

Edgar Filing: DUKE REALTY CORP - Form 10-Q

DUKE REALTY CORP

Form 10-Q

April 26, 2019

falsefalse--12-31--12-31Q1Q1201920192019-03-312019-03-3110-K00007832800001003410YesYesfalsefalseLarge Accelerated FilerNon-accelerated

Filerfalsefalse2007440002007440001994780001994780000.200.2150.016000000006000000003588510003594200003588510

0000783280 2019-01-01 2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember 2019-01-01

2019-03-31 0000783280 2019-03-31 0000783280 2019-04-24 0000783280 2018-12-31 0000783280

us-gaap:UnsecuredDebtMember 2018-12-31 0000783280 us-gaap:UnsecuredDebtMember 2019-03-31 0000783280

us-gaap:SecuredDebtMember 2019-03-31 0000783280 us-gaap:SecuredDebtMember 2018-12-31 0000783280

2018-01-01 2018-03-31 0000783280 2017-12-31 0000783280 2018-03-31 0000783280

us-gaap:CommonStockMember 2018-03-31 0000783280 us-gaap:NoncontrollingInterestMember 2018-01-01

2018-03-31 0000783280 us-gaap:AccumulatedDistributionsInExcessOfNetIncomeMember 2018-01-01 2018-03-31

0000783280 us-gaap:AccumulatedDistributionsInExcessOfNetIncomeMember 2017-12-31 0000783280

us-gaap:AdditionalPaidInCapitalMember 2018-03-31 0000783280 us-gaap:AdditionalPaidInCapitalMember

2017-12-31 0000783280 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-03-31 0000783280

us-gaap:NoncontrollingInterestMember 2017-12-31 0000783280

us-gaap:AccumulatedDistributionsInExcessOfNetIncomeMember 2018-03-31 0000783280

us-gaap:CommonStockMember 2017-12-31 0000783280 us-gaap:CommonStockMember 2018-01-01 2018-03-31

0000783280 us-gaap:NoncontrollingInterestMember 2018-03-31 0000783280 us-gaap:NoncontrollingInterestMember

2019-03-31 0000783280 us-gaap:AdditionalPaidInCapitalMember 2019-01-01 2019-03-31 0000783280

us-gaap:CommonStockMember 2019-01-01 2019-03-31 0000783280

us-gaap:AccumulatedDistributionsInExcessOfNetIncomeMember 2019-01-01 2019-03-31 0000783280

us-gaap:NoncontrollingInterestMember 2019-01-01 2019-03-31 0000783280

us-gaap:AccumulatedDistributionsInExcessOfNetIncomeMember 2018-12-31 0000783280

us-gaap:NoncontrollingInterestMember 2018-12-31 0000783280 us-gaap:AdditionalPaidInCapitalMember

2019-03-31 0000783280 us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0000783280

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0000783280

us-gaap:CommonStockMember 2019-03-31 0000783280 us-gaap:AccumulatedOtherComprehensiveIncomeMember

2018-12-31 0000783280 us-gaap:CommonStockMember 2018-12-31 0000783280

us-gaap:AccumulatedDistributionsInExcessOfNetIncomeMember 2019-03-31 0000783280

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-03-31 0000783280

dre:DukeRealtyLimitedPartnershipMember 2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember

2018-12-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:SecuredDebtMember 2019-03-31

0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:UnsecuredDebtMember 2018-12-31 0000783280

dre:DukeRealtyLimitedPartnershipMember us-gaap:UnsecuredDebtMember 2019-03-31 0000783280

dre:DukeRealtyLimitedPartnershipMember us-gaap:SecuredDebtMember 2018-12-31 0000783280

dre:DukeRealtyLimitedPartnershipMember 2018-01-01 2018-03-31 0000783280

dre:DukeRealtyLimitedPartnershipMember 2017-12-31 0000783280 dre:DukeRealtyLimitedPartnershipMember

2018-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:CommonStockMember 2018-01-01

2018-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember dre:LimitedPartnersCommonEquityMember

2017-12-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:CommonStockMember 2017-12-31

0000783280 dre:DukeRealtyLimitedPartnershipMember dre:PartnersEquityTotalMember 2018-01-01 2018-03-31

