negotiated transactions. The net proceeds resulting from the 2011 ATM program were used to redeem all of our outstanding redeemable perpetual preferred units and for other general corporate purposes, which included funding for development activities, financing of acquisitions, repayment of notes payable and borrowings under our \$500 million unsecured line of credit. The 2011 ATM program terminated in the second quarter of 2012, and no further common shares are available for sale under the 2011 ATM program.

The following table presents activity under our 2011 ATM program for the three months ended March 31, 2012 (in thousands, except per share amounts):

	Three Months Ended March 31, 2012
Total net consideration	\$44,291.7
Common shares sold	704.2
Average price per share	\$63.89

We currently have an automatic shelf registration statement which allows us to offer, from time to time, an unlimited amount of common shares, preferred shares, debt securities, or warrants. Our Amended and Restated Declaration provides we may issue up to 185 million shares of beneficial interest, consisting of 175 million common shares and 10 million preferred shares.

5. Property Acquisitions, Discontinued Operations, and Assets Held for Sale

Acquisitions. We had no acquisitions of operating properties or land parcels in the first quarter of 2013. During April 2013, we acquired one operating property, Camden Post Oak comprised of 356 apartment homes, located in Houston, Texas for approximately \$108.5 million. As of the date of this filing, the initial accounting for the purchase price allocation has not been completed as we are awaiting the completion of our analysis of the net assets acquired which we expect to be completed by the end of the second quarter 2013.

Discontinued Operations and Assets Held for Sale. For the three months ended March 31, 2013 and 2012, income from discontinued operations included the results of operations of one operating property, Camden Live Oaks, comprised of 770 apartment homes sold in January 2013 and also the results of operations of one other operating property, Camden Reserve, comprised of 526 apartment homes, classified as held for sale as of March 31, 2013. This

property was sold in April 2013 for approximately \$40.5 million.

For the three months ended March 31, 2012, income from discontinued operations also included the results of operations of eleven operating properties, Camden Vista Valley, Camden Landings, Camden Creek, Camden Laurel Ridge, Camden Steeplechase, Camden Sweetwater, Camden Valleybrook, Camden Park Commons, Camden Forest, Camden Baytown, and Camden Westview, comprised of 3,213 apartment homes, sold during 2012.

Table of Contents

The following is a summary of income from discontinued operations for the three months ended March 31, 2013 and 2012:

(in thousands)	Three Months Ended March 31,	
	2013	2012
Property revenues	\$1,732	\$10,161
Property expenses	(769) (4,773
	\$963	\$5,388
Depreciation and amortization	215	2,398
Income from discontinued operations	\$748	\$2,990
Gain on sale of discontinued operations, net of tax	\$31,783	\$32,541

During the three months ended March 31, 2013, we sold two land parcels comprised of an aggregate of approximately 3.7 acres, adjacent to current development communities in Atlanta, Georgia and Houston, Texas, for approximately \$6.6 million. We recognized a gain of approximately \$0.7 million relating to these land sales.

6. Investments in Joint Ventures

As of March 31, 2013, our equity investments in unconsolidated joint ventures, which we account for utilizing the equity method of accounting, consisted of four joint ventures, with our ownership percentages ranging from 15% to 20%. We currently provide property management services to each of these joint ventures which own operating properties, and we may provide construction and development services to the joint ventures which own properties under development. The following table summarizes aggregate balance sheet and statement of income data for the unconsolidated joint ventures as of and for the periods presented:

(in millions)	March 31,	December 31,
	2013	2012
Total assets (1)	\$917.8	\$917.8
Total third-party debt	724.8	712.7
Total equity	165.5	165.2
(in millions)	Three Months Ended March 31,	
	2013	2012
Total revenues (3)	\$32.5	\$33.7 (2)
Net income (loss)	2.0	(1.7)
Equity in income (4)	0.9	0.4

(1) Includes approximately \$102.3 million of assets at March 31, 2013 relating to one joint venture which are under contract to be sold in the second quarter of 2013.

(2) Includes approximately \$4.1 million of revenues related to the acquisition by us of 12 joint ventures in January 2012 and one joint venture in December 2012.

