

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

MID AMERICA APARTMENT COMMUNITIES INC

Form 8-K/A

October 10, 2002

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

Form 8-K/A

CURRENT REPORT

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

February 14, 2002
Date of Report (Date of earliest event reported)

MID-AMERICA APARTMENT COMMUNITIES, INC.
(Exact Name of Registrant as Specified in Charter)

TENNESSEE	1-12762	62-1543819
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

6584 POPLAR AVENUE, SUITE 300
MEMPHIS, TENNESSEE 38138
(Address of principal executive offices)

(901) 682-6600
(Registrant's telephone number, including area code)

(Former name or address, if changed since last report)

ITEM 5. OTHER EVENTS.

Press Release, 4th Quarter Earnings 2001

FROM: Simon R.C. Wadsworth, CFO
SUBJECT: Fourth Quarter and 2001 Earnings Meet Expectations
DATE: February 14, 2002

- o Fourth quarter FFO of \$0.70 per share; in line with forecast
- o Leasing activity slows during fourth quarter; improvement in 2002 expected
- o Balance sheet strengthening; positioning for growth through acquisitions

Memphis, TN. Mid-America Apartment Communities, Inc. (NYSE: MAA) announced today Funds From Operations ("FFO") for the fourth quarter ended December 31, 2001 were \$14.4 million, \$0.70 per share. For the full year 2001 FFO was reported to be \$57.2 million, \$2.80 per share. These results are in line with earnings estimates.

Net income before extraordinary items for the fourth quarter was 14 cents per common share, an increase from 12 cents per common share for the comparable prior year period. For the full year 2001 net income before extraordinary items was 78 cents per common share versus 79 cents per common share for all of 2000. After extraordinary items, the Company reported net income of 12 cents per common share for the quarter and 72 cents per common share for the full year 2001.

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

Eric Bolton, President and CEO said, "We anticipated a reduced level of leasing traffic and a resulting decline in occupancy during the fourth quarter. This traditionally slow leasing quarter was further pressured by a down economy, a resilient home buying environment and an over-supply of new construction in a few markets. Leasing concessions and vacancy loss caused revenue for our same store group of properties to fall by 0.7% during the fourth quarter, compared to the same period of the prior year. Our efforts to lower resident move-outs during this slower leasing period continued to show positive results. Unit turnover declined 0.4% during the fourth quarter."

"Our property management team continues to do an excellent job in limiting the growth of operating expenses. As a result of new internet-based operating programs and support systems, as well as a continuation of our utility cost management and billing initiatives, total operating expenses on a same store basis were flat (0% increase) as compared to the same period of the prior year. Our properties are in excellent physical condition and continue to capture numerous civic and industry awards. Recurring capital spending on our properties totaled \$11.6 million or \$375 per unit in 2001, down from \$12.7 million or \$410 per unit in 2000."

Simon Wadsworth, Executive Vice-President and CFO, stated, "In addition, with over \$200 million of our debt refinanced or renegotiated in 2001, we only have \$50 million of financing scheduled for 2002. At year end 2001 our average debt cost was 6.3%, down from 7.2% a year ago. Our Board voted to hold our dividend payout at its present level given the anticipated softness in property revenues headed into 2002."

Bolton added, "Our team of experienced multifamily real estate operators and high-quality properties continue to perform in a strong, steady and reasonably predictable fashion in this weak economy. Our development pipeline is fully funded and construction will be completed this quarter. Our capital has been prudently deployed; we have avoided the mistakes made in chasing hi-tech start up ventures and the accompanying large capital write-offs which accompanied many of these. Our balance sheet is strengthening and our dividend is secure."

MAA is a self-administered, self-managed apartment-only real estate investment trust which owns or has ownership interest in 33,459 apartment units including 77 units in the development pipeline throughout the southeast and southcentral U.S. For further details, please refer to our website at www.maac.net or contact Simon R. C. Wadsworth at (901) 682-6668, ext. 105. 6584 Poplar Ave., Suite 300, Memphis, TN 38138.

