

NATIONWIDE HEALTH PROPERTIES INC

Form 10-Q

November 09, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2009.

OR

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

For the transition period from _____ to _____.

Commission file number 1-9028

**NATIONWIDE HEALTH PROPERTIES, INC.
(Exact Name of Registrant as Specified in Its Charter)**

**Maryland
(State or Other Jurisdiction of
Incorporation or Organization)**

**95-3997619
(I.R.S. Employer
Identification Number)**

**610 Newport Center Drive, Suite 1150
Newport Beach, California
(Address of Principal Executive Offices)**

**92660
(Zip Code)**

(949) 718-4400

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common stock, \$0.10 par value, outstanding at November 6, 2009: 112,229,025

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CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2009 (Unaudited)	December 31, 2008
	(Dollars in thousands)	
ASSETS		
Investments in real estate:		
Land	\$ 318,846	\$ 320,394
Buildings and improvements	3,083,408	3,079,819
	3,402,254	3,400,213
Less accumulated depreciation	(566,356)	(490,112)
	2,835,898	2,910,101
Mortgage loans receivable, net	110,765	112,399
Mortgage loan receivable from related party	47,500	47,500
Investments in unconsolidated joint ventures	51,831	54,299
	3,045,994	3,124,299
Cash and cash equivalents	289,848	82,250
Receivables, net	6,959	6,066
Asset held for sale		4,542
Intangible assets	100,241	109,434
Other assets	132,225	131,534
	\$ 3,575,267	\$ 3,458,125
LIABILITIES AND EQUITY		
Unsecured senior credit facility	\$	\$
Senior notes	994,233	1,056,233
Notes and bonds payable	433,849	435,199
Accounts payable and accrued liabilities	126,889	144,566
Total liabilities	1,554,971	1,635,998
Redeemable OP unitholder interests	54,221	56,778
Commitments and contingencies		
Equity:		
NHP stockholders' equity:		
Preferred stock \$1.00 par value; 5,000,000 shares authorized; 7.750% Series B Convertible, 749,184 shares issued and outstanding at September 30, 2009 and December 31, 2008, stated at liquidation preference of \$100 per share	74,918	74,918
Common stock \$0.10 par value; 200,000,000 shares authorized; issued and outstanding: 110,377,530 and 102,279,940 at September 30, 2009 and	11,038	10,228

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December 31, 2008, respectively		
Capital in excess of par value	2,018,579	1,786,193
Cumulative net income	1,673,389	1,556,889
Accumulated other comprehensive (loss) income	(1,207)	1,846
Cumulative dividends	(1,812,145)	(1,669,407)
Total NHP stockholders equity	1,964,572	1,760,667
Noncontrolling interests	1,503	4,682
Total equity	1,966,075	1,765,349
	\$ 3,575,267	\$ 3,458,125

See accompanying notes.

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NATIONWIDE HEALTH PROPERTIES, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Revenue:				
Triple-net lease rent	\$ 73,922	\$ 71,779	\$ 221,835	\$ 211,435
Medical office building operating rent	17,154	16,188	50,810	43,058
	91,076	87,967	272,645	254,493
Interest and other income	6,748	6,614	19,741	18,430
	97,824	94,581	292,386	272,923
Expenses:				
Interest and amortization of deferred financing costs	23,221	25,308	70,540	75,554
Depreciation and amortization	31,130	30,271	93,050	86,342
General and administrative	6,521	6,634	20,425	19,538
Medical office building operating expenses	7,240	7,220	21,201	18,782
	68,112	69,433	205,216	200,216
Operating income	29,712	25,148	87,170	72,707
Income from unconsolidated joint ventures	1,513	924	3,700	2,824
Gain on debt extinguishment, net			4,564	
Income from continuing operations	31,225	26,072	95,434	75,531
Discontinued operations:				
Gains on sale of facilities, net		2,351	21,152	153,444
Income from discontinued operations		778	98	5,640
		3,129	21,250	159,084
Net income	31,225	29,201	116,684	234,615
Net (income) loss attributable to noncontrolling interests	(82)	52	(184)	107
Net income attributable to NHP	31,143	29,253	116,500	234,722
Preferred stock dividends	(1,451)	(2,061)	(4,355)	(6,185)
Net income attributable to NHP common stockholders	\$ 29,692	\$ 27,192	\$ 112,145	\$ 228,537
Basic earnings per share amounts:				

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Income from continuing operations attributable to NHP common stockholders	\$	0.28	\$	0.25	\$	0.87	\$	0.72
Discontinued operations attributable to NHP common stockholders				0.03		0.20		1.65
Net income attributable to NHP common stockholders	\$	0.28	\$	0.28	\$	1.07	\$	2.37
Basic weighted average shares outstanding		107,175		96,975		104,224		96,203
Diluted earnings per share amounts:								
Income from continuing operations attributable to NHP common stockholders	\$	0.27	\$	0.24	\$	0.85	\$	0.71
Discontinued operations attributable to NHP common stockholders				0.03		0.20		1.63
Net income attributable to NHP common stockholders	\$	0.27	\$	0.27	\$	1.05	\$	2.34
Diluted weighted average shares outstanding		109,477		98,956		106,389		97,538
Dividends declared per share	\$	0.44	\$	0.44	\$	1.32	\$	1.32

See accompanying notes.