(3) Excludes approximately \$6.8 million for the three months ended March 31, 2012 relating to the discontinued operations from the sale of seven operating properties within two of our unconsolidated joint ventures during the third and fourth quarters of 2012.

(4) Equity in income excludes our ownership interest of fee income from various property management services provided by us to our joint ventures.

The joint ventures in which we have a partial interest have been funded in part with secured third-party debt. As of March 31, 2013, we had no outstanding guarantees related to loans of our unconsolidated joint ventures.

We may earn fees for property management, construction, development, and other services related to joint ventures in which we own an interest. Fees earned for these services amounted to approximately \$2.7 million for each of the three months ended March 31, 2013 and 2012. We eliminate fee income for services provided to these joint ventures to the extent of our ownership.

In March 2013, one of our unconsolidated joint ventures entered into an agreement to sell its 14 operating properties, comprised of 3,098 apartment homes, located in Las Vegas, Nevada, to an unaffiliated third party. The assets relating to this joint venture are under contract to be sold in the second quarter of 2013.

Table of Contents

7. Notes Payable

The following is a summary of our indebtedness:

(in millions)	Balance at March 31, 2013	December 31, 2012
Senior unsecured notes		
5.45% Notes, due 2013	\$ 199.9	\$ 199.9
5.08% Notes, due 2015	249.6	249.5
5.75% Notes, due 2017	246.4	246.3
4.70% Notes, due 2021	248.7	248.7
3.07% Notes, due 2022	346.4	346.3
5.00% Notes, due 2023	247.5	247.5
	1,538.5	1,538.2
Secured notes		
1.02% – 6.00% Conventional Mortgage Notes, due 2014 – 2045	907.7	934.6
Tax-exempt Mortgage Note due 2028 (1.35% floating rate)	37.4	37.7
	945.1	972.3
Total notes payable	\$2,483.6	\$2,510.5
Floating rate debt included in secured notes (1.02%)	\$ 175.0	\$ 175.0

We have a \$500 million unsecured credit facility which matures in September 2015 with an option to extend at our election to September 2016. Additionally, we have the option to increase this credit facility to \$750 million by either adding additional banks to the credit facility or obtaining the agreement of the existing banks in the credit facility to increase their commitments. The interest rate is based upon LIBOR plus a margin which is subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of 180 days or less and may not exceed the lesser of \$250 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations. We are in compliance with all such financial covenants and limitations.

Our line of credit provides us with the ability to issue up to \$100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line of credit, it does reduce the amount available. At March 31, 2013, we had no balances outstanding on our \$500 million unsecured line of credit. However, we had outstanding letters of credit totaling approximately \$11.6 million, leaving approximately \$488.4 million available under our unsecured line of credit. As an alternative to our unsecured line of credit, from time to time we may borrow using an unsecured overnight borrowing facility. Our use of short term borrowings does not decrease the amount available under our unsecured line of credit.

In January 2013, we repaid a 4.95% secured conventional mortgage note which was scheduled to mature on April 1, 2013 for approximately \$26.1 million.

At March 31, 2013 and 2012, the weighted average interest rate on our floating rate debt was approximately 1.1%.

Table of Contents

Our indebtedness had a weighted average maturity of 6.8 years at March 31, 2013. Scheduled repayments on outstanding debt, including our line of credit and scheduled principal amortizations, and the weighted average interest rate on maturing debt at March 31, 2013 were as follows:

(in millions)	Amount	Weighted Average Interest Rate	
2013	\$202.4	5.4	%
2014	35.4	3.2	
2015	252.0	5.1	
2016 (1)	2.2	—	
2017	249.2	5.7	
Thereafter	1,742.4	4.2	
Total	\$2,483.6	4.5	%

(1) Includes only scheduled principal amortizations.