Certain matters in this press release may constitute forward-looking statements within the meaning of Section 27-A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. Such statements include, but are not limited to, statements made about anticipated growth rate of revenues, expenses, and net operating income at Mid-America's properties, anticipated lease-up (and rental concessions) at development properties, costs remaining to complete development properties, planned acquisitions, planned dispositions, developments, and property financing. Actual results and the timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including a downturn in general economic conditions or the capital markets, competitive factors including overbuilding or other supply/demand imbalances in some or all of our markets, construction delays that could cause new and add-on apartment units to reach the market later than anticipated, changes in interest rates and other items that are difficult to control such as insurance rates, increases in real estate taxes in numerous markets, as well as the other general risks inherent in the apartment and real estate businesses. Reference is hereby made to the filings of Mid-America Apartment Communities, Inc., with the Securities and Exchange Commission, including quarterly reports on Form 10-Q, reports on Form 8-K, and its annual report on Form 10-K, particularly including the risk factors

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

contained in the latter filing.

CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands except per share data

	Three months ended December 31,	
	2001	2000
Property revenues	\$ 55,757	\$ 55,979
Property operating expenses	20,886	20,844
Net operating income	34,871	35,135
Interest and other non-property income	323	503
Management and development income, net	186	190
FFO from real estate joint ventures	203	330
Property management expenses	2,681	2,298
General & administrative	1,452	1,302
Interest expense	12,272	13,192
Gain on disposition of non-depreciable assets	-	-
Preferred dividend distribution	4,028	4,027
Depreciation and amortization non-real estate assets	113	155
Amortization of deferred financing costs	657	606
Funds from operations	14,380	14,578
Depreciation and amortization	12,931	12,834
Joint venture depreciation adjustment included in FFO	325	308
Gain on disposition of non-depreciable assets included in FFO	-	-
Preferred dividend distribution add back	(4,028)	(4,027)
Income before gain on disposition of assets, minority interest and extraordinary items	5,152	5,463
Net gain on disposition of assets	1,869	1,083
Minority interest in operating partnership income	(469)	(346)
Income before extraordinary items	6,552	6,200
Ex item - Loss on debt extinguishment , net of MI	407	-
Preferred dividend distribution	4,028	4,027
Net income available for common shareholders	\$ 2,117	\$ 2,173
Weighted average common shares - Diluted	17,568	17,512
Weighted average common shares and units - Diluted	20,489	20,458
Funds from operations per share and units - Diluted	\$ 0.70	\$ 0.71
Net income available for common shareholders before extraordinary items - Diluted	\$ 0.14	\$ 0.12
Net income available for common shareholders after extraordinary items - Diluted	\$ 0.12	\$ 0.12

CONSOLIDATED BALANCE SHEETS

In thousands

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

	December 31, 2001	Decem 20
Assets		
Real estate assets, net	\$1,216,933	\$1
Cash and cash equivalents, including restricted cash	23,432	
Other assets	23,123	
Total assets	\$1,263,488	\$1
Liabilities		
Bonds and notes payable	\$ 779,664	\$
Other liabilities	41,564	
Total liabilities	821,228	
Shareholders' equity and minority interest	442,260	
Total liabilities & shareholders' equity	\$1,263,488	\$1

OPERATING RESULTS

Dollars and shares in thousands except per share data

ROA	Annualized 4Q01	Tr 4 Q
Gross Real Estate Assets, Average	\$1,449,720	\$
EBITDA	\$ 123,172	\$
EBITDA/Gross Real Estate Assets	8.5%	

	Three Months Ended December 31,		Twelve Months
	2001	2000	2001
Common and Preferred Dividends as % of FFO	87%	86%	
EBITDA/Debt Service (1)	2.28	2.13	
EBITDA/Fixed Charges (2)	1.77	1.68	
Total Debt as % of Gross Real Estate Assets	54%	55%	
MAA portion of JV debt	\$27,107	\$27,353	
Capitalized Interest YTD	\$ 1,382	\$ 3,730	
FAD			
FFO	\$14,380	\$14,578	\$57,212
Average Units	30,553	30,875	30,778
Average Shares - Diluted	20,489	20,458	20,464
Recurring Capex	\$ 2,892	\$ 3,174	\$11,567
FAD	\$11,488	\$11,404	\$45,645
Free Cash Flow (3)	\$12,258	\$12,165	\$48,591

PER SHARE (DILUTED)

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

FFO	\$ 0.70	\$ 0.71	\$ 2.80
FAD	\$ 0.56	\$ 0.56	\$ 2.23
Free Cash Flow (3)	\$ 0.60	\$ 0.59	\$ 2.37
Distribution	\$ 0.585	\$ 0.585	\$ 2.34

(1) Annualized EBITDA for trailing six months to annualized debt service (aggregate of principal and interest) for same period.

