

CAMDEN PROPERTY TRUST

Form 10-Q

August 01, 2014

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, 2014

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

(State or other jurisdiction of  
incorporation or organization)

76-6088377

(I.R.S. Employer  
Identification No.)

11 Greenway Plaza, Suite 2400

Houston, Texas

(Address of principal executive offices)

(713) 354-2500

(Registrant's Telephone Number, Including Area Code)

77046

(Zip 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 ☐

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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 July 25, 2014, 85,648,317 common shares of the registrant were outstanding, net of treasury shares and shares held in our deferred compensation arrangements.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CAMDEN PROPERTY TRUST

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (in thousands, except per share amounts)                                                                                                                                                                  | June 30,<br>2014 | December 31,<br>2013 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|
| Assets                                                                                                                                                                                                    |                  |                      |
| Real estate assets, at cost                                                                                                                                                                               |                  |                      |
| Land                                                                                                                                                                                                      | \$985,444        | \$969,711            |
| Buildings and improvements                                                                                                                                                                                | 5,762,428        | 5,629,904            |
|                                                                                                                                                                                                           | \$6,747,872      | \$6,599,615          |
| Accumulated depreciation                                                                                                                                                                                  | (1,755,086 )     | (1,643,713 )         |
| Net operating real estate assets                                                                                                                                                                          | \$4,992,786      | \$4,955,902          |
| Properties under development, including land                                                                                                                                                              | 599,139          | 472,566              |
| Investments in joint ventures                                                                                                                                                                             | 36,167           | 42,155               |
| Total real estate assets                                                                                                                                                                                  | \$5,628,092      | \$5,470,623          |
| Accounts receivable – affiliates                                                                                                                                                                          | 26,501           | 27,724               |
| Other assets, net                                                                                                                                                                                         | 114,002          | 109,401              |
| Cash and cash equivalents                                                                                                                                                                                 | 16,069           | 17,794               |
| Restricted cash                                                                                                                                                                                           | 5,424            | 6,599                |
| Total assets                                                                                                                                                                                              | \$5,790,088      | \$5,632,141          |
| Liabilities and equity                                                                                                                                                                                    |                  |                      |
| Liabilities                                                                                                                                                                                               |                  |                      |
| Notes payable                                                                                                                                                                                             |                  |                      |
| Unsecured                                                                                                                                                                                                 | \$1,769,287      | \$1,588,798          |
| Secured                                                                                                                                                                                                   | 930,952          | 941,968              |
| Accounts payable and accrued expenses                                                                                                                                                                     | 122,307          | 113,307              |
| Accrued real estate taxes                                                                                                                                                                                 | 40,232           | 35,648               |
| Distributions payable                                                                                                                                                                                     | 59,770           | 56,787               |
| Other liabilities                                                                                                                                                                                         | 90,944           | 88,272               |
| Total liabilities                                                                                                                                                                                         | \$3,013,492      | \$2,824,780          |
| Commitments and contingencies                                                                                                                                                                             |                  |                      |
| Non-qualified deferred compensation share awards                                                                                                                                                          | 61,727           | 47,180               |
| Equity                                                                                                                                                                                                    |                  |                      |
| Common shares of beneficial interest; \$0.01 par value per share; 175,000 shares authorized; 99,733 and 99,645 issued; 96,651 and 96,660 outstanding at June 30, 2014 and December 31, 2013, respectively | 967              | 967                  |
| Additional paid-in capital                                                                                                                                                                                | 3,595,315        | 3,596,069            |
| Distributions in excess of net income attributable to common shareholders                                                                                                                                 | (550,050 )       | (494,167 )           |
| Treasury shares, at cost (11,027 and 11,352 common shares at June 30, 2014 and December 31, 2013, respectively)                                                                                           | (398,474 )       | (410,227 )           |
| Accumulated other comprehensive loss                                                                                                                                                                      | (1,077 )         | (1,106 )             |

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|                                                           |             |             |
|-----------------------------------------------------------|-------------|-------------|
| Total common equity                                       | \$2,646,681 | \$2,691,536 |
| Non-controlling interests                                 | 68,188      | 68,645      |
| Total equity                                              | \$2,714,869 | \$2,760,181 |
| Total liabilities and equity                              | \$5,790,088 | \$5,632,141 |
| See Notes to Condensed Consolidated Financial Statements. |             |             |

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

|                                                                                                          | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|----------------------------------------------------------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
| (in thousands, except per share amounts)                                                                 | 2014                           | 2013      | 2014                         | 2013      |
| Property revenues                                                                                        |                                |           |                              |           |
| Rental revenues                                                                                          | \$180,438                      | \$168,634 | \$359,402                    | \$333,027 |
| Other property revenues                                                                                  | 28,054                         | 26,349    | 55,019                       | 51,767    |
| Total property revenues                                                                                  | \$208,492                      | \$194,983 | \$414,421                    | \$384,794 |
| Property expenses                                                                                        |                                |           |                              |           |
| Property operating and maintenance                                                                       | \$52,264                       | \$49,787  | \$103,011                    | \$98,050  |
| Real estate taxes                                                                                        | 23,616                         | 21,810    | 47,193                       | 42,993    |
| Total property expenses                                                                                  | \$75,880                       | \$71,597  | \$150,204                    | \$141,043 |
| Non-property income                                                                                      |                                |           |                              |           |
| Fee and asset management                                                                                 | \$2,147                        | \$2,827   | \$5,170                      | \$5,721   |
| Interest and other income                                                                                | 44                             | 1,038     | 332                          | 1,090     |
| Income (loss) on deferred compensation plans                                                             | 2,018                          | (102)     | 2,699                        | 2,897     |
| Total non-property income                                                                                | \$4,209                        | \$3,763   | \$8,201                      | \$9,708   |
| Other expenses                                                                                           |                                |           |                              |           |
| Property management                                                                                      | \$5,853                        | \$5,242   | \$11,692                     | \$11,225  |
| Fee and asset management                                                                                 | 1,247                          | 1,486     | 2,506                        | 2,963     |
| General and administrative                                                                               | 10,534                         | 11,590    | 20,079                       | 21,384    |
| Interest                                                                                                 | 22,746                         | 24,797    | 45,879                       | 49,692    |
| Depreciation and amortization                                                                            | 57,953                         | 52,629    | 115,349                      | 104,232   |
| Amortization of deferred financing costs                                                                 | 816                            | 898       | 1,657                        | 1,814     |
| Expense (benefit) on deferred compensation plans                                                         | 2,018                          | (102)     | 2,699                        | 2,897     |
| Total other expenses                                                                                     | \$101,167                      | \$96,540  | \$199,861                    | \$194,207 |
| Gain on sale of land                                                                                     | 1,447                          | —         | 1,801                        | 698       |
| Impairment associated with land holdings                                                                 | (1,152)                        | —         | (1,152)                      | —         |
| Equity in income of joint ventures                                                                       | 736                            | 17,798    | 5,026                        | 18,732    |
| Income from continuing operations before income taxes                                                    | \$36,685                       | \$48,407  | \$78,232                     | \$78,682  |
| Income tax expense                                                                                       | (401)                          | (468)     | (875)                        | (867)     |
| Income from continuing operations                                                                        | \$36,284                       | \$47,939  | \$77,357                     | \$77,815  |
| Income from discontinued operations                                                                      | —                              | 2,132     | —                            | 4,906     |
| Gain on sale of discontinued operations, net of tax                                                      | —                              | 24,866    | —                            | 56,649    |
| Net income                                                                                               | \$36,284                       | \$74,937  | \$77,357                     | \$139,370 |
| Less income allocated to non-controlling interests from continuing operations                            | (1,012)                        | (1,001)   | (2,049)                      | (1,865)   |
| Less income, including gain on sale, allocated to non-controlling interests from discontinued operations | —                              | (1,764)   | —                            | (1,857)   |
| Net income attributable to common shareholders                                                           | \$35,272                       | \$72,172  | \$75,308                     | \$135,648 |
| See Notes to Condensed Consolidated Financial Statements.                                                |                                |           |                              |           |

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

|                                                                                                          | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |           |
|----------------------------------------------------------------------------------------------------------|--------------------------------|----------|------------------------------|-----------|
| (in thousands, except per share amounts)                                                                 | 2014                           | 2013     | 2014                         | 2013      |
| Earnings per share – basic                                                                               |                                |          |                              |           |
| Earnings per common share from continuing operations                                                     | \$0.40                         | \$0.53   | \$0.85                       | \$0.86    |
| Earnings per common share from discontinued operations                                                   | —                              | 0.29     | —                            | 0.68      |
| Total earnings per common share -- basic                                                                 | \$0.40                         | \$0.82   | \$0.85                       | \$1.54    |
| Earnings per share – diluted                                                                             |                                |          |                              |           |
| Earnings per common share from continuing operations                                                     | \$0.40                         | \$0.53   | \$0.85                       | \$0.85    |
| Earnings per common share from discontinued operations                                                   | —                              | 0.28     | —                            | 0.68      |
| Total earnings per common share -- diluted                                                               | \$0.40                         | \$0.81   | \$0.85                       | \$1.53    |
| Distributions declared per common share                                                                  | \$0.66                         | \$0.63   | \$1.32                       | \$1.26    |
| Weighted average number of common shares outstanding – basic                                             | 87,845                         | 87,191   | 87,748                       | 86,949    |
| Weighted average number of common shares outstanding – diluted                                           | 88,972                         | 88,472   | 88,899                       | 88,283    |
| Condensed Consolidated Statements of Comprehensive Income:                                               |                                |          |                              |           |
| Net income                                                                                               | \$36,284                       | \$74,937 | \$77,357                     | \$139,370 |
| Other comprehensive income                                                                               |                                |          |                              |           |
| Reclassification of prior service cost and net loss on post retirement obligations                       | 14                             | 13       | 29                           | 27        |
| Comprehensive income                                                                                     | \$36,298                       | \$74,950 | \$77,386                     | \$139,397 |
| Less income allocated to non-controlling interests from continuing operations                            | (1,012 )                       | (1,001 ) | (2,049 )                     | (1,865 )  |
| Less income, including gain on sale, allocated to non-controlling interests from discontinued operations | —                              | (1,764 ) | —                            | (1,857 )  |
| Comprehensive income attributable to common shareholders                                                 | \$35,286                       | \$72,185 | \$75,337                     | \$135,675 |
| See Notes to Condensed Consolidated Financial Statements.                                                |                                |          |                              |           |

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CAMDEN PROPERTY TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(Unaudited)

| (in thousands)                                                    | Common Shareholders                           |                                  |                                             |                                | Accumulated<br>other<br>comprehensive<br>loss | Non-controlling<br>interests | Total equity |
|-------------------------------------------------------------------|-----------------------------------------------|----------------------------------|---------------------------------------------|--------------------------------|-----------------------------------------------|------------------------------|--------------|
|                                                                   | Common<br>shares of<br>beneficial<br>interest | Additional<br>paid-in<br>capital | Distributions<br>in excess of<br>net income | Treasury<br>shares, at<br>cost |                                               |                              |              |
| Equity, December 31, 2013                                         | \$967                                         | \$3,596,069                      | \$ (494,167 )                               | \$ (410,227 )                  | \$ (1,106 )                                   | \$ 68,645                    | \$2,760,181  |
| Net income                                                        |                                               |                                  | 75,308                                      |                                |                                               | 2,049                        | 77,357       |
| Other comprehensive income                                        |                                               |                                  |                                             |                                | 29                                            |                              | 29           |
| Net share awards                                                  |                                               | (1,255 )                         |                                             | 11,135                         |                                               |                              | 9,880        |
| Employee share purchase plan                                      |                                               | 555                              |                                             | 331                            |                                               |                              | 886          |
| Common share options exercised                                    | 1                                             | 359                              |                                             | 287                            |                                               |                              | 647          |
| Change in classification of deferred compensation plan            |                                               | (2,156 )                         |                                             |                                |                                               |                              | (2,156 )     |
| Change in redemption value of non-qualified share awards          |                                               |                                  | (14,819 )                                   |                                |                                               |                              | (14,819 )    |
| Diversification of share awards within deferred compensation plan |                                               | 1,770                            | 658                                         |                                |                                               |                              | 2,428        |
| Cash distributions declared to equity holders                     |                                               |                                  | (117,030 )                                  |                                |                                               | (2,506 )                     | (119,536 )   |
| Other                                                             | (1 )                                          | (27 )                            |                                             |                                |                                               |                              | (28 )        |
| Equity, June 30, 2014                                             | \$967                                         | \$3,595,315                      | \$ (550,050 )                               | \$ (398,474 )                  | \$ (1,077 )                                   | \$ 68,188                    | \$2,714,869  |

See Notes to Condensed Consolidated Financial Statements.