8. Share-based Compensation

Incentive Compensation. During the second quarter of 2011, our Board of Trust Managers adopted, and on May 11, 2011 our shareholders approved, the 2011 Share Incentive Plan of Camden Property Trust (the “2011 Share Plan”). Under the 2011 Share Plan, we may issue up to a total of approximately 9.1 million fungible units (the “Fungible Pool Limit”), which is comprised of approximately 5.8 million new fungible units plus approximately 3.3 million fungible units previously available for issuance under our 2002 share incentive plan based on a 3.45 to 1.0 fungible unit-to full value award conversion ratio. Fungible units represent the baseline for the number of shares available for issuance under the 2011 Share Plan. Different types of awards are counted differently against the Fungible Pool Limit, as follows:

Each share issued or to be issued in connection with an award, other than an option, right or other award which does not deliver the full value at grant of the underlying shares, will be counted against the Fungible Pool Limit as 3.45 fungible pool units;

Options and other awards which do not deliver the full value at grant of the underlying shares and which expire more than five years from date of grant will be counted against the Fungible Pool Limit as one fungible pool unit; and

Options, rights and other awards which do not deliver the full value at date of grant and expire five years or less from the date of grant will be counted against the Fungible Pool Limit as 0.83 of a fungible pool unit.

At March 31, 2013, approximately 6.7 million fungible units were available under the 2011 Share Plan, which results in approximately 2.0 million common shares which may be granted pursuant to full value awards based on the 3.45 to 1.0 fungible unit-to-full value award conversion ratio.

Awards which may be granted under the 2011 Share Plan include incentive share options, non-qualified share options (which may be granted separately or in connection with an option), share awards, dividends and dividend equivalents and other equity based awards. Persons eligible to receive awards under the 2011 Share Plan are trust managers, directors of our affiliates, executive and other officers, key employees and consultants, as determined by the Compensation Committee of our Board of Trust Managers. The 2011 Share Plan will expire on May 11, 2021.

Options. Approximately 0.1 million and 0.2 million options were exercised during the three months ended March 31, 2013 and 2012, respectively. The options were exercised at prices ranging from \$30.06 to \$62.32 per option during the three months ended March 31, 2013, and at prices ranging from \$30.06 to \$48.02 per option during the three months ended March 31, 2012. The total intrinsic value of options exercised was approximately \$4.1 million and \$3.7 million during the three months ended March 31, 2013 and 2012, respectively. At March 31, 2013, there was

approximately \$0.2 million of total unrecognized compensation cost related to unvested options, which is expected to be amortized over the next year. At March 31, 2013, outstanding options and exercisable options had a weighted average remaining life of approximately 4.0 years and 3.7 years, respectively.

Table of Contents

The following table summarizes outstanding share options and exercisable options at March 31, 2013:

Range of Exercise Prices	Outstanding Options (1)		Exercisable Options (1)	
	Number	Weighted Average Price	Number	Weighted Average Price
\$30.06-\$41.16	240,713	\$32.98	142,808	\$34.98
\$42.90-\$43.94	108,947	43.43	108,947	43.43
\$45.53-\$62.32	323,697	47.44	323,697	47.44
Total options	673,357	\$41.62	575,452	\$43.59

The aggregate intrinsic value of outstanding and exercisable options at March 31, 2013 was \$18.2 million and (1)\$14.4 million, respectively. The aggregate intrinsic values were calculated as the excess, if any, between our closing share price of \$68.68 per share on March 31, 2013 and the strike price of the underlying award.

Valuation Assumptions. Options generally have a vesting period of three to five years. We estimate the fair values of each option award on the date of grant using the Black-Scholes option pricing model. No new options have been granted in 2013.

Share Awards and Vesting. Share awards generally have a vesting period of three to five years. The compensation cost for share awards is based on the market value of the shares on the date of grant and is amortized over the vesting period. To estimate forfeitures, we use actual forfeiture history. At March 31, 2013, the unamortized value of previously issued unvested share awards was approximately \$51.2 million, which is expected to be amortized over the next four years. The total fair value of shares vested during the three months ended March 31, 2013 and 2012 was approximately \$14.1 million and \$12.7 million, respectively.

Total compensation cost for option and share awards charged against income was approximately \$3.4 million and \$3.2 million for the three months ended March 31, 2013 and 2012, respectively. Total capitalized compensation cost for option and share awards was approximately \$0.5 million and \$0.3 million for the three months ended March 31, 2013 and 2012, respectively.