0000783280 dre:DukeRealtyLimitedPartnershipMember dre:PartnersEquityTotalMember 2017-12-31 0000783280

dre:DukeRealtyLimitedPartnershipMember dre:PartnersEquityTotalMember 2018-03-31 0000783280

dre:DukeRealtyLimitedPartnershipMember us-gaap:NoncontrollingInterestMember 2017-12-31 0000783280

dre:DukeRealtyLimitedPartnershipMember dre:LimitedPartnersCommonEquityMember 2018-01-01 2018-03-31

0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:NoncontrollingInterestMember 2018-03-31

0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:CommonStockMember 2018-03-31 0000783280

dre:DukeRealtyLimitedPartnershipMember dre:LimitedPartnersCommonEquityMember 2018-03-31 0000783280

dre:DukeRealtyLimitedPartnershipMember us-gaap:NoncontrollingInterestMember 2018-01-01 2018-03-31

Edgar Filing: DUKE REALTY CORP - Form 10-Q

0000783280 dre:DukeRealtyLimitedPartnershipMember dre:LimitedPartnersCommonEquityMember 2019-01-01
2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember dre:PartnersEquityTotalMember 2019-01-01
2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:NoncontrollingInterestMember
2019-01-01 2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:CommonStockMember
2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:CommonStockMember 2019-01-01
2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember us-gaap:CommonStockMember 2018-12-31
0000783280 dre:DukeRealtyLimitedPartnershipMember dre:PartnersEquityTotalMember 2019-03-31 0000783280
dre:DukeRealtyLimitedPartnershipMember us-gaap:NoncontrollingInterestMember 2018-12-31 0000783280
dre:DukeRealtyLimitedPartnershipMember us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01
2019-03-31 0000783280 dre:DukeRealtyLimitedPartnershipMember
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0000783280
dre:DukeRealtyLimitedPartnershipMember us-gaap:NoncontrollingInterestMember 2019-03-31 0000783280
dre:DukeRealtyLimitedPartnershipMember dre:LimitedPartnersCommonEquityMember 2018-12-31 0000783280
dre:DukeRealtyLimitedPartnershipMember us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-03-31
0000783280 dre:DukeRealtyLimitedPartnershipMember dre:LimitedPartnersCommonEquityMember 2019-03-31
0000783280 dre:DukeRealtyLimitedPartnershipMember dre:PartnersEquityTotalMember 2018-12-31 0000783280
srt:WarehouseMember srt:MaximumMember 2019-03-31 0000783280 srt:MinimumMember
us-gaap:MeasurementInputCapRateMember 2019-03-31 0000783280 srt:MaximumMember
us-gaap:MeasurementInputCapRateMember 2019-03-31 0000783280 srt:WarehouseMember srt:MinimumMember
2019-03-31 0000783280 dre:FixedRateSecuredDebtMember 2019-03-31 0000783280
dre:UnsecuredLineOfCreditDrlpMember us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01
2019-03-31 0000783280 dre:UnsecuredLineOfCreditDrlpMember 2019-01-01 2019-03-31 0000783280
us-gaap:UnsecuredDebtMember 2019-01-01 2019-03-31 0000783280 dre:UnsecuredLineOfCreditDrlpMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-03-31 0000783280
dre:UnsecuredLineOfCreditDrlpMember 2019-03-31 0000783280 srt:MaximumMember
dre:FixedRateSecuredDebtMember 2019-03-31 0000783280 srt:MinimumMember
dre:FixedRateSecuredDebtMember 2019-03-31 0000783280 us-gaap:LondonInterbankOfferedRateLIBORMember
2019-01-01 2019-03-31 0000783280 dre:FixedRateSecuredDebtMember 2019-01-01 2019-03-31 0000783280
dre:FixedRateSecuredDebtMember 2018-12-31 0000783280 us-gaap:UnsecuredDebtMember 2019-01-01 2019-03-31
0000783280 dre:UnsecuredLineOfCreditDrlpMember 2019-03-31 0000783280
dre:UnsecuredLineOfCreditDrlpMember 2019-01-01 2019-03-31 0000783280
dre:UnsecuredLineOfCreditDrlpMember 2018-12-31 0000783280 dre:VariableRateSecuredDebtMember 2019-03-31
0000783280 us-gaap:UnsecuredDebtMember 2018-12-31 0000783280 dre:VariableRateSecuredDebtMember
2018-12-31 0000783280 dre:VariableRateSecuredDebtMember 2019-01-01 2019-03-31 0000783280
us-gaap:UnsecuredDebtMember 2019-03-31 0000783280 dre:ConstructionAndDevelopmentFeesMember 2018-01-01
2018-03-31 0000783280 dre:ManagementFeesMember 2018-01-01 2018-03-31 0000783280 dre:LeasingFeesMember
2019-01-01 2019-03-31 0000783280 dre:ManagementFeesMember 2019-01-01 2019-03-31 0000783280
dre:ConstructionAndDevelopmentFeesMember 2019-01-01 2019-03-31 0000783280 dre:LeasingFeesMember
2018-01-01 2018-03-31 0000783280 dre:ParticipatingSecuritiesMember 2019-01-01 2019-03-31 0000783280
dre:ParticipatingSecuritiesMember 2018-01-01 2018-03-31 0000783280 us-gaap:StockOptionMember 2019-01-01
2019-03-31 0000783280 us-gaap:StockOptionMember 2018-01-01 2018-03-31 0000783280
us-gaap:OperatingSegmentsMember 2018-01-01 2018-03-31 0000783280 us-gaap:OperatingSegmentsMember
dre:ServiceOperationsMember 2018-01-01 2018-03-31 0000783280 us-gaap:OperatingSegmentsMember
us-gaap:AllOtherSegmentsMember 2018-01-01 2018-03-31 0000783280 us-gaap:OperatingSegmentsMember
dre:ServiceOperationsMember 2019-01-01 2019-03-31 0000783280 us-gaap:CorporateNonSegmentMember
2019-01-01 2019-03-31 0000783280 us-gaap:CorporateNonSegmentMember 2018-01-01 2018-03-31 0000783280
us-gaap:OperatingSegmentsMember srt:WarehouseMember 2019-01-01 2019-03-31 0000783280
us-gaap:OperatingSegmentsMember us-gaap:AllOtherSegmentsMember 2019-01-01 2019-03-31 0000783280
us-gaap:OperatingSegmentsMember srt:WarehouseMember 2018-01-01 2018-03-31 0000783280
us-gaap:OperatingSegmentsMember 2019-01-01 2019-03-31 0000783280 us-gaap:MaterialReconcilingItemsMember
2019-01-01 2019-03-31 0000783280 us-gaap:MaterialReconcilingItemsMember 2018-01-01 2018-03-31 0000783280