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CAMDEN PROPERTY TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)  
(Unaudited)

| (in thousands)                                            | Common Shareholders                           |                                  |                                             |                                | Accumulated<br>other<br>comprehensive<br>loss | Non-controlling<br>interests | Total equity |
|-----------------------------------------------------------|-----------------------------------------------|----------------------------------|---------------------------------------------|--------------------------------|-----------------------------------------------|------------------------------|--------------|
|                                                           | Common<br>shares of<br>beneficial<br>interest | Additional<br>paid-in<br>capital | Distributions<br>in excess of<br>net income | Treasury<br>shares, at<br>cost |                                               |                              |              |
| Equity, December 31, 2012                                 | \$962                                         | \$3,587,505                      | \$ (598,951 )                               | \$ (425,355 )                  | \$ (1,062 )                                   | \$ 63,609                    | \$2,626,708  |
| Net income                                                |                                               |                                  | 135,648                                     |                                |                                               | 3,722                        | 139,370      |
| Other comprehensive<br>income                             |                                               |                                  |                                             |                                | 27                                            |                              | 27           |
| Common shares issued                                      | 6                                             | 40,176                           |                                             |                                |                                               |                              | 40,182       |
| Net share awards                                          | (1 )                                          | (3,320 )                         |                                             | 12,553                         |                                               |                              | 9,232        |
| Employee share purchase<br>plan                           |                                               | 187                              |                                             | 180                            |                                               |                              | 367          |
| Common share options<br>exercised                         |                                               | 664                              |                                             | 1,957                          |                                               |                              | 2,621        |
| Conversions of operating<br>partnership units             |                                               | 71                               |                                             |                                |                                               | (71 )                        | —            |
| Cash distributions declared<br>to equity holders          |                                               |                                  | (110,983 )                                  |                                |                                               | (2,394 )                     | (113,377 )   |
| Equity, June 30, 2013                                     | \$967                                         | \$3,625,283                      | \$ (574,286 )                               | \$ (410,665 )                  | \$ (1,035 )                                   | \$ 64,866                    | \$2,705,130  |
| See Notes to Condensed Consolidated Financial Statements. |                                               |                                  |                                             |                                |                                               |                              |              |

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

|                                                                            | Six Months Ended<br>June 30, |              |
|----------------------------------------------------------------------------|------------------------------|--------------|
| (in thousands)                                                             | 2014                         | 2013         |
| Cash flows from operating activities                                       |                              |              |
| Net income                                                                 | \$77,357                     | \$139,370    |
| Adjustments to reconcile net income to net cash from operating activities: |                              |              |
| Depreciation and amortization                                              | 115,349                      | 107,785      |
| Gain on sale of discontinued operations, net of tax                        | —                            | (56,649 )    |
| Gain on sale of land                                                       | (1,801 )                     | (698 )       |
| Impairment associated with land holdings                                   | 1,152                        | —            |
| Distributions of income from joint ventures                                | 5,161                        | 5,898        |
| Equity in income of joint ventures                                         | (5,026 )                     | (18,732 )    |
| Share-based compensation                                                   | 7,867                        | 6,969        |
| Amortization of deferred financing costs                                   | 1,657                        | 1,814        |
| Net change in operating accounts and other                                 | (7,718 )                     | (4,728 )     |
| Net cash from operating activities                                         | \$193,998                    | \$181,029    |
| Cash flows from investing activities                                       |                              |              |
| Development and capital improvements                                       | \$(267,985 )                 | \$(157,457 ) |
| Acquisition of operating property                                          | —                            | (107,546 )   |
| Proceeds from sale of land and discontinued operations                     | 13,706                       | 108,039      |
| Distributions from investments in joint ventures                           | 5,853                        | 4,563        |
| Increase in non-real estate assets                                         | (2,845 )                     | (4,327 )     |
| Other                                                                      | 1,059                        | 28           |
| Net cash from investing activities                                         | \$(250,212 )                 | \$(156,700 ) |
| Cash flows from financing activities                                       |                              |              |
| Borrowings on unsecured line of credit and other short-term borrowings     | \$1,060,000                  | \$139,000    |
| Repayments on unsecured line of credit and other short-term borrowings     | (880,000 )                   | (98,000 )    |
| Repayment of notes payable                                                 | (11,016 )                    | (28,166 )    |
| Distributions to common shareholders and non-controlling interests         | (116,515 )                   | (106,469 )   |
| Proceeds from issuance of common shares                                    | —                            | 40,182       |
| Payment of deferred financing costs                                        | (420 )                       | (517 )       |
| Common share options exercised                                             | 295                          | 2,400        |
| Net decrease in accounts receivable – affiliates                           | 1,223                        | 6,351        |
| Other                                                                      | 922                          | 727          |
| Net cash from financing activities                                         | \$54,489                     | \$(44,492 )  |
| Net decrease in cash and cash equivalents                                  | (1,725 )                     | (20,163 )    |
| Cash and cash equivalents, beginning of period                             | 17,794                       | 26,669       |
| Cash and cash equivalents, end of period                                   | \$16,069                     | \$6,506      |
| Supplemental information                                                   |                              |              |
| Cash paid for interest, net of interest capitalized                        | \$40,697                     | \$50,119     |
| Cash paid for income taxes                                                 | 1,411                        | 1,766        |
| Supplemental schedule of noncash investing and financing activities        |                              |              |
| Distributions declared but not paid                                        | \$59,770                     | \$56,821     |
| Value of shares issued under benefit plans, net of cancellations           | 19,633                       | 23,040       |
| Net change in redemption of non-qualified share awards                     | 14,161                       | —            |

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|                                                               |        |        |
|---------------------------------------------------------------|--------|--------|
| Accrual associated with construction and capital expenditures | 25,172 | 19,096 |
| See Notes to Condensed Consolidated Financial Statements.     |        |        |

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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, redevelopment, 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 June 30, 2014, we owned interests in, operated, or were developing 183 multifamily properties comprised of 64,152 apartment homes across the United States. Of the 183 properties, 13 properties were under construction, and when completed will consist of a total of 4,114 apartment homes. Additionally, we are adding a subsequent phase to a stabilized community which when completed will consist of 75 apartment homes, and we own land holdings 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 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. We did not have any VIEs at June 30, 2014 or December 31, 2013.

**Interim Financial Reporting.** We have prepared these unaudited 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 unaudited financial statements should be read in conjunction with the audited financial statements and notes included in our 2013 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 and six months ended June 30, 2014 are not necessarily indicative of the results which may be expected for the full year.

**Acquisitions of Real Estate.** Upon acquisition of real estate, we determine the fair value of 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 estimating 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 difference between the carrying value of the previously held equity investment and the fair value is recognized in earnings at the time of obtaining control. Transaction costs associated with the acquisition of operating real estate assets are expensed. Estimates of fair value of acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities. 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 net carrying value of below market leases is included in other liabilities in our condensed consolidated balance sheets, and the net carrying value of in-place leases is included in other assets, net, in our condensed consolidated balance sheets.

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The carrying values of below market leases and in-place leases at June 30, 2014 and December 31, 2013 are as follows:

| (in millions)                              | June 30,<br>2014 | December 31,<br>2013 |
|--------------------------------------------|------------------|----------------------|
| Below market leases (Gross carrying value) | \$0.4            | \$0.4                |
| Accumulated amortization                   | (0.4             | ) (0.2               |
| Value of below market leases, net          | \$—              | \$0.2                |
| In-place leases (Gross carrying value)     | \$2.3            | \$2.3                |
| Accumulated amortization                   | (2.3             | ) (1.1               |
| Value of in-place leases, net              | \$—              | \$1.2                |

Revenues recognized related to below market leases and amortization expense related to in-place leases for the three and six months ended June 30, 2014 and 2013 are as follows:

| (in millions)                           | Three Months Ended<br>June 30, |       | Six Months Ended<br>June 30, |       |
|-----------------------------------------|--------------------------------|-------|------------------------------|-------|
|                                         | 2014                           | 2013  | 2014                         | 2013  |
| Revenues related to below market leases | \$—                            | \$0.3 | \$0.2                        | \$0.7 |
| Amortization of in-place leases         | \$0.2                          | \$1.2 | \$1.2                        | \$3.1 |

The weighted average amortization period of below market leases and in-place leases was approximately seven months for each of the three and six months ended June 30, 2014 and was approximately six months for each of the three and six months ended June 30, 2013.

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 may exist 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. 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 uses appraisals, management estimates, and discounted cash flow calculations which utilize inputs from a marketplace participant's perspective. When impairment exists, the long-lived asset is adjusted to its fair value. 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 prepare the underlying real estate 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.

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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 \$5.4 million and \$3.4 million for the three months ended June 30, 2014 and 2013, respectively, and was approximately \$10.3 million and \$6.7 million for the six months ended June 30, 2014 and 2013, respectively. Capitalized real estate taxes were approximately \$1.4 million and \$0.7 million for the three months ended June 30, 2014 and 2013, respectively, and were approximately \$3.0 million and \$1.6 million for the six months ended June 30, 2014 and 2013, respectively.

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

|                                                                         | Estimated<br>Useful Life |
|-------------------------------------------------------------------------|--------------------------|
| Buildings and improvements                                              | 5-35 years               |
| Furniture, fixtures, equipment, and other                               | 3-20 years               |
| Intangible assets/liabilities (in-place leases and below market leases) | underlying lease term    |

**Fair Value.** For financial assets and liabilities recorded at fair value on a recurring or non-recurring 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 investments is based on quoted market prices utilizing public information for the same transactions. Our deferred compensation plan investments are recorded at fair value on a recurring basis and included in other assets in our condensed consolidated balance sheets.

**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 if they are impaired using the fair value methodologies used to measure long-lived assets 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, unless a quoted price for a similar long-lived asset in an active market exists, at which time they are included in Level 2 of the fair value hierarchy.

**Recent Accounting Pronouncements.** In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 changes the threshold for disclosing discontinued operations and the related disclosure requirements, requiring only disposals representing a strategic shift, such as a major line of business, a major geographical area or a major equity investment, to be presented as a discontinued operation. If the disposal does qualify as a discontinued operation under ASU 2014-08, the entity will be required to provide expanded disclosures.



The guidance will be applied prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014 with early adoption permitted but only for disposals or classifications as held for sale which have not been reported in financial statements previously issued or available for issuance. We adopted ASU 2014-08 as of January 1, 2014 and believe future sales of our individual operating properties will no longer qualify as discontinued operations.

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In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2016 and may be applied using either a full retrospective or a modified approach upon adoption. We expect to adopt ASU 2014-09 as of January 1, 2017 and are currently evaluating the impact this standard may have on our financial statements.

**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 2.0 million and 2.2 million for the three months ended June 30, 2014 and 2013, respectively, and approximately 2.1 million and 2.2 million for the six months ended June 30, 2014 and 2013, 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.