The following table summarizes activity under our share incentive plans for the three months ended March 31, 2013:

	Options Outstanding	Weighted Average Exercise Price	Nonvested Share Awards Outstanding	Weighted Average Grant Price
Total options and nonvested share awards outstanding at December 31, 2012	838,754	\$42.36	862,253	\$52.64
Granted	—	—	330,695	69.41
Exercised/vested	(144,875)) 41.40	(282,626)) 50.02
Forfeited	(20,522)) 73.32	(2,634)) 54.69
Net activity	(165,397))	45,435	
Total options and nonvested share awards outstanding at March 31, 2013	673,357	\$41.62	907,688	\$59.56

Table of Contents

9. Net Change in Operating Accounts

The effect of changes in the operating accounts and other on cash flows from operating activities is as follows:

(in thousands)	Three Months Ended March 31,	
	2013	2012
Change in assets:		
Other assets, net	\$ 1,158	\$(62)
Change in liabilities:		
Accounts payable and accrued expenses	2,035	9,549
Accrued real estate taxes	(7,768)	(4,244)
Other liabilities	(791)	(4,912)
Other	259	197
Change in operating accounts and other	\$(5,107)	\$ 528

10. Commitments and Contingencies

Construction Contracts. As of March 31, 2013, we estimate the additional costs to complete seven consolidated construction projects currently under development to be approximately \$325.3 million. We expect to fund these amounts through a combination of cash flows generated from operations, available cash balances, draws on our unsecured credit facility, proceeds from property dispositions, equity issued from our ATM program, the use of debt and equity offerings under our automatic shelf registration statement and secured mortgages.

Litigation. One of our wholly-owned subsidiaries previously acted as a general contractor for the construction of two apartment projects in Florida which were subsequently sold and converted to condominium units by unrelated third-parties. One condominium association has asserted claims against our subsidiary alleging, in general, defective construction as a result of alleged negligence and failure to comply with building codes and the other condominium association has asserted claims against our subsidiary alleging a failure to comply with building codes.

The two associations have filed suit against our subsidiary and other unrelated third parties in Florida claiming damages, in unspecified amounts, for the costs of repair arising out of the alleged defective construction as well as the recovery of incidental and consequential damages resulting from such alleged negligence. We have denied liability to the associations. Based upon the amount of discovery completed to date, it is not possible to determine the potential outcome or to estimate a range of loss, if any, which would be associated with any potential adverse decision.

We are also subject to various legal proceedings and claims which arise in the ordinary course of business. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these legal proceedings and claims cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our condensed consolidated financial statements.

Other Contingencies. In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for acquisitions, dispositions, or joint ventures and also enter into arrangements contemplating various transactions. Such letters of intent and other arrangements are non-binding as to either party unless and until a definitive contract is entered into by the parties. Even if definitive contracts relating to the purchase or sale of real property are entered into, these contracts generally provide the purchaser with time to evaluate the property and conduct due diligence, during which periods the purchaser will have the ability to terminate the contracts without penalty or forfeiture of any deposit or earnest money. There can be no assurance definitive contracts will be entered into with respect to any matter covered by letters of intent or we will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. An acquisition or sale of real property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. We are then at risk under a real property acquisition contract, but generally only to the extent of any earnest money deposits associated with the contract, and are obligated to sell under a real property

sales contract. At March 31, 2013, we had earnest money deposits of approximately \$3.5 million which we have paid for potential acquisitions of operating properties and land, of which approximately \$3.0 million is non-refundable.

Lease Commitments. At March 31, 2013, we had long-term leases covering certain land, office facilities, and equipment. Rental expense totaled approximately \$0.7 million and \$0.6 million for the three months ended March 31, 2013 and 2012, respectively. Minimum annual rental commitments for the remainder of 2013 are \$2.0 million, and for the years ending

Table of Contents

December 31, 2014 through 2017 are approximately \$3.0 million, \$1.9 million, \$2.1 million, and \$2.1 million, respectively, and approximately \$16.3 million in the aggregate thereafter.