us-gaap:SegmentContinuingOperationsMember 2019-03-31 0000783280
 us-gaap:SegmentContinuingOperationsMember 2018-12-31 0000783280 us-gaap:InterestRateSwapMember
 2018-12-31 0000783280 us-gaap:InterestRateSwapMember 2019-03-31 0000783280 dre:ContractTwoMember
 us-gaap:InterestRateSwapMember 2018-12-31 0000783280 dre:ContractThreeMember
 us-gaap:InterestRateSwapMember 2019-03-31 0000783280 dre:ContractFourMember
 us-gaap:InterestRateSwapMember 2018-12-31 0000783280 dre:ContractFiveMember
 us-gaap:InterestRateSwapMember 2019-03-31 0000783280 dre:ContractTwoMember
 us-gaap:InterestRateSwapMember 2019-03-31 0000783280 dre:ContractFiveMember
 us-gaap:InterestRateSwapMember 2018-12-31 0000783280 dre:ContractOneMember
 us-gaap:InterestRateSwapMember 2018-12-31 0000783280 dre:ContractThreeMember
 us-gaap:InterestRateSwapMember 2018-12-31 0000783280 dre:ContractFourMember
 us-gaap:InterestRateSwapMember 2019-03-31 0000783280 dre:ContractOneMember
 us-gaap:InterestRateSwapMember 2019-03-31 0000783280 us-gaap:CommonStockMember
 us-gaap:SubsequentEventMember 2019-04-01 2019-06-30 dre:buildings xbrli:shares iso4217:USD xbrli:shares
 iso4217:USD xbrli:pure iso4217:USD dre:sqft