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

|                                                                                                                            | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |           |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------|------------------------------|-----------|
| (in thousands, except per share amounts)                                                                                   | 2014                           | 2013     | 2014                         | 2013      |
| Earnings per common share calculation – basic                                                                              |                                |          |                              |           |
| Income from continuing operations attributable to common shareholders                                                      | \$35,272                       | \$46,938 | \$75,308                     | \$75,950  |
| Amount allocated to participating securities                                                                               | (300)                          | (696)    | (653)                        | (1,335)   |
| Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities | 34,972                         | 46,242   | 74,655                       | 74,615    |
| Discontinued operations attributable to common shareholders                                                                | —                              | 25,234   | —                            | 59,698    |
| Net income attributable to common shareholders – basic                                                                     | \$34,972                       | \$71,476 | \$74,655                     | \$134,313 |
| Earnings per common share continuing operations                                                                            | \$0.40                         | \$0.53   | \$0.85                       | \$0.86    |
| Earnings per common share from discontinued operations                                                                     | —                              | 0.29     | —                            | 0.68      |
| Total earnings per common share – basic                                                                                    | \$0.40                         | \$0.82   | \$0.85                       | \$1.54    |
| Weighted average number of common shares outstanding – basic                                                               | 87,845                         | 87,191   | 87,748                       | 86,949    |

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| (in thousands, except per share amounts)                                                                                   | Three Months Ended |          | Six Months Ended |           |
|----------------------------------------------------------------------------------------------------------------------------|--------------------|----------|------------------|-----------|
|                                                                                                                            | June 30,<br>2014   | 2013     | June 30,<br>2014 | 2013      |
| Earnings per common share calculation – diluted                                                                            |                    |          |                  |           |
| Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities | \$34,972           | \$46,242 | \$74,655         | \$74,615  |
| Income allocated to common units from continuing operations                                                                | 314                | 265      | 623              | 541       |
| Income from continuing operations attributable to common shareholders, as adjusted                                         | 35,286             | 46,507   | 75,278           | 75,156    |
| Discontinued operations attributable to common shareholders                                                                | —                  | 25,234   | —                | 59,698    |
| Net income attributable to common shareholders – diluted                                                                   | \$35,286           | \$71,741 | \$75,278         | \$134,854 |
| Earnings per common share from continuing operations                                                                       | \$0.40             | \$0.53   | \$0.85           | \$0.85    |
| Earnings per common share from discontinued operations                                                                     | —                  | 0.28     | —                | 0.68      |
| Total earnings per common share – diluted                                                                                  | \$0.40             | \$0.81   | \$0.85           | \$1.53    |
| Weighted average number of common shares outstanding – basic                                                               | 87,845             | 87,191   | 87,748           | 86,949    |
| Incremental shares issuable from assumed conversion of:                                                                    |                    |          |                  |           |
| Common share options and share awards granted                                                                              | 314                | 467      | 338              | 519       |
| Common units                                                                                                               | 813                | 814      | 813              | 815       |
| Weighted average number of common shares outstanding – diluted                                                             | 88,972             | 88,472   | 88,899           | 88,283    |

## 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.

The following table presents activity under our 2012 ATM program for the three and six months ended June 30, 2013. There were no shares sold during the three and six months ended June 30, 2014.

| (in thousands, except per share amounts) | Three Months<br>Ended<br>June 30,<br>2013 | Six Months Ended<br>June 30,<br>2013 |
|------------------------------------------|-------------------------------------------|--------------------------------------|
|                                          | 2013                                      | 2013                                 |
| Total net consideration                  | \$30,816.2                                | \$40,181.7                           |
| Common shares sold                       | 419.3                                     | 555.1                                |
| Average price per share                  | \$74.74                                   | \$73.73                              |

As of the date of this filing, we had common shares having an aggregate offering price of up to \$82.7 million remaining available for sale under the 2012 ATM program. No additional shares were sold subsequent to June 30, 2014 through the date of this filing.

We currently have an automatic shelf registration statement which allows us to offer, from time to time, common shares, preferred shares, debt securities, or warrants. Our Amended and Restated Declaration of Trust provides we

may issue up to 185 million shares of beneficial interest, consisting of 175 million common shares and 10 million preferred shares. At June 30, 2014, we had approximately 85.6 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

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## 5. Acquisitions, Discontinued Operations, and Impairments

Acquisitions of Land. In January 2014, we acquired approximately 2.9 acres of land located in Houston, Texas for approximately \$15.6 million. In April 2014, we acquired approximately 7.6 acres of land in Montgomery County, Maryland for approximately \$23.8 million.

Discontinued Operations. For the three and six months ended June 30, 2013, income from discontinued operations included the results of operations of 12 operating properties, comprised of 3,931 apartment homes, sold during 2013. There were no operating properties sold during the six months ended June 30, 2014. Effective January 1, 2014, in accordance with ASU 2014-08, we believe future sales of our individual operating properties will no longer qualify as discontinued operations. See Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements" for additional discussion of ASU 2014-08.

The following is a summary of income from discontinued operations for the three and six months ended June 30, 2013:

|                                                     | Three Months<br>Ended<br>June 30, 2013 | Six Months Ended |
|-----------------------------------------------------|----------------------------------------|------------------|
| (in thousands)                                      |                                        |                  |
| Property revenues                                   | \$6,708                                | \$14,819         |
| Property expenses                                   | (2,890)                                | (6,360)          |
|                                                     | \$3,818                                | \$8,459          |
| Depreciation and amortization                       | (1,686)                                | (3,553)          |
| Income from discontinued operations                 | \$2,132                                | \$4,906          |
| Gain on sale of discontinued operations, net of tax | \$24,866                               | \$56,649         |

Land Holding Dispositions. In March 2014, we sold approximately 3.0 acres of land adjacent to a current development community located in Atlanta, Georgia for approximately \$6.3 million and recognized a gain of approximately \$0.4 million. In April 2014, we sold approximately 4.7 acres of land adjacent to an operating property located in Dallas, Texas for approximately \$8.3 million and recognized a gain of approximately \$1.4 million. During the six months ended June 30, 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 and recognized a gain of approximately \$0.7 million.

Impairment of Land. During the three months ended June 30, 2014, we recognized a \$1.2 million impairment charge to the carrying value of a land parcel located in Dallas, Texas. The impairment charge recognized represents the difference between the land holding's carrying value and the estimated fair value based upon a pending sales contract on this land parcel, which subsequently sold in July 2014.

## 6. Investments in Joint Ventures

Our equity investments in unconsolidated joint ventures, which we account for utilizing the equity method of accounting, consisted of two joint ventures at June 30, 2014 and December 31, 2013, and four joint ventures at June 30, 2013. The two joint ventures in which we held an equity investment at June 30, 2014 are two discretionary investment funds (the "funds"), in which we have a 20% ownership interest. We provide property and asset management and other services to 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 the combined balance sheet and statement of income data for the unconsolidated joint ventures as of and for the periods presented:

(in millions) June 30, 2014

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|                        |         | December 31,<br>2013 |
|------------------------|---------|----------------------|
| Total assets           | \$744.3 | \$790.2              |
| Total third-party debt | 519.9   | 530.7                |
| Total equity           | 201.3   | 229.6                |

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| (in millions)                                    | Three Months Ended |        | Six Months Ended |        |
|--------------------------------------------------|--------------------|--------|------------------|--------|
|                                                  | June 30,<br>2014   | 2013   | June 30,<br>2014 | 2013   |
| Total revenues (1)                               | \$25.9             | \$22.9 | \$51.0           | \$45.3 |
| Gain on sale of operating properties, net of tax | —                  | 95.4   | 18.5             | 95.4   |
| Net income                                       | 1.6                | 98.0   | 21.7             | 100.0  |
| Equity in income (2)                             | 0.7                | 17.8   | 5.0              | 18.7   |

Excludes approximately \$1.8 million for the three months ended June 30, 2013, and approximately \$1.1 million and \$3.6 million for the six months ended June 30, 2014 and 2013, respectively, related to the sale of two operating (1) properties by the funds during the first quarter of 2014. Additionally, excludes approximately \$5.8 million and \$14.2 million for the three and six months ended June 30, 2013, related to the sale of 16 operating properties within two of our unconsolidated joint ventures in May and December 2013.

(2) Equity in income excludes our ownership interest of fee income from various services provided by us to the funds.

The funds in which we have a partial interest have been funded in part with secured third-party debt. As of June 30, 2014, we had no outstanding guarantees related to loans of the funds.

We may earn fees for property and asset management, construction, development, and other services related to joint ventures in which we own an equity interest and also may earn a promoted equity interest if certain thresholds are met. Fees earned for these services were approximately \$2.0 million and \$2.4 million for the three months ended June 30, 2014 and 2013, respectively, and approximately \$4.7 million and \$5.1 million for the six months ended June 30, 2014 and 2013, respectively. We eliminate fee income for services provided to these joint ventures to the extent of our ownership.

In February 2014, each of the funds sold an operating property comprised of an aggregate of 558 apartment homes, for an aggregate of approximately \$65.6 million. One of the operating properties was located in San Antonio, Texas and the other operating property was located in Houston, Texas. Our proportionate share of the gains on these transactions was approximately \$3.6 million and was reported as a component of equity in income of joint ventures in the condensed consolidated statements of income and comprehensive income.

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## 7. Notes Payable

The following is a summary of our indebtedness:

| (in millions)                                                     | Balance at<br>June 30,<br>2014 | December 31,<br>2013 |
|-------------------------------------------------------------------|--------------------------------|----------------------|
| <b>Commercial Banks</b>                                           |                                |                      |
| Unsecured line of credit and short-term borrowings                | \$ 180.0                       | \$—                  |
| <b>Senior unsecured notes</b>                                     |                                |                      |
| 5.08% Notes, due 2015                                             | 249.8                          | 249.7                |
| 5.75% Notes, due 2017                                             | 246.4                          | 246.4                |
| 4.70% Notes, due 2021                                             | 248.9                          | 248.8                |
| 3.07% Notes, due 2022                                             | 346.8                          | 346.7                |
| 5.00% Notes, due 2023                                             | 247.8                          | 247.7                |
| 4.27% Notes, due 2024                                             | 249.6                          | 249.5                |
|                                                                   | 1,589.3                        | 1,588.8              |
| <b>Total unsecured notes payable</b>                              | <b>1,769.3</b>                 | <b>1,588.8</b>       |
| <b>Secured notes</b>                                              |                                |                      |
| 0.95% – 5.63% Conventional Mortgage Notes, due 2014 – 2045        | 895.4                          | 905.7                |
| Tax-exempt Mortgage Note, due 2028 (1.26% floating rate)          | 35.5                           | 36.3                 |
|                                                                   | 930.9                          | 942.0                |
| <b>Total notes payable</b>                                        | <b>\$2,700.2</b>               | <b>\$2,530.8</b>     |
| <b>Other floating rate debt included in secured notes (0.95%)</b> | <b>\$ 175.0</b>                | <b>\$ 175.0</b>      |

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 the London Interbank Offered Rate ("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 believe we are in compliance with all such financial covenants and limitations on the date of this filing.

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 June 30, 2014, we had \$150.0 million outstanding on our \$500 million unsecured line of credit and we had outstanding letters of credit totaling approximately \$10.7 million, leaving approximately \$339.3 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. At June 30, 2014, we had \$30.0 million short-term borrowings outstanding.

In April 2014, we repaid a 6.0% secured conventional mortgage note at par, which was scheduled to mature on August 1, 2014, for approximately \$8.9 million.



At June 30, 2014 and 2013, the weighted average interest rate on our floating rate debt of approximately \$390.5 million and \$253.0 million, respectively, which includes our unsecured line of credit and short-term borrowings, was approximately 0.9% and 1.0%, respectively.

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Our indebtedness, which includes our unsecured line of credit and short-term borrowings, had a weighted average maturity of 6.2 years at June 30, 2014. Scheduled repayments on outstanding debt, including our unsecured line of credit, short-term borrowings and scheduled principal amortizations, and the respective weighted average interest rates on maturing debt at June 30, 2014 were as follows:

| (in millions) | Amount    | Weighted<br>Average Interest<br>Rate |   |
|---------------|-----------|--------------------------------------|---|
| 2014 (1)      | \$54.8    | 2.2                                  | % |
| 2015 (2)      | 402.0     | 3.5                                  |   |
| 2016 (3)      | 2.2       | —                                    |   |
| 2017          | 249.2     | 5.7                                  |   |
| 2018          | 177.6     | 0.9                                  |   |
| Thereafter    | 1,814.4   | 4.5                                  |   |
| Total         | \$2,700.2 | 4.2                                  | % |

(1) Includes \$30.0 million of short-term borrowings.