Investments in Joint Ventures. We have entered into, and may continue in the future to enter into, joint ventures or partnerships (including limited liability companies) through which we own an indirect economic interest in less than 100% of the community or land owned directly by the joint venture or partnership. Our decision whether to hold the entire interest in an apartment community or land ourselves, or to have an indirect interest in the community or land through a joint venture or partnership, is based on a variety of factors and considerations, including: (i) our projection, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture or partnership vehicle is used; (ii) our desire to diversify our portfolio of communities by market; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) the economic and tax terms required by a seller of land or of a community, who may prefer or who may require less payment if the land or community is contributed to a joint venture or partnership. Investments in joint ventures or partnerships are not limited to a specified percentage of our assets. Each joint venture or partnership agreement is individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion is limited to varying degrees in our existing joint venture agreements and may be limited to varying degrees depending on the terms of future joint venture agreements.

11. Income Taxes

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. As a REIT, we generally will not be subject to federal income tax on our taxable income at the corporate level to the extent such income is distributed to our shareholders annually. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at regular corporate rates, including any applicable alternative minimum tax. In addition, we may not be able to requalify as a REIT for the four subsequent taxable years. Historically, we have incurred only state and local income, margin, franchise, and excise taxes. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state, and local income and margin taxes. Our operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level.

We have provided for income, franchise, and margin taxes in the condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2013 and 2012. Income tax expense is primarily related to margin tax, state income tax, and federal taxes on certain of our taxable REIT subsidiaries. We have no significant temporary differences or tax credits associated with our taxable REIT subsidiaries.

We believe we have no uncertain tax positions or unrecognized tax benefits requiring disclosure as of and for the three months ended March 31, 2013.

12. Fair Value Disclosures

Recurring Fair Value Disclosures. The following table presents information about our financial instruments measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012 under the fair value hierarchy discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements."

Financial Instruments Measured at Fair Value on a Recurring Basis

Edgar Filing: CAMDEN PROPERTY TRUST - Form 10-Q

(in millions)	March 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Deferred compensation plan investments (1)	\$37.8	\$—	\$—	\$37.8	\$35.0	\$—	\$—	\$35.0

(1) Approximately \$0.9 million of participant cash was withdrawn from our deferred compensation plan investments during the three months ended March 31, 2013.

Financial Instrument Fair Value Disclosures. As of March 31, 2013 and December 31, 2012, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and distributions payable represent fair value because of the short-term nature of these instruments. The carrying value of restricted cash approximates its fair value based on the nature of our assessment of the ability to recover these amounts.

Table of Contents

The following table presents the carrying and estimated fair value of our notes payable at March 31, 2013 and December 31, 2012:

(in millions)	March 31, 2013		December 31, 2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fixed rate notes payable	\$2,271.2	\$2,483.0	\$2,297.8	\$2,518.1
Floating rate notes payable	212.4	203.3	212.7	203.4

Non-recurring Fair Value Disclosures. There were no events during the three months ended March 31, 2013 or 2012 which required fair value adjustments of our non-financial assets and non-financial liabilities.

13. Non-controlling Interests

The following table summarizes the effect of changes in our ownership interest in subsidiaries on the equity attributable to common shareholders for the three months ended March 31:

(in thousands)	2013	2012
Net income attributable to common shareholders	\$63,476	\$88,758
Transfers from the non-controlling interests:		
Increase (decrease) in equity for conversion of operating partnership units	47	(448)
Change in common equity and net transfers from non-controlling interests	\$63,523	\$88,310

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes appearing elsewhere in this report, as well as Part I, Item 1A, "Risk Factors" within our Annual Report on Form 10-K for the year ended December 31, 2012. Historical results and trends which might appear in the condensed consolidated financial statements should not be interpreted as being indicative of future operations.

We consider portions of this report to be "forward-looking" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to our expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions, or other items relating to the future; forward-looking statements are not guarantees of future performance, results, or events. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance our expectations will be achieved. Any statements contained herein which are not statements of historical fact should be deemed forward-looking statements. Reliance should not be placed on these forward-looking statements as they are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from our actual results and performance.