**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, 2019

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: 1-9044 (Duke Realty Corporation) 0-20625 (Duke Realty Limited Partnership)

**DUKE REALTY CORPORATION
 DUKE REALTY LIMITED PARTNERSHIP**

(Exact Name of Registrant as Specified in Its Charter)

Indiana (Duke Realty Corporation) 35-1740409 (Duke Realty Corporation)
Indiana (Duke Realty Limited Partnership) 35-1898425 (Duke Realty Limited Partnership)
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification Number)

600 East 96th Street, Suite 100 46240
Indianapolis, Indiana (Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (317) 808-6000

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.

Duke Realty Corporation Yes No **Duke Realty Limited Partnership** Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Duke Realty Corporation Yes No **Duke Realty Limited Partnership** Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Duke Realty Corporation:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

Duke Realty Limited Partnership:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Edgar Filing: DUKE REALTY CORP - Form 10-Q

Emerging growth
company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Duke Realty Corporation Yes No **Duke Realty Limited Partnership** Yes No

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

Class	Outstanding Common Shares of Duke Realty Corporation at April 24, 2019
Common Stock 0.01 par value per share	359,428,082

EXPLANATORY NOTE

This report (the "Report") combines the quarterly reports on Form 10-Q for the period ended March 31, 2019 of both Duke Realty Corporation and Duke Realty Limited Partnership. Unless stated otherwise or the context otherwise requires, references to "Duke Realty Corporation" or the "General Partner" mean Duke Realty Corporation and its consolidated subsidiaries, and references to the "Partnership" mean Duke Realty Limited Partnership and its consolidated subsidiaries. The terms the "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership. Duke Realty Corporation is a self-administered and self-managed real estate investment trust ("REIT") and is the sole general partner of the Partnership, owning 99.1% of the common partnership interests of the Partnership ("General Partner Units") as of March 31, 2019. The remaining 0.9% of the common partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership.

The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

We believe combining the quarterly reports on Form 10-Q of the General Partner and the Partnership into this single report results in the following benefits:

- enhances investors' understanding of the General Partner and the Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation of information since a substantial portion of the Company's disclosure applies to both the General Partner and the Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between the General Partner and the Partnership in the context of how we operate as an interrelated consolidated company. The General Partner's only material asset is its ownership of partnership interests in the Partnership. As a result, the General Partner does not conduct business itself, other than acting as the sole general partner of the Partnership and issuing public equity from time to time. The General Partner does not issue any indebtedness, but does guarantee some of the unsecured debt of the Partnership. The Partnership holds substantially all the assets of the business, directly or indirectly, and holds the ownership interests related to certain of the Company's investments. The Partnership conducts the operations of the business and has no publicly traded equity. Except for net proceeds from equity issuances by the General Partner, which are contributed to the Partnership in exchange for General Partner Units or Preferred Units, the Partnership generates the capital required by the business through its operations, its incurrence of indebtedness and the issuance of Limited Partner Units to third parties.

Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of the General Partner and those of the Partnership. The noncontrolling interests in the Partnership's financial statements include the interests in consolidated investees not wholly owned by the Partnership. The noncontrolling interests in the General Partner's financial statements include the same noncontrolling interests at the Partnership level, as well as the common limited partnership interests in the Partnership, which are accounted for as partners' capital by the Partnership.

In order to highlight the differences between the General Partner and the Partnership, there are separate sections in this report, as applicable, that separately discuss the General Partner and the Partnership, including separate financial statements and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the General Partner and the Partnership, this report refers to actions or holdings as being actions or holdings of the collective Company.