(2) Includes \$150.0 million balance outstanding under our unsecured line of credit.

(3) Includes only scheduled principal amortizations.

#### 8. Share-based Compensation and Non-Qualified Deferred Compensation Plan

Incentive Compensation. Under the 2011 Share Incentive Plan of Camden Property Trust (as amended, 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 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 June 30, 2014, approximately 5.5 million fungible units were available under the 2011 Share Plan, which results in approximately 1.6 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.

Options. Approximately 0.4 million and 0.2 million options were exercised during the six months ended June 30, 2014 and 2013, respectively. The total intrinsic value of options exercised was approximately \$6.7 million and \$5.2 million during the six months ended June 30, 2014 and 2013, respectively. At June 30, 2014, there was no unrecognized compensation cost related to unvested options. Options generally have a vesting period of three to five years. At June 30, 2014, options outstanding and exercisable had a weighted average remaining life of approximately 4.6 years.

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The following table summarizes outstanding share options and exercisable options at June 30, 2014:

| Range of Exercise Prices | Options Outstanding and Exercisable |                            |
|--------------------------|-------------------------------------|----------------------------|
|                          | (1) Number                          | (2) Weighted Average Price |
| \$30.06                  | 139,767                             | \$30.06                    |
| \$41.16-\$43.94          | 119,242                             | 42.46                      |
| \$48.02-\$64.75          | 82,118                              | 50.32                      |
| Total options            | 341,127                             | \$39.27                    |

(1) As of June 30, 2014, all options outstanding are also exercisable.

The aggregate intrinsic value of options outstanding and exercisable at June 30, 2014 was \$10.9 million. The (2) aggregate intrinsic values were calculated as the excess, if any, between our closing share price of \$71.15 per share on June 30, 2014 and the strike price of the underlying award.

**Options Granted and Valuation Assumptions.** During the six months ended June 30, 2014, we granted approximately 0.1 million reload options. Reload options are granted for the number of shares tendered as payment for the exercise price upon the exercise of an option with a reload provision. The reload options granted have an exercise price equal to the fair market value of a common share on the date of grant and expire on the same date as the original options which were exercised. The reload options granted during the six months ended June 30, 2014 vested immediately and approximately \$0.3 million was expensed on the reload date. We estimate the fair values of each option award including reloads on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for the reload options granted during the six months ended June 30, 2014:

|                                                | Six Months Ended<br>June 30, 2014 |
|------------------------------------------------|-----------------------------------|
| Weighted average fair value of options granted | \$3.55 - \$8.17                   |
| Expected volatility                            | 22.6% - 23.2%                     |
| Risk-free interest rate                        | 0.1% - 1.1%                       |
| Expected dividend yield                        | 3.5%                              |
| Expected life                                  | 6 months - 4 years                |

Our computation of expected volatility for 2014 is based on the historical volatility of our common shares over a time period equal to the expected life of the option and ending on the grant date. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield on our common shares is based on the historical dividend yield over the expected term of the options granted. Our computation of expected life is based upon historical experience of similar awards, giving consideration to the contractual terms of the share-based awards.

**Share Awards and Vesting.** Share awards for employees 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 June 30, 2014, the unamortized value of previously issued unvested share awards was approximately \$45.5 million, which is expected to be amortized over the next five years. The total fair value of shares vested during the six months ended June 30, 2014 and 2013 was approximately \$16.0 million and \$14.7 million, respectively.

Total compensation cost for option and share awards charged against income was approximately \$4.2 million and \$3.9 million for the three months ended June 30, 2014 and 2013, respectively, and approximately \$8.0 million and \$7.3 million for the six months ended June 30, 2014 and 2013, respectively. Total capitalized compensation cost for option

and share awards was approximately \$0.6 million for each of the three months ended June 30, 2014 and 2013, and approximately \$1.3 million and \$1.1 million for the six months ended June 30, 2014 and 2013, respectively.

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The following table summarizes activity under our share incentive plans for the six months ended June 30, 2014:

|                                                                           | Options<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Nonvested<br>Share<br>Awards<br>Outstanding | Weighted<br>Average<br>Grant Price |
|---------------------------------------------------------------------------|------------------------|------------------------------------------|---------------------------------------------|------------------------------------|
| Total options and nonvested share awards outstanding at December 31, 2013 | 634,361                | \$41.59                                  | 831,298                                     | \$59.77                            |
| Granted                                                                   | 84,452                 | 64.75                                    | 308,439                                     | 65.63                              |
| Exercised/vested                                                          | (356,000 )             | 48.04                                    | (290,381 )                                  | 55.19                              |
| Forfeited                                                                 | (21,686 )              | 62.32                                    | (9,629 )                                    | 63.36                              |
| Total options and nonvested share awards outstanding at June 30, 2014     | 341,127                | \$39.27                                  | 839,727                                     | \$63.47                            |

Non-Qualified Deferred Compensation Plan. In February 2014, we adopted the Second Amended and Restated Camden Property Trust Non-Qualified Deferred Compensation Plan (the "Plan") to clarify certain terms in the original plan relating to the deferral of performance based compensation. The Plan permits diversification of fully vested share awards into other equity securities subject to a six month holding period, which results in the fully vested awards and the proportionate share of nonvested awards eligible for diversification being reclassified from additional paid in capital to temporary equity in our condensed consolidated balance sheets. The share awards are adjusted to their redemption value at each reporting period, with the redemption value based on the market value of the shares at the end of the reporting period. Changes in value from period to period are charged to distributions in excess of net income attributable to common shareholders in our condensed consolidated statements of equity.

The following table summarizes the eligible share award activity as recorded in temporary equity for the six months ended June 30, 2014:

(in thousands)

|                                 |          |
|---------------------------------|----------|
| Balance at December 31, 2013    | \$47,180 |
| Change in classification        | 2,156    |
| Change in redemption value      | 14,819   |
| Diversification of share awards | (2,428 ) |
| Balance at June 30, 2014        | \$61,727 |

## 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:

|                                        | Six Months Ended<br>June 30, |            |
|----------------------------------------|------------------------------|------------|
| (in thousands)                         | 2014                         | 2013       |
| Change in assets:                      |                              |            |
| Other assets, net                      | \$(2,994 )                   | \$(2,694 ) |
| Change in liabilities:                 |                              |            |
| Accounts payable and accrued expenses  | (3,810 )                     | (12,485 )  |
| Accrued real estate taxes              | 4,616                        | 7,916      |
| Other liabilities                      | (6,019 )                     | 2,014      |
| Other                                  | 489                          | 521        |
| Change in operating accounts and other | \$(7,718 )                   | \$(4,728 ) |

## 10. Commitments and Contingencies

Construction Contracts. As of June 30, 2014, we estimate the additional cost to complete 13 consolidated projects currently under construction to be approximately \$424.9 million. We expect to fund this amount through a combination of cash flows generated from operations, draws on our unsecured credit facility or other short-term borrowings, proceeds from property dispositions, the use of debt and equity offerings under our automatic shelf registration statement, equity issued from our ATM program, other unsecured borrowings, and secured mortgages.

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**Litigation.** One of our wholly-owned subsidiaries previously acted as a general contractor for the construction of an apartment project in Florida which was subsequently sold and converted to condominium units by an unrelated third-party. The condominium association instituted a lawsuit against our subsidiary and other unrelated third-parties in Florida alleging negligent construction and failure to comply with building codes and claimed damages 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. This matter was resolved in March 2014 and, pursuant to the terms of the settlement, we made a one-time payment to the association in an amount which was not material.

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 June 30, 2014, we had earnest money deposits of approximately \$1.1 million for potential acquisitions of land which are included in other assets, net in our condensed consolidated balance sheets.

Approximately \$0.7 million of these deposits was non-refundable.

**Lease Commitments.** At June 30, 2014, we had long-term leases covering certain land, office facilities, and equipment. Rental expense totaled approximately \$0.8 million and \$0.7 million for the three months ended June 30, 2014 and 2013, respectively, and approximately \$1.4 million for each of the six months ended June 30, 2014 and 2013. Minimum annual rental commitments for the remainder of 2014 are \$1.5 million, and for the years ending December 31, 2015 through 2018 are approximately \$2.3 million, \$2.6 million, \$2.7 million, and \$2.5 million, respectively, and approximately \$15.4 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 investments 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 land or of a community in our sole discretion may be 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.



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## 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, franchise, margin, 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 recorded income, franchise, and excise taxes in the condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2014 and 2013 as income tax expense. Income taxes for the three and six months ended June 30, 2014 primarily related to state income tax and federal taxes on certain of our taxable REIT subsidiaries. We have no significant temporary or permanent 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 six months ended June 30, 2014.

## 12. Fair Value Measurements

Recurring Fair Value Measurements. The following table presents information about our financial instruments measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013 using the inputs and 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

| (in millions)                              | June 30, 2014 |         |         |        | December 31, 2013 |         |         |        |
|--------------------------------------------|---------------|---------|---------|--------|-------------------|---------|---------|--------|
|                                            | Level 1       | Level 2 | Level 3 | Total  | Level 1           | Level 2 | Level 3 | Total  |
| Assets                                     |               |         |         |        |                   |         |         |        |
| Deferred compensation plan investments (1) | \$52.3        | \$—     | \$—     | \$52.3 | \$43.8            | \$—     | \$—     | \$43.8 |

(1) Approximately \$1.1 million of participant cash was withdrawn from our deferred compensation plan investments during the six months ended June 30, 2014.

Financial Instrument Fair Value Disclosures. As of June 30, 2014 and December 31, 2013, 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.

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. The following table presents the carrying and estimated fair values of our notes payable at June 30, 2014 and December 31, 2013:

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| (in millions)                   | June 30, 2014  |                      | December 31, 2013 |                      |
|---------------------------------|----------------|----------------------|-------------------|----------------------|
|                                 | Carrying Value | Estimated Fair Value | Carrying Value    | Estimated Fair Value |
| Fixed rate notes payable        | \$2,309.7      | \$2,463.6            | \$2,319.5         | \$2,391.5            |
| Floating rate notes payable (1) | 390.5          | 384.2                | 211.3             | 201.4                |

(1) Includes balances outstanding under our unsecured line of credit and short-term borrowings of \$180.0 million and \$0.0 million at June 30, 2014 and December 31, 2013, respectively.

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Non-recurring Fair Value Measurements. The non-recurring fair value disclosure inputs under the fair value hierarchy are discussed in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements." The following table presents, by caption on the condensed consolidated balance sheet, the fair value hierarchy for the non-financial assets measured at fair value on a non-recurring basis for which we recognized a non-recurring fair value adjustment during the six months ended June 30, 2014. There was no non-recurring fair value adjustments during the six months ended June 30, 2013.

## Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

| (in millions)                               | June 30, 2014 |         |         |       |
|---------------------------------------------|---------------|---------|---------|-------|
|                                             | Level 1       | Level 2 | Level 3 | Total |
| Assets                                      |               |         |         |       |
| Properties under development including land | \$—           | \$0.7   | \$—     | \$0.7 |

During the three months ended June 30, 2014, we recognized a \$1.2 million impairment charge to the carrying value of a land parcel located in Dallas, Texas. The estimate of fair value as of June 30, 2014 was based upon a pending sales contract on this land parcel, which subsequently sold in July 2014.

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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, 2013. 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, and 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 these statements 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;
- we could be negatively impacted by the elimination 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, redevelopment 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;
- a cybersecurity incident and other technology disruptions could negatively impact our business and our relationships with residents;
- 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;
- 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.