Factors which may cause our actual results or performance to differ materially from those contemplated by forward-looking statements include, but are not limited to, the following:

- volatility in capital and credit markets, or other unfavorable changes in economic conditions, could adversely impact us;
- short-term leases expose us to the effects of declining market rents;
- we face risks associated with land holdings and related activities;
- difficulties of selling real estate could limit our flexibility;
- we could be negatively impacted by the condition of Fannie Mae or Freddie Mac;
- compliance or failure to comply with laws, including those requiring access to our properties by disabled persons, could result in substantial cost;
- competition could limit our ability to lease apartments or increase or maintain rental income;
- development and construction risks could impact our profitability;
- our acquisition strategy may not produce the cash flows expected;
- competition could adversely affect our ability to acquire properties;
- losses from catastrophes may exceed our insurance coverage;
- investments through joint ventures and discretionary funds involve risks not present in investments in which we are the sole investor;
- tax matters, including failure to qualify as a REIT, could have adverse consequences;
- we rely on information technology in our operations, and any breach, interruption or security failure of that technology could have a negative impact to our business and/or financial condition;
- we depend on our key personnel;
- litigation risks could affect our business;
- insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders;
- we have significant debt, which could have important adverse consequences;
- we may be unable to renew, repay, or refinance our outstanding debt;
- variable rate debt is subject to interest rate risk;
- we may incur losses on interest rate hedging arrangements;
- issuances of additional debt may adversely impact our financial condition;

failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets;
share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders;
our share price will fluctuate; and
the form, timing and/or amount of dividend distributions in future periods may vary and be impacted by economic or other considerations.

These forward-looking statements represent our estimates and assumptions as of the date of this report, and we assume no obligation to update or supplement forward-looking statements because of subsequent events.

Table of Contents

Executive Summary

We are primarily engaged in the ownership, management, development, acquisition, and construction of multifamily apartment communities. As of March 31, 2013, we owned interests in, operated, or were developing 201 multifamily properties comprised of 67,850 apartment homes across the United States as detailed in the following Property Portfolio table. In addition, we own other land parcels we may develop into multifamily apartment communities.

Property Operations

Our results for the three months ended March 31, 2013 reflect an increase in rental revenue as compared to the same period in 2012, which we believe was primarily due to a gradually improving economy, favorable demographics, and a manageable supply of new multifamily housing, which have resulted in increases in realized rental rates and average occupancy levels. Same store revenues increased 5.9% for the first three months of 2013, as compared to the same period in 2012. We believe U.S. economic and employment growth is likely to continue during 2013 and the supply of new multifamily homes although increasing, will likely remain at manageable levels. However, we believe significant risks to the economy remain prevalent, and while there have been increases in employment levels in the majority of our markets, the unemployment rate remains at higher than historical levels. If economic conditions were to worsen, our operating results could be adversely affected.

Development Activity

At March 31, 2013, we had a total of nine development projects under construction comprised of 2,845 apartment homes, including two development projects comprised of 576 units in one of our discretionary funds, with initial occupancy scheduled to occur within the next 24 months. Excluding the development projects owned by one of our discretionary funds, as of March 31, 2013, we estimate the additional costs to complete the construction of seven consolidated projects to be approximately \$325.3 million.

Acquisitions

Subsequent to quarter end, in April 2013, we acquired Camden Post Oak, comprised of 356 apartment homes, located in Houston, Texas for approximately \$108.5 million.

Dispositions

During the three months ended March 31, 2013, we sold one operating property comprised of 770 apartment homes located in Tampa, Florida, and in April 2013, we sold one operating property comprised of 526 apartment homes located in Orlando, Florida.

During the three months ended March 31, 2013, we also sold two land parcels comprised of an aggregate of approximately 3.7 acres, adjacent to current development communities in Atlanta, Georgia and Houston, Texas, for approximately \$6.6 million. We recognized a gain of approximately \$0.7 million relating to these land sales.