**DUKE REALTY CORPORATION/DUKE REALTY LIMITED PARTNERSHIP
INDEX**

Page

Part I - Financial Information

Item 1. Financial Statements

Duke Realty Corporation:

<u>Consolidated Balance Sheets - March 31, 2019 (Unaudited) and December 31, 2018</u>	<u>3</u>
<u>Consolidated Statements of Operations and Comprehensive Income (Unaudited) - Three Months Ended March 31, 2019 and 2018</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (Unaudited) - Three Months Ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Consolidated Statements of Changes in Equity (Unaudited) - Three Months Ended March 31, 2019 and 2018</u>	<u>6</u>

Duke Realty Limited Partnership:

<u>Consolidated Balance Sheets - March 31, 2019 (Unaudited) and December 31, 2018</u>	<u>7</u>
<u>Consolidated Statements of Operations and Comprehensive Income (Unaudited) - Three Months Ended March 31, 2019 and 2018</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows (Unaudited) - Three Months Ended March 31, 2019 and 2018</u>	<u>9</u>
<u>Consolidated Statements of Changes in Equity (Unaudited) - Three Months Ended March 31, 2019 and 2018</u>	<u>10</u>

Duke Realty Corporation and Duke Realty Limited Partnership:

<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>11</u>
---	-----------

<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>42</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>44</u>

Part II - Other Information

<u>Item 1.</u> <u>Legal Proceedings</u>	<u>45</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>45</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	<u>45</u>
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	<u>45</u>
<u>Item 5.</u> <u>Other Information</u>	<u>45</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>46</u>

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****(in thousands, except per share amounts)**

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Real estate investments:		
Real estate assets	\$ 7,428,408	\$ 7,248,346
Construction in progress	482,326	477,162
Investments in and advances to unconsolidated joint ventures	116,679	110,795
Undeveloped land	379,839	360,816
	8,407,252	8,197,119
Accumulated depreciation	(1,380,313)	(1,344,176)
Net real estate investments	7,026,939	6,852,943
Real estate investments and other assets held-for-sale	1,940	1,082
Cash and cash equivalents	15,295	17,901
Accounts receivable	14,496	14,254
Straight-line rent receivable	115,210	109,334
Receivables on construction contracts, including retentions	24,095	41,215
Deferred leasing and other costs, net of accumulated amortization of \$199,478 and \$200,744	308,460	313,799
Notes receivable from property sales	237,550	272,550
Other escrow deposits and other assets	218,495	180,946
	\$ 7,962,480	\$ 7,804,024
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt, net of deferred financing costs of \$204 and \$238	\$ 36,896	\$ 79,563
Unsecured debt, net of deferred financing costs of \$25,072 and \$26,062	2,549,928	2,548,938
Unsecured line of credit	240,000	30,000
	2,826,824	2,658,501
Liabilities related to real estate investments held-for-sale	41	—
Construction payables and amounts due subcontractors, including retentions	76,380	92,288
Accrued real estate taxes	67,460	73,358
Accrued interest	26,932	16,153
Other liabilities	238,246	205,433
Tenant security deposits and prepaid rents	45,426	45,048
Total liabilities	3,281,309	3,090,781
Shareholders' equity:		
Common shares (\$0.01 par value); 600,000 shares authorized; 359,420 and 358,851 shares issued and outstanding, respectively	3,594	3,589
Additional paid-in capital	5,250,157	5,244,375
Accumulated other comprehensive loss	(14,018)	(4,676)
Distributions in excess of net income	(618,123)	(585,087)
Total shareholders' equity	4,621,610	4,658,201

Edgar Filing: DUKE REALTY CORP - Form 10-Q

Noncontrolling interests	59,561	55,042
Total equity	4,681,171	4,713,243
	\$7,962,480	\$ 7,804,024

See accompanying Notes to Consolidated Financial Statements

3

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
For the three months ended March 31,
(in thousands, except per share amounts)
(Unaudited)