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### Executive Summary

We are primarily engaged in the ownership, management, development, redevelopment, acquisition, and construction of multifamily apartment communities. As of June 30, 2014, we owned interests in, operated, or were developing 183 multifamily properties comprised of 64,152 apartment homes across the United States as detailed in the following Property Portfolio table. In addition, we own other land holdings we may develop into multifamily apartment communities.

### Property Operations

Our results for the three and six months ended June 30, 2014 reflect an increase in same store revenues of 4.5% and 4.6%, respectively, as compared to the same periods in 2013. We believe these increases were due to the continued increase in the number of first-time renters and the moderating level of homeownership rates. We believe these increases were also due to the continuation of improving economic conditions, including job growth, favorable demographics, and a manageable supply of new multifamily housing, all of which have resulted in increases in higher rental rates and average occupancy levels. We believe U.S. economic and employment growth is likely to continue during 2014 and the supply of new multifamily homes, although increasing, will likely remain at manageable levels. However, we believe significant risks to the economy remain, 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.

### Construction Activity

At June 30, 2014, we had a total of 13 projects under construction to be comprised of 4,114 apartment homes, including one development project to be comprised of 266 units owned by one of the discretionary funds, in which we have a 20% interest, with initial occupancy scheduled to occur within the next 24 months. Additionally, we are adding a subsequent phase to a stabilized community which when completed will consist of 75 apartment homes. Excluding the project owned by one of the discretionary funds, as of June 30, 2014, we estimate the additional cost to complete the construction of 13 consolidated projects to be approximately \$424.9 million.

### Land Holdings

In January 2014, we acquired approximately 2.9 acres of land in Houston, Texas for approximately \$15.6 million. In April 2014, we acquired approximately 7.6 acres of land in Montgomery County, Maryland for approximately \$23.8 million.

In March 2014, we sold approximately 3.0 acres of land adjacent to a current development community located in Atlanta, Georgia for approximately \$6.3 million and recognized a gain of approximately \$0.4 million. In April 2014, we sold approximately 4.7 acres of land adjacent to an operating property located in Dallas, Texas for approximately \$8.3 million and recognized a gain of approximately \$1.4 million.

We review our long-lived assets on an annual basis or whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. During the three months ended June 30, 2014, we recognized a \$1.2 million impairment charge to the carrying value of a land parcel located in Dallas, Texas. The estimate of fair value as of June 30, 2014 was based upon a pending sales contract on this land parcel, which subsequently sold in July 2014.

### Dispositions

In February 2014, each of the funds sold an operating property comprised of an aggregate of 558 apartment homes. One of the operating properties was located in San Antonio, Texas and the other operating property was in Houston, Texas. Our proportionate share of the gains on these transactions was approximately \$3.6 million.

### Future Outlook

Subject to market conditions, we intend to continue to seek opportunities to develop and acquire existing communities. We evaluate our operating property and land development portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities arise. 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 near-term liquidity requirements through a combination of cash flows generated from operations, draws on our unsecured credit facility or other short-term borrowings, proceeds from property

dispositions, the use of debt and equity offerings under our automatic shelf registration statement, equity issued from our at-the-market ("ATM") program, other unsecured borrowings, and secured mortgages.

As of June 30, 2014, we had approximately \$16.1 million in cash and cash equivalents and approximately \$339.3 million available under 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 \$82.7 million remaining available for sale under our ATM program. We believe payments on debt maturing in 2014 are manageable at approximately \$54.8 million, which represents approximately 2.0% of our total outstanding debt and includes scheduled principal amortizations of approximately \$1.4 million. We believe we are well-positioned with a strong balance

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

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## Property Portfolio

Our multifamily property portfolio is summarized as follows:

|                                                   | June 30, 2014      |            | December 31, 2013  |            |
|---------------------------------------------------|--------------------|------------|--------------------|------------|
|                                                   | Apartment<br>Homes | Properties | Apartment<br>Homes | Properties |
| Operating Properties                              |                    |            |                    |            |
| Houston, Texas                                    | 8,434              | 24         | 8,752              | 25         |
| Washington, D.C. Metro                            | 6,405              | 19         | 6,083              | 18         |
| Dallas, Texas                                     | 5,667              | 14         | 5,667              | 14         |
| Tampa, Florida                                    | 5,108              | 12         | 5,108              | 12         |
| Las Vegas, Nevada                                 | 4,918              | 15         | 4,918              | 15         |
| Orlando, Florida                                  | 3,976              | 10         | 3,676              | 9          |
| Atlanta, Georgia                                  | 3,943              | 12         | 3,943              | 12         |
| Raleigh, North Carolina                           | 3,054              | 8          | 3,054              | 8          |
| Austin, Texas                                     | 3,030              | 9          | 3,030              | 9          |
| Charlotte, North Carolina                         | 2,894              | 12         | 2,894              | 12         |
| Southeast Florida                                 | 2,520              | 7          | 2,520              | 7          |
| Los Angeles/Orange County, California             | 2,481              | 6          | 2,481              | 6          |
| Phoenix, Arizona                                  | 2,095              | 7          | 2,095              | 7          |
| Denver, Colorado                                  | 1,941              | 6          | 1,941              | 6          |
| San Diego/Inland Empire, California               | 1,665              | 5          | 1,665              | 5          |
| Other                                             | 1,832              | 4          | 2,072              | 5          |
| Total Operating Properties                        | 59,963             | 170        | 59,899             | 170        |
| Properties Under Construction                     |                    |            |                    |            |
| Phoenix, Arizona                                  | 834                | 3          | 454                | 2          |
| Austin, Texas                                     | 614                | 2          | 614                | 2          |
| Los Angeles/Orange County, California             | 590                | 2          | 590                | 2          |
| Charlotte, North Carolina                         | 589                | 2          | 589                | 2          |
| Denver, Colorado                                  | 424                | 1          | 424                | 1          |
| Dallas, Texas                                     | 423                | 1          | 423                | 1          |
| Atlanta, Georgia                                  | 379                | 1          | 379                | 1          |
| Southeast Florida                                 | 261                | 1          | 261                | 1          |
| Washington, D.C. Metro                            | —                  | —          | 320                | 1          |
| Orlando, Florida                                  | —                  | —          | 300                | 1          |
| Other (1)                                         | 75                 | —          | 75                 | —          |
| Total Properties Under Construction               | 4,189              | 13         | 4,429              | 14         |
| Total Properties                                  | 64,152             | 183        | 64,328             | 184        |
| Less: Unconsolidated Joint Venture Properties (2) |                    |            |                    |            |
| Houston, Texas                                    | 2,522              | 8          | 2,840              | 9          |
| 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          |
| Charlotte, North Carolina (3)                     | 266                | 1          | 266                | 1          |
| Atlanta, Georgia                                  | 234                | 1          | 234                | 1          |
| Other                                             | 270                | 1          | 510                | 2          |

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|                                               |        |     |        |     |
|-----------------------------------------------|--------|-----|--------|-----|
| Total Unconsolidated Joint Venture Properties | 7,278  | 22  | 7,836  | 24  |
| Total Properties Fully Consolidated           | 56,874 | 161 | 56,492 | 160 |

- (1) Represents the units under construction for Phase IXB of Camden Miramar, our one student housing community, located in Corpus Christi, Texas.
- (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.
- (3) Represents a property under development owned by one of our unconsolidated joint ventures. See communities under construction below for details.

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## Dispositions

During the six months ended June 30, 2014, each of the funds, in which we own a 20% interest, sold an operating property as follows:

| Dispositions of Unconsolidated Operating Properties | Location        | Number of Apartment Homes | Date of Disposition |
|-----------------------------------------------------|-----------------|---------------------------|---------------------|
| Camden Braun Station                                | San Antonio, TX | 240                       | 2/12/2014           |
| Camden Piney Point                                  | Houston, TX     | 318                       | 2/27/2014           |
| Unconsolidated total                                |                 | 558                       |                     |

## Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy during the quarter. We had no operating properties reach stabilization during the three and six months ended June 30, 2014.

## Completed Construction in Lease-Up

At June 30, 2014, we had one consolidated completed operating property in lease-up and each of the funds, in which we own a 20% interest, had a completed operating property in lease-up as follows:

| (\$ in millions)<br>Property and Location | Number of<br>Apartment<br>Homes | Cost<br>Incurred | % Leased at<br>7/27/14 | Date of<br>Construction<br>Completion | Estimated<br>Date of<br>Stabilization |
|-------------------------------------------|---------------------------------|------------------|------------------------|---------------------------------------|---------------------------------------|
|-------------------------------------------|---------------------------------|------------------|------------------------|---------------------------------------|---------------------------------------|

## Consolidated Operating Property

|                               |     |          |    |        |      |
|-------------------------------|-----|----------|----|--------|------|
| Camden NoMa<br>Washington, DC | 321 | \$ 101.3 | 75 | % 2Q14 | 2Q15 |
|-------------------------------|-----|----------|----|--------|------|

## Unconsolidated Operating Properties

|                                        |     |          |    |        |      |
|----------------------------------------|-----|----------|----|--------|------|
| Camden South Capitol<br>Washington, DC | 276 | \$ 78.5  | 95 | % 3Q13 | 3Q14 |
| Camden Waterford Lakes<br>Orlando, FL  | 300 | 37.5     | 97 | % 1Q14 | 3Q14 |
| Unconsolidated total                   | 576 | \$ 116.0 |    |        |      |

## Properties Under Development and Land

Our condensed consolidated balance sheet at June 30, 2014 included approximately \$599.1 million related to properties under development and land. Of this amount, approximately \$462.5 million related to our projects currently under construction. In addition, we had approximately \$136.6 million primarily invested in land held for future development and land holdings, which included approximately \$115.9 million related to projects we expect to begin constructing during the next two years and approximately \$20.7 million invested in land holdings which we may develop in the future.

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Communities Under Construction. At June 30, 2014, we had 12 consolidated properties, one property held by one of the funds, in which we own a 20% interest, and 75 units at one of our consolidated properties, in various stages of construction as follows:

| (\$ in millions)<br>Property and Location     | Number of<br>Apartment<br>Homes | Estimated<br>Cost | Cost<br>Incurred | Included in<br>Properties<br>Under<br>Development | Estimated<br>Date of<br>Construction<br>Completion | Estimated<br>Date of<br>Stabilization |
|-----------------------------------------------|---------------------------------|-------------------|------------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------|
| Consolidated Communities Under Construction   |                                 |                   |                  |                                                   |                                                    |                                       |
| Camden Flatirons (1)                          |                                 |                   |                  |                                                   |                                                    |                                       |
| Denver, CO                                    | 424                             | \$78.0            | \$61.2           | \$52.9                                            | 4Q14                                               | 4Q16                                  |
| Camden La Frontera (2)                        |                                 |                   |                  |                                                   |                                                    |                                       |
| Round Rock, TX                                | 300                             | 36.0              | 23.9             | 20.1                                              | 1Q15                                               | 4Q15                                  |
| Camden Lamar Heights (3)                      |                                 |                   |                  |                                                   |                                                    |                                       |
| Austin, TX                                    | 314                             | 47.0              | 39.3             | 39.2                                              | 4Q14                                               | 4Q15                                  |
| Camden Paces (4)                              |                                 |                   |                  |                                                   |                                                    |                                       |
| Atlanta, GA                                   | 379                             | 110.0             | 71.9             | 69.7                                              | 2Q15                                               | 4Q16                                  |
| Camden Foothills (5)                          |                                 |                   |                  |                                                   |                                                    |                                       |
| Scottsdale, AZ                                | 220                             | 50.0              | 33.4             | 29.2                                              | 1Q15                                               | 3Q15                                  |
| Camden Boca Raton                             |                                 |                   |                  |                                                   |                                                    |                                       |
| Boca Raton, FL                                | 261                             | 54.0              | 42.9             | 42.9                                              | 4Q14                                               | 4Q15                                  |
| Camden Hayden                                 |                                 |                   |                  |                                                   |                                                    |                                       |
| Tempe, AZ                                     | 234                             | 48.0              | 24.0             | 24.0                                              | 2Q15                                               | 3Q15                                  |
| Camden Glendale                               |                                 |                   |                  |                                                   |                                                    |                                       |
| Glendale, CA                                  | 303                             | 115.0             | 75.5             | 75.5                                              | 3Q15                                               | 1Q16                                  |
| Camden Gallery                                |                                 |                   |                  |                                                   |                                                    |                                       |
| Charlotte, NC                                 | 323                             | 58.0              | 19.9             | 19.9                                              | 4Q15                                               | 2Q16                                  |
| Camden Victory Park                           |                                 |                   |                  |                                                   |                                                    |                                       |
| Dallas, TX                                    | 423                             | 82.0              | 22.2             | 22.2                                              | 1Q16                                               | 1Q18                                  |
| Camden Chandler                               |                                 |                   |                  |                                                   |                                                    |                                       |
| Chandler, AZ                                  | 380                             | 75.0              | 17.3             | 17.3                                              | 2Q16                                               | 2Q17                                  |
| The Camden                                    |                                 |                   |                  |                                                   |                                                    |                                       |
| Los Angeles, CA                               | 287                             | 145.0             | 45.1             | 45.1                                              | 4Q16                                               | 2Q17                                  |
| Camden Miramar Phase IXB                      |                                 |                   |                  |                                                   |                                                    |                                       |
| Corpus Christi, TX                            | 75                              | 8.0               | 4.5              | 4.5                                               | 3Q14                                               | 3Q14                                  |
| Total consolidated                            | 3,923                           | \$906.0           | \$481.1          | \$462.5                                           |                                                    |                                       |
| Unconsolidated Communities Under Construction |                                 |                   |                  |                                                   |                                                    |                                       |
| Camden Southline                              |                                 |                   |                  |                                                   |                                                    |                                       |
| Charlotte, NC                                 | 266                             | \$48.0            | \$23.4           | \$23.4                                            | 3Q15                                               | 4Q15                                  |

(1)Property in lease-up and was 12% leased at July 27, 2014.

(2)Property in lease-up and was 6% leased at July 27, 2014.

(3)Property in lease-up and was 7% leased at July 27, 2014.

(4)Property in lease-up and was 3% leased at July 27, 2014.

(5)Property in lease-up and was 6% leased at July 27, 2014.



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Development Pipeline Communities. At June 30, 2014, we had the following consolidated communities undergoing development activities:

| (\$ in millions)<br>Property and Location | Projected<br>Homes | Total Estimated<br>Cost (1) | Cost to Date |
|-------------------------------------------|--------------------|-----------------------------|--------------|
| Camden McGowen Station                    |                    |                             |              |
| Houston, TX                               | 320                | \$82.0                      | \$9.8        |
| Camden Lincoln Station                    |                    |                             |              |
| Denver, CO                                | 267                | 51.0                        | 6.4          |
| Camden Conte (2)                          |                    |                             |              |
| Houston, TX                               | 519                | 170.0                       | 16.5         |
| Camden Shady Grove                        |                    |                             |              |
| Montgomery County, MD                     | 457                | 115.0                       | 30.3         |
| Camden Buckhead                           |                    |                             |              |
| Atlanta, GA                               | 336                | 80.0                        | 19.6         |
| Camden NoMa II                            |                    |                             |              |
| Washington, DC                            | 405                | 124.0                       | 21.0         |
| Camden Atlantic                           |                    |                             |              |
| Plantation, FL                            | 286                | 62.0                        | 12.3         |
| Consolidated total                        | 2,590              | \$684.0                     | \$115.9      |

Represents our 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 estimates routinely require adjustment.

(1) The development will be developed in two phases. The estimated units, estimated cost, and cost to date represent both phases.

Land Holdings. At June 30, 2014, we had the following land holdings:

| (\$ in millions)<br>Location | Acres | Cost to Date |
|------------------------------|-------|--------------|
| Dallas, TX                   | 2.4   | \$0.9        |
| Houston, TX                  | 19.2  | 6.5          |
| Las Vegas, NV                | 19.6  | 4.2          |
| Other                        | 4.8   | 9.1          |
| Total                        | 46.0  | \$20.7       |

### Results of Operations

Changes in revenues and expenses related to our operating properties from period to period are due primarily to the performance of stabilized properties in the portfolio, the lease-up of newly constructed properties, acquisitions, and dispositions. Where appropriate, comparisons of income and expense for communities included in continuing operations are made on a dollars-per-weighted average apartment home basis in order to adjust for such changes in the number of apartment homes owned during each period. Selected weighted averages for the three and six months ended June 30, 2014 and 2013 are as follows:

| (\$ in thousands)                                     | Three Months Ended<br>June 30, |         | Six Months Ended<br>June 30, |         |
|-------------------------------------------------------|--------------------------------|---------|------------------------------|---------|
|                                                       | 2014                           | 2013    | 2014                         | 2013    |
| Average monthly property revenue per apartment home   | \$1,319                        | \$1,262 | \$1,311                      | \$1,251 |
| Annualized total property expenses per apartment home | \$5,758                        | \$5,561 | \$5,702                      | \$5,503 |

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|                                                               |      |        |        |        |        |
|---------------------------------------------------------------|------|--------|--------|--------|--------|
| Weighted average number of operating apartment homes owned    | 100% | 52,709 | 51,500 | 52,684 | 51,259 |
| Weighted average occupancy of operating apartment homes owned |      | 95.7%  | 95.3%  | 95.6%  | 95.1%  |
| 100% *                                                        |      |        |        |        |        |

\*Our one student housing community is excluded from this calculation.

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## Property-level operating results (1)

The following tables present the property-level revenues and property-level expenses for the three and six months ended June 30, 2014 as compared to the same periods in 2013:

| (\$ in thousands)                    | Apartment<br>Homes<br>At<br>6/30/14 | Three Months Ended<br>June 30, |            | Change    |         | Six Months Ended<br>June 30, |            | Change    |         |
|--------------------------------------|-------------------------------------|--------------------------------|------------|-----------|---------|------------------------------|------------|-----------|---------|
|                                      |                                     | 2014                           | 2013       | \$        | %       | 2014                         | 2013       | \$        | %       |
| Property revenues:                   |                                     |                                |            |           |         |                              |            |           |         |
| Same store communities               | 47,916                              | \$ 187,409                     | \$ 179,308 | \$ 8,101  | 4.5 %   | \$ 371,840                   | \$ 355,402 | \$ 16,438 | 4.6 %   |
| Non-same store communities           | 4,714                               | 19,440                         | 14,084     | 5,356     | 38.0    | 39,511                       | 26,095     | 13,416    | 51.4    |
| Development and lease-up communities | 4,244                               | 578                            | —          | 578       | *       | 772                          | —          | 772       | *       |
| Other                                | —                                   | 1,065                          | 1,591      | (526 )    | (33.1 ) | 2,298                        | 3,297      | (999 )    | (30.3 ) |
| Total property revenues              | 56,874                              | \$ 208,492                     | \$ 194,983 | \$ 13,509 | 6.9 %   | \$ 414,421                   | \$ 384,794 | \$ 29,627 | 7.7 %   |
| Property expenses:                   |                                     |                                |            |           |         |                              |            |           |         |
| Same store communities               | 47,916                              | \$ 67,433                      | \$ 65,167  | \$ 2,266  | 3.5 %   | \$ 133,221                   | \$ 129,615 | \$ 3,606  | 2.8 %   |
| Non-same store communities           | 4,714                               | 7,501                          | 5,696      | 1,805     | 31.7    | 15,259                       | 9,783      | 5,476     | 56.0    |
| Development and lease-up communities | 4,244                               | 390                            | —          | 390       | *       | 589                          | —          | 589       | *       |
| Other                                | —                                   | 556                            | 734        | (178 )    | (24.3 ) | 1,135                        | 1,645      | (510 )    | (31.0 ) |
| Total property expenses              | 56,874                              | \$ 75,880                      | \$ 71,597  | \$ 4,283  | 6.0 %   | \$ 150,204                   | \$ 141,043 | \$ 9,161  | 6.5 %   |

(1) Same store communities are communities we owned and were stabilized since January 1, 2013. Non-same store communities are stabilized communities not owned or stabilized since January 1, 2013. Development and lease-up communities are non-stabilized communities we have acquired or developed since January 1, 2013. Other includes results from non-multifamily rental properties, above/below market lease amortization related to acquired communities, and expenses related to land holdings not under active development. Discontinued operations, including properties held for sale, are excluded from the above results.

\*Not a meaningful percentage

## Same Store Analysis

Same store rental revenues increased approximately \$6.9 million and \$14.2 million during the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. The increases were primarily due to a 3.9% and 4.0% increase in average rental rates and a 0.4% and 0.5% increase in average occupancy for our same store portfolio during the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. We believe the increases to rental revenues were due in part to the continuation of the improving economic conditions, favorable demographics, and a manageable supply of new multifamily housing. Additionally, there was a \$1.2 million and \$2.2 million increase in other property revenue during the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013, primarily due to increases in miscellaneous income and ancillary income from our utility rebilling programs.



Property expenses from our same store communities increased approximately \$2.3 million, or 3.5%, for the three months ended June 30, 2014, and increased approximately \$3.6 million, or 2.8%, for the six months ended June 30, 2014, as compared to the same periods in 2013. These increases were primarily due to higher real estate taxes as a result of increased property valuations and property tax rates at a number of our communities during the three and six months ended June 30, 2014, and a decrease in refunds due to higher favorable settlements of tax protests during the three and six months ended June 30, 2013. These increases were also due to higher salaries, higher utility expenses and higher repair and maintenance costs. These increases were partially offset by decreases in property insurance expenses due to lower self-insured losses during the three and six months ended June 30, 2014 as compared to the same periods in 2013.

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## Non-same Store and Development and Lease-up Analysis

Property revenues from non-same store and development and lease-up communities increased approximately \$5.9 million and \$14.2 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. Property expenses from non-same store and development and lease-up communities increased approximately \$2.2 million and \$6.1 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These increases in revenues and expenses in our non-same store communities during the three and six months ended June 30, 2014 were primarily due to the acquisition of three operating properties during the second and third quarters of 2013 and three operating properties and 75 units at one of our consolidated operating properties reaching stabilization during 2013. These increases in revenues and expenses in our development and lease-up communities were primarily due to the completion and partial lease up of one property as of June 30, 2014. The following table details the impact in our revenues and expenses as discussed above:

|                                                 | Three Months<br>Ended<br>June 30, 2014 | Six Months Ended<br>June 30, 2014 |
|-------------------------------------------------|----------------------------------------|-----------------------------------|
| (in millions)                                   |                                        |                                   |
| Revenues from acquisitions                      | \$3.3                                  | \$8.9                             |
| Revenues from stabilized properties             | 1.3                                    | 3.5                               |
| Revenues from development and lease-up property | 0.5                                    | 0.7                               |
| Other                                           | 0.8                                    | 1.1                               |
|                                                 | \$5.9                                  | \$14.2                            |
| Expenses from acquisitions                      | \$1.5                                  | \$4.0                             |
| Expenses from stabilized properties             | 0.3                                    | 0.9                               |
| Expenses from development and lease-up property | 0.4                                    | 0.6                               |
| Other                                           | —                                      | 0.6                               |
|                                                 | \$2.2                                  | \$6.1                             |

## Other Property Analysis

Other property revenues decreased approximately \$0.5 million and \$1.0 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to decreases in revenues of approximately \$0.2 million and \$0.5 million resulting from lower rental income from our non-multifamily rental properties for the three and six months ended June 30, 2014, respectively. These decreases were also due to lower below market lease amortization of approximately \$0.3 million and \$0.5 million for the three and six months ended June 30, 2014, respectively, due to the timing of completion of our operating property acquisitions in 2012 and 2013. Below market leases are generally amortized over approximately six months upon completion of acquisition.