(2) Annualized EBITDA for trailing six months to annualized fixed charges (aggregate of preferred distributions, principal and interest) for same period.

(3) Includes addback of other non-cash items, primarily non-real estate depreciation and amortization.

OTHER DATA

Shares and units in thousands except per share data

	Three Months Ended December 31,	
	2001	2000
Weighted average common shares and units - Basic	20,348	20,426
Weighted average common shares and units - Diluted	20,489	20,458
Number of apartment units with ownership interest (excluding development units not delivered)	33,382	33,612
Apartment units added during period, net	91	(115)
 PER SHARE DATA		
Funds from operations per share and units - Basic	\$ 0.71	\$ 0.71
Funds from operations per share and units - Diluted	\$ 0.70	\$ 0.71
Net income available for common shareholders before extraordinary items - Diluted	\$ 0.14	\$ 0.12
Net income available for common shareholders after extraordinary items - Diluted	\$ 0.12	\$ 0.12
Dividend declared per common share	\$ 0.585	\$ 0.585

DIVIDEND INFORMATION (latest declaration)

	Payment per Share	Pay Da
Common Dividend - quarterly	\$0.5850	1/31
Preferred Series A - monthly	\$0.1979	2/15
Preferred Series B - monthly	\$0.1849	2/15
Preferred Series C - quarterly	\$0.5859	1/15

COMMUNITY STATISTICS

Represents current stabilized communities

At December 31, 2001

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

	Number of Units	Portfolio Concentration	MAA Occupancy
Tennessee			
Memphis	4,177	13.2%	88.9%
Nashville	1,150	3.6%	94.3%
Chattanooga	943	3.0%	95.5%
Jackson	664	2.1%	90.4%
Florida			
Jacksonville	2,846	9.0%	93.7%
Tampa	1,120	3.5%	94.1%
Other	2,518	8.0%	94.0%
Georgia			
Atlanta	1,652	5.2%	90.7%
Columbus / LaGrange	1,509	4.8%	93.7%
Augusta / Aiken / Savannah	1,132	3.6%	96.2%
Other	1,742	5.5%	93.2%
Texas			
Dallas	2,056	6.5%	91.1%
Austin	1,254	4.0%	94.5%
Houston	682	2.2%	96.9%
South Carolina			
Greenville	1,492	4.7%	91.4%
Other	784	2.5%	95.3%
Kentucky			
Lexington	370	1.2%	92.4%
Other	624	2.0%	93.6%
Mississippi	1,673	5.3%	94.2%
Arkansas	808	2.6%	90.8%
Alabama	952	3.0%	93.8%
North Carolina	738	2.3%	93.6%
Ohio	414	1.3%	87.4%
Virginia	296	0.9%	98.3%
Total	31,596	100.0%	92.8%

SAME STORE STATISTICS

Dollars in thousands except Average Rental Rate

	Three Months Ended December 31,			Twelve
	2001	2000	Percent Change	2001
Revenues	\$51,695	\$52,053	-0.7%	\$208,534
Property Operating Expenses	13,325	13,536	-1.6%	52,828
RE Taxes and Insurance	5,925	5,715	3.7%	23,562

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

Total Operating Expenses	19,250	19,251	0.0%	76,390
NOI	\$32,445	\$32,802	-1.1%	\$132,144
Units	28,573	28,567		28,461
Average Rental Rate	\$656.82	\$642.26	2.3%	\$649.78
Average Physical Occupancy	93.2%	94.7%	-1.6%	94.1%