Future Outlook

Subject to market conditions, we intend to continue to look for opportunities to expand our development pipeline and acquire existing communities. We continually evaluate our operating property and land development portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities develop. We also intend to continue to strengthen our capital and liquidity positions by continuing to focus on our core fundamentals which we believe are generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs. We intend to meet our liquidity requirements through a combination of cash flows generated from operations, available cash balances, draws on our unsecured credit facility, proceeds from property dispositions, equity issued from our at-the-market ("ATM") program, the use of debt and equity offerings under our automatic shelf registration statement and secured mortgages.

As of March 31, 2013, we had approximately \$59.6 million in cash and cash equivalents and no balances outstanding on our \$500 million unsecured line of credit. As of the date of this filing, we had common shares having an aggregate offering price of up to \$114 million remaining available for sale under our ATM program. We believe payments on debt maturing in 2013 are manageable at approximately \$202.4 million, which represents approximately 8.1% of our total outstanding debt and includes scheduled principal amortizations of approximately \$2.4 million. We believe we

are well-positioned with a strong balance sheet and sufficient liquidity to cover near-term debt maturities and new development funding requirements. We will, however, continue to assess and take further actions we believe are prudent to meet our objectives and capital requirements.

Table of Contents

Property Portfolio

Our multifamily property portfolio is summarized as follows:

	March 31, 2013		December 31, 2012	
	Apartment Homes	Properties	Apartment Homes	Properties
Operating Properties				
Houston, Texas	8,440	24	8,440	24
Las Vegas, Nevada	8,016	29	8,016	29
Dallas, Texas	6,227	16	6,227	16
Washington, D.C. Metro	5,791	17	5,791	17
Tampa, Florida	5,723	14	6,493	15
Orlando, Florida (1)	4,202	10	4,202	10
Atlanta, Georgia	3,351	11	3,351	11
Charlotte, North Carolina	3,134	13	3,134	13
Raleigh, North Carolina	3,054	8	3,054	8
Austin, Texas	3,030	9	3,030	9
Phoenix, Arizona	2,645	9	2,645	9
Southeast Florida	2,520	7	2,520	7
Los Angeles/Orange County, California	2,481	6	2,481	6
Denver, Colorado	2,441	8	2,441	8
San Diego/Inland Empire, California	1,665	5	1,665	5
Other	2,285	6	2,285	6
Total Operating Properties	65,005	192	65,775	193
Properties Under Development				
Washington, D.C. Metro	596	2	596	2
Denver, Colorado	424	1	424	1
Atlanta, Georgia	379	1	379	1
Austin, Texas	314	1	314	1
Los Angeles/Orange County, California	303	1	303	1
Orlando, Florida	300	1	300	1
Houston, Texas	268	1	268	1
Southeast Florida	261	1	261	1
Total Properties Under Development	2,845	9	2,845	9
Total Properties	67,850	201	68,620	202
Less: Unconsolidated Joint Venture Properties (2)				
Houston, Texas	3,152	10	3,152	10
Las Vegas, Nevada	3,098	14	3,098	14
Austin, Texas	1,360	4	1,360	4
Dallas, Texas	1,250	3	1,250	3
Tampa, Florida	450	1	450	1
Raleigh, North Carolina	350	1	350	1
Orlando, Florida	300	1	300	1
Washington, D.C. Metro	276	1	276	1
Atlanta, Georgia	234	1	234	1
Other	798	3	798	3
Total Unconsolidated Joint Venture Properties	11,268	39	11,268	39
Total Properties Fully Consolidated	56,582	162	57,352	163

- (1) Includes one property consisting of 526 apartment homes which was included in properties held for sale at March 31, 2013. This property was sold in April 2013.
- (2) Refer to Note 6, "Investments in Joint Ventures" in the notes to condensed consolidated financial statements for further discussion of our joint venture investments.

Table of Contents

Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy at the beginning of a period. No consolidated development properties reached stabilization during the three months ended March 31, 2013.