Other property expenses decreased approximately \$0.2 million and \$0.5 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to lower expenses from other rental properties for the three and six months ended June 30, 2014. The remaining decreases were due to lower property taxes expensed on one land holding on which we initiated development activities in the fourth quarter of 2013. As a result, we started capitalizing expenses, including property taxes, on this development property.

## Non-property income

|                           | Three Months Ended<br>June 30, |         |         |         | Six Months<br>Ended<br>June 30, |         |         |        |
|---------------------------|--------------------------------|---------|---------|---------|---------------------------------|---------|---------|--------|
| (\$ in thousands)         | 2014                           | 2013    | Change  |         | 2014                            | 2013    | Change  |        |
|                           |                                |         | \$      | %       |                                 |         | \$      | %      |
| Fee and asset management  | \$2,147                        | \$2,827 | \$(680) | (24.1)% | \$5,170                         | \$5,721 | \$(551) | (9.6)% |
| Interest and other income | 44                             | 1,038   | (994)   | *       | 332                             | 1,090   | (758)   | *      |
|                           | 2,018                          | (102)   | 2,120   | *       | 2,699                           | 2,897   | (198)   | (6.8)% |

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Income (loss) on deferred  
compensation plans

|                           |         |         |       |      |   |         |         |            |          |
|---------------------------|---------|---------|-------|------|---|---------|---------|------------|----------|
| Total non-property income | \$4,209 | \$3,763 | \$446 | 11.9 | % | \$8,201 | \$9,708 | \$(1,507 ) | (15.5 )% |
|---------------------------|---------|---------|-------|------|---|---------|---------|------------|----------|

\*Not a meaningful percentage

Fee and asset management income decreased approximately \$0.7 million and \$0.6 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to the sale of 14 operating properties by one of our unconsolidated joint ventures in May 2013, and the sale of four operating properties by the funds during the fourth quarter 2013 and the first quarter 2014. These decreases were also due to lower construction fees resulting

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from decreases in third-party construction activity. During the six months ended June 30, 2014, these decreases were partially offset by increases in development activity by one of the funds.

Interest and other income decreased approximately \$1.0 million and \$0.8 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to approximately \$1.0 million recognized during the three months ended June 30, 2013 from the release of a deed restriction on a parcel of land sold to an unaffiliated third-party in 2006.

Our deferred compensation plans recognized income of approximately \$2.0 million and \$2.7 million during the three and six months ended June 30, 2014, respectively, incurred a loss of approximately \$0.1 million for the three months ended June 30, 2013 and recognized income of approximately \$2.9 million for the six months ended June 30, 2013. The changes were related to the performance of the investments held in deferred compensation plans for participants and were directly offset by the expense related to these plans, as discussed below.

## Other expenses

| (\$ in thousands)                                | Three Months Ended |          | Change  |        | Six Months Ended |           | Change  |        |
|--------------------------------------------------|--------------------|----------|---------|--------|------------------|-----------|---------|--------|
|                                                  | June 30,           | June 30, |         |        | June 30,         | June 30,  |         |        |
|                                                  | 2014               | 2013     | \$      | %      | 2014             | 2013      | \$      | %      |
| Property management                              | \$5,853            | \$5,242  | \$611   | 11.7   | % \$11,692       | \$11,225  | \$467   | 4.2    |
| Fee and asset management                         | 1,247              | 1,486    | (239)   | (16.1) | ) 2,506          | 2,963     | (457)   | (15.4) |
| General and administrative                       | 10,534             | 11,590   | (1,056) | (9.1)  | ) 20,079         | 21,384    | (1,305) | (6.1)  |
| Interest                                         | 22,746             | 24,797   | (2,051) | (8.3)  | ) 45,879         | 49,692    | (3,813) | (7.7)  |
| Depreciation and amortization                    | 57,953             | 52,629   | 5,324   | 10.1   | ) 115,349        | 104,232   | 11,117  | 10.7   |
| Amortization of deferred financing costs         | 816                | 898      | (82)    | (9.1)  | ) 1,657          | 1,814     | (157)   | (8.7)  |
| Expense (benefit) on deferred compensation plans | 2,018              | (102)    | ) 2,120 | *      | ) 2,699          | 2,897     | (198)   | (6.8)  |
| Total other expenses                             | \$101,167          | \$96,540 | \$4,627 | 4.8    | % \$199,861      | \$194,207 | \$5,654 | 2.9    |

\*Not a meaningful percentage

Property management expense, which represents regional supervision and accounting costs related to property operations, increased approximately \$0.6 million and \$0.5 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These increases were primarily due to increases in salaries, benefits, and incentive compensation expenses. During the six months ended June 30, 2014, the increase was partially offset by a decrease in costs of training and education programs provided to our regional employees. Property management expense was 2.8% and 2.7% of total property revenues for the three months ended June 30, 2014 and 2013, respectively, and 2.8% and 2.9% of total property revenues for the six months ended June 30, 2014 and 2013, respectively.

Fee and asset management expense, which represents expenses related to third-party construction projects and property management of our joint ventures, decreased approximately \$0.2 million and \$0.5 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to decreases in expenses relating to the sale of 14 operating properties by one of our unconsolidated joint ventures in May 2013 and the sale of four operating properties by the funds during the fourth quarter of 2013 and the first quarter of 2014. These decreases were also due to lower expenses related to management of development communities due to the timing of communities started and completed by the funds during 2013 and 2014.

General and administrative expense decreased approximately \$1.1 million and \$1.3 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to separation costs of approximately \$1.0 million relating to the retirement of an executive officer in 2013. These decreases were also due to decreases in professional and consulting fees, and lower administrative costs for the three and six months ended June 30, 2014, as compared to the same periods in 2013. These decreases were partially offset by increases in incentive compensation expenses due to higher deferred compensation amortization costs resulting from increases in the value of awards granted in 2014 as compared to the value of awards which were fully vested during the three and six months ended June 30, 2013. General and administrative expenses were 5.0% and 5.8% of total property revenues and non-property income, excluding income (loss) on deferred compensation plans, for the three months ended June 30, 2014 and 2013, respectively, and 4.8% and 5.5% of total property revenues

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and non-property income, excluding income (loss) on deferred compensation plans for the six months ended June 30, 2014 and 2013, respectively.

Interest expense for the three and six months ended June 30, 2014 decreased approximately \$2.1 million and \$3.8 million, respectively, as compared to the same periods in 2013. These decreases were primarily due to higher capitalized interest during the three and six months ended June 30, 2014 of approximately \$2.0 million and \$3.7 million, respectively, resulting from higher average balances in our development pipeline. These decreases were also due to the repayment of a secured note payable in April 2014, the repayment of a secured note payable in January 2013 and a net decrease in interest expense relating to the repayment in December 2013 of \$200 million, 5.4% senior unsecured notes payable, which was partially offset by the concurrent issuance of \$250 million, 4.3% senior unsecured notes payable. These decreases were also partially offset by an increase in interest expense relating to borrowings on our line of credit during the three and six months ended June 30, 2014 as compared to the same periods in 2013.

Depreciation and amortization expense increased approximately \$5.3 million and \$11.1 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These increases were primarily due to the acquisition of three operating properties during 2013. These increases were also due to the completion of units in our development pipeline, the completion of repositions during 2013 and 2014, and increases in capital improvements placed in service during 2013 and 2014.

Amortization of deferred financing costs decreased approximately \$0.1 million and \$0.2 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to higher capitalized loan costs during the three and six months ended June 30, 2014 resulting from higher average balances in our development pipeline.

Our deferred compensation plans incurred expenses of approximately \$2.0 million and \$2.7 million during the three and six months ended June 30, 2014, respectively, recognized a benefit of approximately \$0.1 million for the three months ended June 30, 2013 and incurred expenses of approximately \$2.9 million for the six months ended June 30, 2013. The changes were related to the performance of the investments held in deferred compensation plans for participants and were directly offset by the income (loss) related to these plans, as discussed in non-property income, above.

## Other

|                                          | Three Months Ended June 30, |        | Change    |         | Six Months Ended June 30, |        | Change    |      |
|------------------------------------------|-----------------------------|--------|-----------|---------|---------------------------|--------|-----------|------|
| (\$ in thousands)                        | 2014                        | 2013   | \$        | %       | 2014                      | 2013   | \$        | %    |
| Gain on sale of land                     | \$1,447                     | \$—    | \$1,447   | * %     | \$1,801                   | \$698  | \$1,103   | * %  |
| Impairment associated with land holdings | (1,152 )                    | —      | (1,152 )  | *       | (1,152 )                  | —      | (1,152 )  | *    |
| Equity in income of joint ventures       | 736                         | 17,798 | (17,062 ) | *       | 5,026                     | 18,732 | (13,706 ) | *    |
| Income tax expense                       | (401 )                      | (468 ) | (67 )     | (14.3)% | (875 )                    | (867 ) | 8         | 0.9% |

\* Not a meaningful percentage.

In April 2014, we sold approximately 4.7 acres of land adjacent to an operating property located in Dallas, Texas for approximately \$8.3 million and recognized a gain of approximately \$1.4 million. During the six months ended June 30, 2014, we also sold approximately 3.0 acres of land adjacent to a current development community located in Atlanta, Georgia for approximately \$6.3 million and recognized a gain of approximately \$0.4 million. During the six months ended June 30, 2013, we sold two land holdings comprised of an aggregate of approximately 3.7 acres, adjacent to current development communities in Atlanta, Georgia and Houston, Texas, for an aggregate of approximately \$6.6 million and recognized a gain of approximately \$0.7 million relating to these land sales.

The \$1.2 million impairment associated with land holdings during the three and six months ended June 30, 2014 reflects an impairment charge to the carrying value of a land parcel located in Dallas, Texas.

Equity in income of joint ventures decreased approximately \$17.1 million and \$13.7 million for the three and six months ended June 30, 2014, respectively, as compared to the same periods in 2013. These decreases were primarily due to a \$13.0 million proportionate share of the gain recognized relating to the sale of 14 operating properties by one of our unconsolidated joint ventures in May 2013. Additionally, as a result of achieving certain performance measures as set forth in the joint venture agreement, we recognized a promoted equity interest of approximately \$3.8 million related to this unconsolidated joint venture during the three and six months ended June 30, 2013. These decreases were also due to the sale of four operating properties by the funds during

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the fourth quarter of 2013 and the first quarter of 2014. These decreases were partially offset by a \$3.6 million proportionate share of the gain relating to the sale of two operating properties recognized by the funds during the six months ended June 30, 2014.

Income tax expense decreased approximately \$0.1 million for the three months ended June 30, 2014, and was relatively flat for the six months ended June 30, 2014, as compared to the same period in 2013. The decrease during the three months ended June 30, 2014 was primarily due to decreases in taxable income related to lower construction activities conducted in a taxable REIT subsidiary during the three months ended June 30, 2014.

#### Funds from Operations ("FFO")

Management considers FFO to be an appropriate measure of the financial performance of an equity REIT. The National Association of Real Estate Investment Trusts ("NAREIT") currently defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States of America ("GAAP")), excluding gains (or losses) associated with previously depreciated operating properties, real estate depreciation and amortization, impairments of depreciable assets, and adjustments for unconsolidated joint ventures. Our calculation of diluted FFO also assumes conversion of all potentially dilutive securities, including certain non-controlling interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties, and depreciation, FFO can assist in the comparison of the operating performance of a company's real estate investments between periods or to different companies.

To facilitate a clear understanding of our consolidated historical operating results, we believe FFO should be examined in conjunction with net income attributable to common shareholders as presented in the condensed consolidated statements of income and comprehensive income and data included elsewhere in this report. FFO is not defined by GAAP and should not be considered an alternative to net income attributable to common shareholders as an indication of our operating performance. Additionally, FFO as disclosed by other REITs may not be comparable to our calculation.