	2019	2018
Revenues:		
Rental and related revenue	\$ 209,965	\$ 193,456
General contractor and service fee revenue	54,964	41,101
	264,929	234,557
Expenses:		
Rental expenses	20,668	19,913
Real estate taxes	32,442	31,146
General contractor and other services expenses	52,586	40,409
Depreciation and amortization	75,992	77,529
	181,688	168,997
Other operating activities:		
Equity in earnings of unconsolidated joint ventures	4,715	8,287
Gain on sale of properties	(163)	) 44,886
Gain on land sales	750	2,949
Other operating expenses	(2,123)	) (1,269)
Non-incremental costs related to successful leases	(2,156)) —
General and administrative expenses	(21,983)	) (21,023)
	(20,960)	) 33,830
Operating income	62,281	99,390
Other income (expenses):		
Interest and other income, net	2,758	4,463
Interest expense	(22,132)	) (20,000)
Loss on debt extinguishment	(13)) —
Gain on involuntary conversion	2,259	—
Income from continuing operations before income taxes	45,153	83,853
Income tax expense	(385)	) (10,329)
Income from continuing operations	44,768	73,524
Discontinued operations:		
Loss before gain on sales	—	(8)
Gain on sale of properties	155	132
Income from discontinued operations	155	124
Net income	44,923	73,648
Net income attributable to noncontrolling interests	(372)	) (685)
Net income attributable to common shareholders	\$ 44,551	\$ 72,963
Basic net income per common share:		
Continuing operations attributable to common shareholders	\$ 0.12	\$ 0.20
Diluted net income per common share:		
Continuing operations attributable to common shareholders	\$ 0.12	\$ 0.20
Weighted average number of common shares outstanding	359,139	356,740
Weighted average number of common shares and potential dilutive securities	362,362	360,400
Comprehensive income:		
Net income	\$ 44,923	\$ 73,648
Other comprehensive loss:		

Edgar Filing: DUKE REALTY CORP - Form 10-Q

Unrealized losses on interest rate swap contracts	(9,342)	—
Comprehensive income	\$35,581	\$73,648

See accompanying Notes to Consolidated Financial Statements

4

DUKE REALTY CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the three months ended March 31,****(in thousands)****(Unaudited)**

	2019	2018
Cash flows from operating activities:		
Net income	\$44,923	\$73,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	62,423	63,944
Amortization of deferred leasing and other costs	13,569	13,585
Amortization of deferred financing costs	1,562	1,418
Straight-line rental income and expense, net	(5,704)	(6,288)
Loss on debt extinguishment	13	—
Gain on involuntary conversion	(2,259)	—
Gains on land and property sales	(742)	(47,967)
Third-party construction contracts, net	11,700	(367)
Other accrued revenues and expenses, net	(10,893)	19,862
Equity in earnings in excess of operating distributions received from unconsolidated joint ventures	(33)	(4,673)
Net cash provided by operating activities	114,559	113,162
Cash flows from investing activities:		
Development of real estate investments	(85,772)	(104,346)
Acquisition of real estate investments and related intangible assets	(76,081)	(22,801)
Acquisition of undeveloped land	(53,551)	(67,256)
Second generation tenant improvements, leasing costs and building improvements	(10,245)	(14,102)
Other deferred leasing costs	(1,712)	(9,798)
Other assets	(9,381)	(685)
Proceeds from the repayments of notes receivable from property sales	35,000	39,868
Proceeds from land and property sales, net	1,910	131,380
Capital distributions from unconsolidated joint ventures	—	9,404
Capital contributions and advances to unconsolidated joint ventures	(6,474)	—
Net cash used for investing activities	(206,306)	(38,336)
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	4,492	706
Payments on unsecured debt	—	(656)
Payments on secured indebtedness including principal amortization	(42,665)	(1,345)
Borrowings on line of credit, net	210,000	75,000
Distributions to common shareholders	(77,237)	(71,398)
Distributions to noncontrolling interests, net	(505)	(680)
Tax payments on stock-based compensation awards	(5,467)	(7,984)
Change in book cash overdrafts	9,700	(33,448)
Other financing activities	(9,920)	—
Deferred financing costs	—	(285)
Net cash provided by (used for) financing activities	88,398	(40,090)
Net (decrease) increase in cash, cash equivalents and restricted cash	(3,349)	34,736
Cash, cash equivalents and restricted cash at beginning of period	25,517	193,627
Cash, cash equivalents and restricted cash at end of period	\$22,168	\$228,363
Non-cash operating activities:		
Liabilities and right-of-use assets - operating leases	\$38,792	\$—

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the three months ended March 31, 2019 and 2018****(in thousands, except per share data)****(Unaudited)**