Development and Lease-Up Properties

At March 31, 2013, we had two consolidated completed properties in lease-up as follows:

(\$ in millions) Property and Location	Number of Apartment Homes	Cost Incurred	% Leased at 4/28/13	Date of Construction Completion	Estimated Date of Stabilization
Camden Royal Oaks II (1) Houston, TX	104	\$ 13.3	93	% 1Q12	2Q13
Camden Town Square Orlando, FL	438	58.9	84	% 4Q12	3Q13
Consolidated total	542	\$72.2			

(1) Property reached stabilization subsequent to March 31, 2013.

Our condensed consolidated balance sheet at March 31, 2013 included approximately \$339.8 million related to properties under development and land. Of this amount, approximately \$201.5 million related to our projects currently under development. In addition, we had approximately \$138.3 million primarily invested in land held for future development, which included approximately \$89.2 million related to projects we expect to begin constructing during the next two years, and approximately \$49.1 million invested in land tracts which we may develop in the future. Communities Under Construction. At March 31, 2013, we had seven consolidated properties and one of our unconsolidated joint ventures had two properties in various stages of construction as follows:

(\$ in millions) Property and Location	Number of Apartment Homes	Estimated Cost	Cost Incurred	Included in Properties Under Development	Estimated Date of Construction Completion	Estimated Date of Stabilization
Camden City Centre II (1) Houston, TX	268	\$36.0	\$32.7	\$9.5	2Q13	1Q14
Camden NOMA Washington, DC	320	110.0	80.4	80.4	2Q14	2Q15
Camden Lamar Heights Austin, TX	314	47.0	12.7	12.7	2Q14	3Q15
Camden Flatirons Denver, CO	424	78.0	26.0	26.0	4Q14	4Q16
Camden Glendale Glendale, CA	303	115.0	35.8	35.8	3Q15	1Q16
Camden Boca Raton Boca Raton, FL	261	54.0	12.4	12.4	4Q14	1Q16
Camden Paces Atlanta, GA	379	110.0	24.7	24.7	1Q15	1Q17
Consolidated total	2,269	\$550.0	\$224.7	\$201.5		

Camden South Capitol (2)

(3) Washington, DC	276	\$88.0	\$75.4	\$72.5	3Q13	3Q14
-----------------------	-----	--------	--------	--------	------	------

Edgar Filing: CAMDEN PROPERTY TRUST - Form 10-Q

Camden Waterford
Lakes (2)

Orlando, FL	300	40.0	11.4	11.4	3Q14	4Q15
Unconsolidated total	576	\$128.0	\$86.8	\$83.9		

(1)Property in lease-up as of March 31, 2013 and was 46% leased at April 28, 2013.

(2)Property owned through an unconsolidated joint venture in which we own a 20% interest.

(3)Property in lease-up as of April 2013 and was 11% leased at April 28, 2013.

25

Table of Contents

Development Pipeline Communities. At March 31, 2013, we had eight consolidated properties and one of our unconsolidated joint ventures had one property undergoing development activities as follows:

(\$ in millions) Property and Location	Projected Homes	Total Estimated Cost (1)	Cost to Date
Camden La Frontera Austin, TX	300	\$ 36.0	\$ 4.8
Camden Victory Park Dallas, TX	425	70.0	15.4
Camden Hollywood Los Angeles, CA	287	125.0	19.5
Camden Gallery (2) Charlotte, NC	324	56.0	9.2
Camden Lincoln Station Denver, CO	275	48.0	5.4
Camden Atlantic Plantation, FL	286	62.0	9.7
Camden McGowen Station Houston, TX	251	40.0	7.3
Camden Buckhead Atlanta, GA	390	70.0	17.9
Consolidated total	2,538	\$ 507.0	\$ 89.2
Camden Southline (3) Charlotte, NC	266	\$ 47.0	\$ 6.6

(1) Represents our best estimate of total costs we expect to incur on these projects. However, forward-looking statements are not guarantees of future performance, results, or events. Although we believe these expectations are based upon reasonable assumptions, future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment.

(2) Formerly Camden Centro.

(3) Property owned through an unconsolidated joint venture in which we own a 20% interest.

Land Holdings. At March 31, 2013, we had the following land tracts:

(\$ in millions) Location	Acreage	Cost to Date
Washington, DC	0.9	\$ 17.3
Dallas, TX		