

MACK CALI REALTY CORP

Form 10-Q

July 30, 2009

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 June 30, 2009

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 1-13274
Number:

Mack-Cali Realty Corporation
(Exact name of registrant as specified in its charter)

Maryland 22-3305147
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

343 Thornall Street, Edison, New Jersey 08837-2206
(Address of principal executive offices) (Zip Code)

(732) 590-1000
(Registrant's telephone number, including area code)

Not Applicable
(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 ninety (90) days. YES X 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

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files). Yes ___ No ___ (the Registrant is not yet required to submit Interactive Data)

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.

Large accelerated
filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting
company) 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

As of July 28, 2009, there were 78,335,828 shares of the registrant's Common Stock, par
value \$0.01 per share, outstanding.

MACK-CALI REALTY CORPORATION

FORM 10-Q

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MACK-CALI REALTY CORPORATION

Part I – Financial Information

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of operations, of changes in equity, and of cash flows and related notes thereto, have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation for the interim periods.

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in Mack-Cali Realty Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The results of operations for the three and six month periods ended June 30, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (in thousands, except per share amounts) (unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Rental property		
Land and leasehold interests	\$774,126	\$731,086
Buildings and improvements	3,949,325	3,792,186
Tenant improvements	426,003	431,616
Furniture, fixtures and equipment	9,358	8,892
	5,158,812	4,963,780
Less – accumulated depreciation and amortization	(1,073,490)	(1,040,778)
Net investment in rental property	4,085,322	3,923,002
Cash and cash equivalents	33,203	21,621
Investments in unconsolidated joint ventures	33,007	138,495
Unbilled rents receivable, net	115,319	112,524
Deferred charges and other assets, net	238,035	212,422
Restricted cash	20,785	12,719
Accounts receivable, net of allowance for doubtful accounts of \$4,084 and \$2,319	9,374	23,139
Total assets	\$4,535,045	\$4,443,922
LIABILITIES AND EQUITY		
Senior unsecured notes	\$1,334,075	\$1,533,349
Revolving credit facility	--	161,000
Mortgages, loans payable and other obligations	756,358	531,126
Dividends and distributions payable	42,062	52,249
Accounts payable, accrued expenses and other liabilities	116,436	119,451
Rents received in advance and security deposits	56,460	54,406
Accrued interest payable	30,613	32,978
Total liabilities	2,336,004	2,484,559
Commitments and contingencies		
Equity:		
Mack-Cali Realty Corporation stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized, 10,000 and 10,000 shares outstanding, at liquidation preference	25,000	25,000
Common stock, \$0.01 par value, 190,000,000 shares authorized, 78,334,220 and 66,419,055 shares outstanding	783	664
Additional paid-in capital	2,259,621	1,905,386
Dividends in excess of net earnings	(419,254)	(386,587)
Total Mack-Cali Realty Corporation stockholders' equity	1,866,150	1,544,463
Noncontrolling interests in subsidiaries:		
Operating Partnership	329,635	414,114
Consolidated joint ventures	3,256	786
Total noncontrolling interests in subsidiaries	332,891	414,900

Total equity	2,199,041	1,959,363
Total liabilities and equity	\$4,535,045	\$4,443,922

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts) (unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
REVENUES				
Base rents	\$154,085	\$148,087	\$303,411	\$296,690
Escalations and recoveries from tenants	24,944	26,586	52,893	52,310
Construction services	4,794	11,305	8,705	24,066
Real estate services	2,116	3,227	4,642	6,669
Other income	3,399	3,588	6,353	7,771
Total revenues	189,338	192,793	376,004	387,506
EXPENSES				
Real estate taxes	23,494	24,125	46,965	48,161
Utilities	16,091	19,660	36,968	41,088
Operating services	26,915	27,152	54,857	53,125
Direct construction costs	4,296	10,329	8,010	22,983
General and administrative	10,651	11,237	20,733	22,332
Depreciation and amortization	49,716	47,586	97,988	95,308
Total expenses	131,163	140,089	265,521	282,997
Operating income	58,175	52,704	110,483	104,509
OTHER (EXPENSE) INCOME				
Interest expense	(33,508)	(31,340)	(66,302)	(63,800)
Interest and other investment income	187	302	384	858
Equity in earnings (loss) of unconsolidated joint ventures	(1,922)	884	(7,036)	(264)
Gain on reduction of other obligations	1,693	--	1,693	--
Gain on sale of investment of securities	--	471	--	471
Total other (expense) income	(33,550)	(29,683)	(71,261)	(62,735)
Income from continuing operations	24,625	23,021	39,222	41,774
Net income	24,625	23,021	39,222	41,774
Noncontrolling interest in consolidated joint ventures	135	16	767	139
Noncontrolling interest in Operating Partnership	(3,886)	(4,193)	(6,514)	(7,620)
Preferred stock dividends	(500)	(500)	(1,000)	(1,000)
Net income available to common shareholders	\$20,374	\$18,344	\$32,475	\$33,293
Basic earnings per common share:				
Income from continuing operations	\$0.28	\$0.28	\$0.46	\$0.51
Net income available to common shareholders	\$0.28	\$0.28	\$0.46	\$0.51
Diluted earnings per common share:				
Income from continuing operations	\$0.28	\$0.28	\$0.46	\$0.51
Net income available to common shareholders	\$0.28	\$0.28	\$0.46	\$0.51
Dividends declared per common share	\$0.45	\$0.64	\$0.90	\$1.28
Basic weighted average shares outstanding	73,903	65,423	70,214	65,397