	Common Shareholders				
	Common Stock	Additional Paid-in Capital	Distributions in Excess of Net Income	Noncontrolling Interests	Total
Balance at December 31, 2017	\$3,564	\$5,205,316	\$ (676,036)	\$ 41,534	\$4,574,378
Net income	—	—	72,963	685	73,648
Issuance of common shares	—	706	—	—	706
Stock-based compensation plan activity	6	(1,167)	(449)	6,140	4,530
Distributions to common shareholders (\$0.20 per share)	—	—	(71,398)	—	(71,398)
Distributions to noncontrolling interests	—	—	—	(680)	(680)
Balance at March 31, 2018	\$3,570	\$5,204,855	\$ (674,920)	\$ 47,679	\$4,581,184

	Common Shareholders					
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Income	Noncontrolling Interests	Total
Balance at December 31, 2018	\$3,589	\$5,244,375	\$ (4,676)	\$ (585,087)	\$ 55,042	\$4,713,243
Net income	—	—	—	44,551	372	44,923
Other comprehensive loss	—	—	(9,342)	—	—	(9,342)
Issuance of common shares	1	4,491	—	—	—	4,492
Contributions from noncontrolling interests	—	—	—	—	312	312
Stock-based compensation plan activity	4	1,291	—	(350)	4,652	5,597
Distributions to common shareholders (\$0.215 per share)	—	—	—	(77,237)	—	(77,237)
Distributions to noncontrolling interests	—	—	—	—	(817)	(817)
Balance at March 31, 2019	\$3,594	\$5,250,157	\$ (14,018)	\$ (618,123)	\$ 59,561	\$4,681,171

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)

	March 31, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Real estate investments:		
Real estate assets	\$ 7,428,408	\$ 7,248,346
Construction in progress	482,326	477,162
Investments in and advances to unconsolidated joint ventures	116,679	110,795
Undeveloped land	379,839	360,816
	8,407,252	8,197,119
Accumulated depreciation	(1,380,313)	(1,344,176)
Net real estate investments	7,026,939	6,852,943
Real estate investments and other assets held-for-sale	1,940	1,082
Cash and cash equivalents	15,295	17,901
Accounts receivable	14,496	14,254
Straight-line rent receivable	115,210	109,334
Receivables on construction contracts, including retentions	24,095	41,215
Deferred leasing and other costs, net of accumulated amortization of \$199,478 and \$200,744	308,460	313,799
Notes receivable from property sales	237,550	272,550
Other escrow deposits and other assets	218,495	180,946
	\$ 7,962,480	\$ 7,804,024
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt, net of deferred financing costs of \$204 and \$238	\$ 36,896	\$ 79,563
Unsecured debt, net of deferred financing costs of \$25,072 and \$26,062	2,549,928	2,548,938
Unsecured line of credit	240,000	30,000
	2,826,824	2,658,501
Liabilities related to real estate investments held-for-sale	41	—
Construction payables and amounts due subcontractors, including retentions	76,380	92,288
Accrued real estate taxes	67,460	73,358
Accrued interest	26,932	16,153
Other liabilities	238,246	205,433
Tenant security deposits and prepaid rents	45,426	45,048
Total liabilities	3,281,309	3,090,781
Partners' equity:		
Common equity (359,420 and 358,851 General Partner Units issued and outstanding, respectively)	4,635,628	4,662,877
Limited Partners' common equity (3,149 and 2,920 Limited Partner Units issued and outstanding, respectively)	54,941	50,585
Accumulated other comprehensive loss	(14,018)	(4,676)
Total partners' equity	4,676,551	4,708,786
Noncontrolling interests	4,620	4,457
Total equity	4,681,171	4,713,243
	\$ 7,962,480	\$ 7,804,024

See accompanying Notes to Consolidated Financial Statements

7

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
For the three months ended March 31,
(in thousands, except per unit amounts)
(Unaudited)