DEBT AS OF DECEMBER 31, 2001

Dollars in thousands

	Principal Balance	Average Years to Maturity	Average Rate
Fixed Rate - Conventional	\$ 451,486	6.5	6.9%
Fixed Rate - Tax-free	118,899	19.8	6.1%
Line of Credit - Swapped to Fixed Rate	125,000	6.6	6.9%
Variable Rate - Tax-free	22,560	26.1	2.8%
Variable Rate - Conventional	61,719	7.9	2.8%
Total	\$ 779,664	9.2	6.3%

FUTURE PAYMENTS

	Scheduled Amortization	Maturities	Total	Average Rate/ Maturity
2002	\$ 3,956	\$ 16,390	\$ 20,346	6.0%
2003	3,740	154,120	157,860	6.0%
2004	3,862	71,168	75,030	7.0%
2005	4,086	3,215	7,301	8.0%
2006	4,166	36,010	40,176	6.0%
Thereafter	129,755	349,196	478,951	6.0%
Total	\$ 149,565	\$ 630,099	\$ 779,664	6.0%

DEVELOPMENT PIPELINE

Dollars in thousands

DEVELOPMENT STATISTICS

		Current			Actual/		
		Total	Estimated	Cost to	Construction		
	Units	Cost	Date	Start	Finish	O	
Completed Communities in Lease-up							
Grand Reserve Lexington	Lexington, KY	370	\$31,288	\$31,288	3Q98	3Q00	
Reserve at Dexter Lake Phase II	Memphis, TN	244	15,973	15,973	2Q99	2Q01	

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

Grand View Nashville	Nashville, TN	433	36,313	36,313	1Q99	2Q01
		1,047	83,574	83,574		
Under Construction						
Reserve at Dexter Lake Phase III	Memphis, TN	244	15,541	15,004	3Q00	1Q02
Total Units in Lease-up/Development		1,291	\$99,115	\$98,578		

OCCUPANCY STATISTICS

	Apartments		
	Available	Leased	Occupied
Completed Communities in Lease-up			
Grand Reserve Lexington	370	317	307
Reserve at Dexter Lake Phase II	244	192	187
Grand View Nashville	433	338	333
Total Completed Communities	1,047	847	827
Under Construction			
Reserve at Dexter Lake Phase III	196	22	16
Total Units in Lease-up/Development	1,243	869	843

Item 9 Regulation FD Disclosure

Earnings Guidance

In connection with its fourth quarter 2001 earnings, the Company's management observed the following:

- |X| It expects that during the second quarter of 2002, the stronger spring leasing season will generate improved leasing traffic and occupancy levels.
- |X| Absent any further deterioration in the economy, the Company expects to see a steady improvement in occupancy over the course of 2002.
- |X| Management forecasts recurring capital spending during 2002 to remain at the lower level seen in 2001.
- |X| The Company's balance sheet continues to strengthen, steadily gaining additional capacity as we complete funding and lease-up of our construction pipeline.
- |X| Management is comfortable with maintaining the Company's current dividend payout level for 2002, especially given the Company's growing balance sheet capacity.
- |X| The Company's Funds From Operations ("FFO") forecast for 2002 calls for \$2.80 per share, with a range of \$2.77 to \$2.82. The key variables are an anticipated strengthening in the economy and markets over the second half

Edgar Filing: MID AMERICA APARTMENT COMMUNITIES INC - Form 8-K/A

of the year, movements in interest rates and the level of anticipated increases in both property insurance and real estate tax expenses. On a quarterly basis, the Company's overall FFO 2002 forecast is \$0.67 per share for first quarter 2002, \$0.70 for 2nd quarter 2002, \$0.71 for 3rd quarter 2002 and \$0.72 for 4th quarter 2002. This assumes growths of 1.6% in same store revenues, 3.5% in operating expenses and 0.5% in same store NOI. The 2002 forecast includes no property acquisitions, although management believes that there is an increasing possibility that there will be some.

|X| While the current operating environment and market conditions are expected to dampen earnings over the first part of this year, it believes that opportunities will be increasing to create more value for the Company's shareholders through attractive acquisitions and redevelopment of undervalued properties.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MID-AMERICA APARTMENT COMMUNITIES, INC.

Date: October 10, 2002

/s/Simon R.C. Wadsworth
Simon R.C. Wadsworth
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)