Diluted weighted average shares outstanding	88,000	80,585	84,480	80,547
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The accompanying notes are an integral part of these consolidated financial statements.

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in thousands) (unaudited)

	Preferred Shares	Stock Amount	Common Shares	Stock Par Value	Paid-In Capital	Dividends Excess of Net in Earnings	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at January 1, 2009	10	\$25,000	66,419	\$664	\$1,905,386	\$(386,587)	\$414,900	\$1,959,363
Net income	--	--	--	--	--	33,475	5,747	39,222
Preferred stock dividends	--	--	--	--	--	(1,000)	--	(1,000)
Common stock dividends	--	--	--	--	--	(65,142)	--	(65,142)
Common unit distributions	--	--	--	--	--	--	-(12,807)	(12,807)
Common Stock offering	--	--	11,500	115	274,711	----	----	274,826
Increase in noncontrolling interests	--	--	--	--	--	--	-3,237	3,237
Redemption of common units for common stock	--	--	413	4	11,729	--	-(11,733)	--
Shares issued under Dividend Reinvestment and Stock Purchase Plan	--	--	5	--	108	----	----	108
Directors Deferred comp. plan	--	--	--	--	200	----	----	200
Stock Compensation	--	--	--	--	1,183	----	----	1,183
Cancellation of Restricted stock	--	--	(3)	--	(149)	----	----	(149)
FASB No. 160 adj. to ownership percent between parent and subsidiary	--	--	--	--	66,453	--	-(66,453)	--
Balance at June 30, 2009	10	\$25,000	78,334	\$783	\$2,259,621	\$(419,254)	\$332,891	\$2,199,041

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$39,222	\$41,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including related intangibles	95,207	92,155
Amortization of stock compensation	1,183	1,450
Amortization of deferred financing costs and debt discount	1,343	1,416
Equity in (earnings) loss of unconsolidated joint ventures	7,036	264
Gain on reduction of other obligations	(1,693)	--
Gain on sale of investment in marketable securities	--	(471)
Distribution of cumulative earnings from unconsolidated joint ventures	2,131	2,341
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(2,738)	(2,441)
Decrease (increase) in deferred charges and other assets, net	5,005	(6,537)
Decrease in accounts receivable, net	13,765	16,827
Decrease in accounts payable, accrued expenses and other liabilities	(970)	(6,449)
Increase in rents received in advance and security deposits	2,054	843
Increase in accrued interest payable	(2,365)	(64)
Net cash provided by operating activities	\$159,180	\$141,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to rental property and related intangibles	(35,101)	(50,861)
Repayments of notes receivable	89	84
Investment in unconsolidated joint ventures	(4,268)	(4,153)
Proceeds from the sale of available for sale securities	--	5,375
Distribution in excess of cumulative earnings from unconsolidated joint ventures	81	2,924
(Increase) decrease in restricted cash	(8,066)	719
Net cash used in investing activities	\$(47,265)	\$(45,912)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from revolving credit facility	302,000	250,100
Repayment of revolving credit facility	(463,000)	(207,100)
Proceeds from mortgages	81,500	--
Borrowings from Money Market Loans	--	83,000
Repayments of Money Market Loans	--	(83,000)
Repayment of mortgages, loans payable and other obligations	(6,169)	(20,813)
Repayments of senior unsecured notes	(199,724)	--
Payment of financing costs	(631)	--
Repurchase of common stock	--	(5,198)
Proceeds from offering of Common Stock	274,827	--
Proceeds from stock options exercised	--	1,101
Payment of dividends and distributions	(89,136)	--