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NATIONWIDE HEALTH PROPERTIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(In thousands)

	Preferred Stock		NHP Stockholders Equity			Accumulated other		Noncontrolling interests	Total equity	
	Shares	Amount	Common stock Shares	Common stock Amount	Capital in excess of par value	Cumulative net income	Comprehensive income (loss)			Cumulative dividends
Balances at December 31, 2008	749	\$ 74,918	102,280	\$ 10,228	\$ 1,786,193	\$ 1,556,889	\$ 1,846	\$(1,669,407)	\$ 4,682	\$ 1,765,349
Comprehensive income:										
Net income						116,500			184	116,684
Amortization of gain on Treasury lock agreements							(485)			(485)
Pro rata share of accumulated other comprehensive loss from unconsolidated joint venture							(2,568)			(2,568)
Comprehensive income										113,631
Issuance of common stock, net			8,098	810	230,631					231,441
Amortization of stock-based compensation					5,226					5,226
Preferred dividends								(4,355)		(4,355)
Common dividends								(138,383)		(138,383)
Adjust redeemable OP unitholder interests to current redemption value					(2,065)					(2,065)

Purchase of noncontrolling interests					(1,406)				(2,831)	(4,237)
Distributions to noncontrolling interests									(532)	(532)
Balances at September 30, 2009	749	\$ 74,918	110,378	\$ 11,038	\$ 2,018,579	\$ 1,673,389	\$(1,207)	\$(1,812,145)	\$ 1,503	\$ 1,966,075

See accompanying notes.

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NATIONWIDE HEALTH PROPERTIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	September 30,	
	2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 116,684	\$ 234,615
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	93,128	88,142
Stock-based compensation	5,226	4,271
Gains on sale of facilities, net	(21,152)	(153,445)
Gain on debt extinguishment, net	(4,564)	
Amortization of deferred financing costs	1,875	1,901
Mortgage loan premium amortization	49	122
Straight-line rent	(4,840)	(7,877)
Equity in earnings from unconsolidated joint ventures	(632)	107
Distributions from unconsolidated joint ventures	792	202
Changes in operating assets and liabilities:		
Receivables	(580)	(1,395)
Intangible and other assets	4,765	(14,644)
Accounts payable and accrued liabilities	(13,422)	21,141
Net cash provided by operating activities	177,329	173,140
Cash flows from investing activities:		
Acquisition of real estate and related assets and liabilities	(22,255)	(257,600)
Proceeds from sale of real estate facilities	36,284	284,968
Investment in mortgage and other loans receivable	(15,235)	(89,254)
Principal payments on mortgage and other loans receivable	12,431	13,322
Purchase of noncontrolling interests	(3,936)	
Contributions to unconsolidated joint ventures	(1,994)	(6,297)
Distributions from unconsolidated joint ventures	1,770	4,180
Net cash provided by (used in) investing activities	7,065	(50,681)
Cash flows from financing activities:		
Borrowings under credit facility		169,000
Repayment of borrowings under credit facility		(210,000)
Repayment of senior unsecured debt	(57,436)	(27,027)
Issuance of notes and bonds payable	6,862	36,370
Principal payments on notes and bonds payable	(8,212)	(16,577)
Issuance of common stock, net	227,631	109,415
Distributions to noncontrolling interests	(751)	(2,783)
Contributions from noncontrolling interests		47,424
Distributions to redeemable OP unitholders	(2,349)	
Dividends paid	(142,411)	(133,303)

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Deferred financing costs	(130)	
Net cash provided by (used in) financing activities	23,204	(27,481)
Increase in cash and cash equivalents	207,598	94,978
Cash and cash equivalents, beginning of period	82,250	19,407
Cash and cash equivalents, end of period	\$ 289,848	\$ 114,385

Supplemental schedule of cash flow information:

Non-cash investing activity	foreclosure of facility securing mortgage loan receivable	\$	\$ 2,945
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See accompanying notes.

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**NATIONWIDE HEALTH PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(Unaudited)**

1. Organization

Nationwide Health Properties, Inc., a Maryland corporation, is a real estate investment trust (REIT) that invests in healthcare related real estate, primarily senior housing, long-term care properties and medical office buildings. Whenever we refer herein to NHP or to us or use the terms we or our, we are referring to Nationwide Health Properties, Inc. and its subsidiaries, unless the context otherwise requires.

We primarily make our investments by acquiring an ownership interest in senior housing and long-term care facilities and leasing them to unaffiliated tenants under triple-net master leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. We also invest in medical office buildings which are not generally subject to triple-net leases and generally have several tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). Some of the medical office buildings are subject to triple-net leases. In addition, but to a much lesser extent because we view the risks of this activity to be greater due to less favorable bankruptcy treatment and other factors, from time to time, we extend mortgage loans and other financing to operators. For the nine months ended September 30, 2009, approximately 93% of our revenues were derived from leases, with the remaining 7% from mortgage loans, other financing activities and other miscellaneous income.

We believe we have operated in such a manner as to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). We intend to continue to qualify as such and therefore distribute at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding capital gain) to our stockholders. If we qualify for taxation as a REIT, and we distribute 100% of our taxable income to our stockholders, we will generally not be subject to U.S. federal income taxes on our income that is distributed to stockholders. Accordingly, no provision has been made for federal income taxes.

As of September 30, 2009, we had investments in 579 healthcare facilities and one land parcel located in 43 states, consisting of:

Consolidated facilities:

251 assisted and independent living facilities;

170 skilled nursing facilities;

10 continuing care retirement communities;

7 specialty hospitals;

19 triple-net medical office buildings; and

60 multi-tenant medical office buildings, 15 of which are operated by consolidated joint ventures (see Note 5).

Unconsolidated facilities:

19 assisted and independent living facilities;

14 skilled nursing facilities;

2 medical office buildings; and

1 continuing care retirement community.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Mortgage loans secured by:

16 skilled nursing facilities;

9 assisted and independent living facilities;

1 medical office building; and

1 land parcel.

As of September 30, 2009, our directly owned facilities, other than our multi-tenant medical office buildings, were operated by 82 different healthcare providers, including the following publicly traded companies:

**Number of
Facilities
Operated**