	2019	2018
Revenues:		
Rental and related revenue	\$209,965	\$193,456
General contractor and service fee revenue	54,964	41,101
	264,929	234,557
Expenses:		
Rental expenses	20,668	19,913
Real estate taxes	32,442	31,146
General contractor and other services expenses	52,586	40,409
Depreciation and amortization	75,992	77,529
	181,688	168,997
Other operating activities:		
Equity in earnings of unconsolidated joint ventures	4,715	8,287
Gain on sale of properties	(163)	) 44,886
Gain on land sales	750	2,949
Other operating expenses	(2,123)	) (1,269)
Non-incremental costs related to successful leases	(2,156)) —
General and administrative expenses	(21,983)	) (21,023)
	(20,960)	) 33,830
Operating income	62,281	99,390
Other income (expenses):		
Interest and other income, net	2,758	4,463
Interest expense	(22,132)	) (20,000)
Loss on debt extinguishment	(13)) —
Gain on involuntary conversion	2,259	—
Income from continuing operations before income taxes	45,153	83,853
Income tax expense	(385)	) (10,329)
Income from continuing operations	44,768	73,524
Discontinued operations:		
Loss before gain on sales	—	(8)
Gain on sale of properties	155	132
Income from discontinued operations	155	124
Net income	44,923	73,648
Net loss (income) attributable to noncontrolling interests	10	(2)
Net income attributable to common unitholders	\$44,933	\$73,646
Basic net income per Common Unit:		
Continuing operations attributable to common unitholders	\$0.12	\$0.20
Diluted net income per Common Unit:		
Continuing operations attributable to common unitholders	\$0.12	\$0.20
Weighted average number of Common Units outstanding	362,204	360,095
Weighted average number of Common Units and potential dilutive securities	362,362	360,400
Comprehensive income:		
Net income	\$44,923	\$73,648
Other comprehensive loss:		
Unrealized losses on interest rate swap contracts	(9,342)) —

Edgar Filing: DUKE REALTY CORP - Form 10-Q

Comprehensive income

\$35,581 \$73,648

See accompanying Notes to Consolidated Financial Statements

8

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the three months ended March 31,****(in thousands)****(Unaudited)**

	2019	2018
Cash flows from operating activities:		
Net income	\$44,923	\$73,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	62,423	63,944
Amortization of deferred leasing and other costs	13,569	13,585
Amortization of deferred financing costs	1,562	1,418
Straight-line rental income and expense, net	(5,704)	(6,288)
Loss on debt extinguishment	13	—
Gain on involuntary conversion	(2,259)	—
Gains on land and property sales	(742)	(47,967)
Third-party construction contracts, net	11,700	(367)
Other accrued revenues and expenses, net	(10,893)	19,862
Equity in earnings in excess of operating distributions received from unconsolidated joint ventures	(33)	(4,673)
Net cash provided by operating activities	114,559	113,162
Cash flows from investing activities:		
Development of real estate investments	(85,772)	(104,346)
Acquisition of real estate investments and related intangible assets	(76,081)	(22,801)
Acquisition of undeveloped land	(53,551)	(67,256)
Second generation tenant improvements, leasing costs and building improvements	(10,245)	(14,102)
Other deferred leasing costs	(1,712)	(9,798)
Other assets	(9,381)	(685)
Proceeds from the repayments of notes receivable from property sales	35,000	39,868
Proceeds from land and property sales, net	1,910	131,380
Capital distributions from unconsolidated joint ventures	—	9,404
Capital contributions and advances to unconsolidated joint ventures	(6,474)	—
Net cash used for investing activities	(206,306)	(38,336)
Cash flows from financing activities:		
Contributions from the General Partner	4,492	706
Payments on unsecured debt	—	(656)
Payments on secured indebtedness including principal amortization	(42,665)	(1,345)
Borrowings on line of credit, net	210,000	75,000
Distributions to common unitholders	(77,915)	(72,078)
Contributions from noncontrolling interests, net	173	—
Tax payments on stock-based compensation awards	(5,467)	(7,984)
Change in book cash overdrafts	9,700	(33,448)
Other financing activities	(9,920)	—
Deferred financing costs	—	(285)
Net cash provided by (used for) financing activities	88,398	(40,090)
Net (decrease) increase in cash, cash equivalents and restricted cash	(3,349)	34,736
Cash, cash equivalents and restricted cash at beginning of period	25,517	193,627
Cash, cash equivalents and restricted cash at end of period	\$22,168	\$228,363
Non-cash operating activities:		
Liabilities and right-of-use assets - operating leases	\$38,792	\$—

See accompanying Notes to Consolidated Financial Statements

9

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Changes in Equity