Reconciliations of net income attributable to common shareholders to diluted FFO for the three and six months ended June 30, 2014 and 2013 are as follows:

|                                                                              | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |           |
|------------------------------------------------------------------------------|--------------------------------|----------|------------------------------|-----------|
| (\$ in thousands)                                                            | 2014                           | 2013     | 2014                         | 2013      |
| Funds from operations                                                        |                                |          |                              |           |
| Net income attributable to common shareholders (1)(2)                        | \$35,272                       | \$72,172 | \$75,308                     | \$135,648 |
| Real estate depreciation and amortization, including discontinued operations | 56,556                         | 53,094   | 112,567                      | 105,467   |
| Adjustments for unconsolidated joint ventures                                | 1,326                          | 1,313    | 2,640                        | 2,921     |
| Income allocated to non-controlling interests                                | 1,012                          | 2,765    | 2,049                        | 3,722     |
| Gain on sale of unconsolidated joint venture properties (3)                  | —                              | (13,032) | (3,566)                      | (13,032)  |
| Gain on sale of discontinued operations, net of tax                          | —                              | (24,866) | —                            | (56,649)  |
| Funds from operations – diluted                                              | \$94,166                       | \$91,446 | \$188,998                    | \$178,077 |
| Weighted average shares – basic                                              | 87,845                         | 87,191   | 87,748                       | 86,949    |
| Incremental shares issuable from assumed conversion of:                      |                                |          |                              |           |
| Common share options and awards granted                                      | 314                            | 467      | 338                          | 519       |
| Common units                                                                 | 1,899                          | 1,900    | 1,899                        | 1,901     |
| Weighted average shares – diluted                                            | 90,058                         | 89,558   | 89,985                       | 89,369    |



(1) Includes a gain on sale of \$1.4 million and \$1.8 million during the three and six months ended June 30, 2014, respectively, related to the sale of two land holdings in the first and second quarters of 2014. Also includes a \$1.2 million impairment charge to the carrying value of a land parcel during the three and six months ended June 30, 2014.

(2) Includes a promoted equity interest of approximately \$3.8 million for the three and six months ended June 30, 2013, as a result of achieving certain performance measures as set forth in the joint venture agreement for one of our unconsolidated joint ventures which sold its 14 operating properties during second quarter of 2013. The six months ended June 30, 2013 also includes a gain on sale of \$0.7 million from the sale of two land holdings during first quarter of 2013.

(3) The gain during the six months ended June 30, 2014 represents our proportionate share of the gain on sale of two operating properties sold by the funds in February 2014. The gain during the three and six months ended June 30, 2013 represents our proportionate share of the gain on sale of 14 operating properties by one of our unconsolidated joint ventures in May 2013.

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### Liquidity and Capital Resources

#### Financial Condition and Sources of Liquidity

We intend to maintain a strong balance sheet and preserve our financial flexibility, which we believe should enhance our ability to identify and capitalize on investment opportunities as they become available. We intend to maintain what management believes is a conservative capital structure by:

- extending and sequencing the maturity dates of our debt where practicable;
- managing interest rate exposure using what management believes to be prudent levels of fixed and floating rate debt;
- maintaining what management believes to be conservative coverage ratios; and
- using what management believes to be a prudent combination of debt and equity.

Our interest expense coverage ratio, net of capitalized interest, was approximately 5.2 times and 5.1 times for the three and six months ended June 30, 2014, respectively, and approximately 4.5 times for each of the three and six months ended June 30, 2013. This ratio is a method for calculating the amount of operating cash flows available to cover interest expense and is calculated by dividing interest expense for the period into the sum of property revenues and expenses, non-property income, other expenses, income from discontinued operations after adding back depreciation, amortization, and interest expense from both continuing and discontinued operations. Approximately 78.4% and 77.5% of our properties (based on invested capital) were unencumbered at June 30, 2014 and 2013, respectively. Our weighted average maturity of debt was approximately 6.2 years at June 30, 2014.

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.

Our primary source of liquidity is cash flow generated from operations. Other sources include availability under our unsecured credit facility and other short-term borrowings, proceeds from property dispositions, the use of debt and equity offerings under our automatic shelf registration statement, equity issued from our ATM program, other unsecured borrowings, and secured mortgages. We believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash needs during 2014 including:

- normal recurring operating expenses;
- current debt service requirements, including debt maturities;
- recurring capital expenditures;
- reposition expenditures;
- funding of property developments, acquisitions, joint venture investments; and
- the minimum dividend payments required to maintain our REIT qualification under the Code.

Factors which could increase or decrease our future liquidity include but are not limited to volatility in capital and credit markets, sources of financing, our ability to complete asset purchases or sales, or developments, the effect our debt level and changes in credit ratings could have on our costs of funds, and our ability to access capital markets.

### Cash Flows

The following is a discussion of our cash flows for the six months ended June 30, 2014 and 2013.

Net cash from operating activities was approximately \$194.0 million during the six months ended June 30, 2014 as compared to approximately \$181.0 million for the same period in 2013. The increase was primarily due to growth in property revenues directly attributable to increased rental rates and higher occupancy from our same store communities and growth in non-same store revenues primarily relating to the acquisition of three operating properties

in 2013. The increase in non-same store revenues is also related to three operating properties reaching stabilization during 2013. These increases in revenues were partially offset by the increase in property expenses from our same store and non-same store communities which include the property expenses

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of the three operating properties acquired in 2013 and the stabilization of the three operating properties during 2013. See further discussions of our 2014 operations as compared to 2013 in “Results of Operations.” These increases in net cash from operating activities were also due to the disposition of 12 operating properties in 2013.

Net cash used in investing activities during the six months ended June 30, 2014 totaled \$250.2 million as compared to approximately \$156.7 million for the same period in 2013. Cash outflows for property development and capital improvements were approximately \$268.0 million during the six months ended June 30, 2014 as compared to approximately \$157.5 million for the same period in 2013 primarily due to the acquisition of land for approximately \$38.1 million during the six months ended June 30, 2014 and the addition of seven development communities in 2013 and 2014. The property development and capital improvements during the six months ended June 30, 2014 and 2013, respectively, included the following:

| (in millions)                                                                 | For the Six Months Ended June 30, |         |
|-------------------------------------------------------------------------------|-----------------------------------|---------|
|                                                                               | 2014                              | 2013    |
| Expenditures for new development, including land                              | \$187.7                           | \$84.0  |
| Capitalized interest, real estate taxes, and other capitalized indirect costs | 16.7                              | 10.9    |
| Reposition expenditures                                                       | 36.9                              | 33.2    |
| Capital expenditures                                                          | 26.7                              | 29.4    |
| Total                                                                         | \$268.0                           | \$157.5 |

Net cash used in investing activities during the six months ended June 30, 2014 was partially offset by distributions from our joint ventures of approximately \$5.9 million relating to the sale of two operating properties in February 2014 and proceeds of approximately \$13.7 million from the sale of two land holdings in 2014. During the six months ended June 30, 2013, additional cash outflows related to the acquisition of one operating property in April 2013 for approximately \$107.5 million and increases in our non-real estate assets of \$4.3 million. These cash outflows were partially offset by cash inflows related to proceeds of \$108.0 million from the sale of two operating properties and two land holdings during the six months ended June 30, 2013 and by distributions from our joint ventures of approximately \$4.6 million, which included \$3.7 million in distributions of investments from one unconsolidated joint venture relating to the sale of 14 operating properties in the second quarter of 2013.

Net cash provided by financing activities totaled approximately \$54.5 million for the six months ended June 30, 2014 as compared to net cash used in financing activities of approximately \$44.5 million during the same period in 2013. During the six months ended June 30, 2014, we received proceeds of approximately \$180.0 million, net of payments, from our unsecured line of credit and other short-term borrowings. The cash inflows during the six months ended June 30, 2014 were partially offset by approximately \$116.5 million used for distributions paid to common shareholders and non-controlling interest holders, \$8.9 million used to repay a secured mortgage note payable in April 2014, and approximately \$2.1 million used for principal amortization payments. During the six months ended June 30, 2013, cash outflows included approximately \$106.5 million used for distributions paid to common shareholders and non-controlling interests, approximately \$26.1 million used to repay a secured mortgage note payable and approximately \$2.1 million used for principal amortization payments. The cash outflows during the six months ended June 30, 2013 were partially offset by proceeds of approximately \$41.0 million, net of payments, relating to draws on our unsecured line of credit and other short-term borrowings, net proceeds of approximately \$40.2 million from the issuance of 0.6 million common shares from our ATM program, and proceeds of approximately \$2.4 million from common share options exercised during the period.

### Financial Flexibility

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 the London Interbank Offered Rate ("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 believe we are in compliance with all such financial covenants and limitations on the date of this filing.

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 June 30, 2014, we had \$150.0 million outstanding on our \$500 million unsecured line of credit and we had outstanding letters of credit totaling approximately \$10.7 million, leaving approximately \$339.3 million available under our unsecured line of credit. As an

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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. At June 30, 2014, we had \$30.0 million short-term borrowings outstanding.

We currently have an automatic shelf registration statement which allows us to offer, from time to time, common shares, preferred shares, debt securities, or warrants. Our Amended and Restated Declaration of Trust provides we may issue up to 185 million shares of beneficial interest, consisting of 175 million common shares and 10 million preferred shares. At June 30, 2014, we had approximately 85.6 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

In May 2012, we created an ATM 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. There were no shares sold during the six months ended June 30, 2014. 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, the redemption or other repurchase of outstanding debt or equity securities, reducing future borrowings under our \$500 million unsecured line of credit or other short-term borrowings, and the repayment of other indebtedness. As of the date of this filing, we had common shares having an aggregate offering price of up to \$82.7 million remaining available for sale under the 2012 ATM program.

We believe our ability to access capital markets is enhanced by our senior unsecured debt ratings by Moody's, Fitch, and Standard and Poor's, which are currently Baal with stable outlook, BBB+ with positive outlook, and BBB+ with stable outlook, respectively. We believe our ability to access capital markets is also enhanced as well as by our ability to borrow on a secured basis from various institutions including banks, Fannie Mae, Freddie Mac, or life insurance companies. However, we may not be able to maintain our current credit ratings and may not be able to borrow on a secured or unsecured basis in the future.

**Future Cash Requirements and Contractual Obligations**

One of our principal long-term liquidity requirements includes the repayment of maturing debt, including any future borrowings under our unsecured line of credit or other short-term borrowings. During 2014, approximately \$54.8 million of debt, including scheduled principal amortizations of approximately \$1.4 million, is scheduled to mature. See Note 7, "Notes Payable," in the Notes to condensed consolidated financial statements for further discussion of scheduled maturities.

We estimate the additional cost to complete the construction of 13 consolidated projects to be approximately \$424.9 million. Of this amount, we expect between approximately \$195 million and \$205 million will be incurred during the remainder of 2014 and the remaining costs will be incurred during 2015 and 2016. Additionally, we also expect to incur between approximately \$22 million and \$26 million of additional redevelopment expenditures and between approximately \$30 million and \$34 million of additional other capital expenditures during the remainder of 2014. We intend to meet our near-term liquidity requirements through a combination of cash flows generated from operations, draws on our unsecured credit facility or other short-term borrowings, proceeds from property dispositions, the use of debt and equity offerings under our automatic shelf registration statement, equity issued from our ATM program, other unsecured borrowings, and secured mortgages. We evaluate our operating property and land development portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities arise.

In order for us to continue to qualify as a REIT, we are required 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. In June 2014, we announced our Board of Trust Managers had declared a quarterly dividend of \$0.66 per common share to our common shareholders of record as of June 30, 2014. The dividend was subsequently paid on July 17, 2014, and we paid equivalent amounts per unit to holders of the common operating partnership units. Assuming similar dividend distributions for the remainder of 2014, our annualized dividend rate for 2014 would be \$2.64.

#### Off-Balance Sheet Arrangements

The joint ventures in which we have an interest have been funded in part with secured, third-party debt. At June 30, 2014, our unconsolidated joint ventures had outstanding debt of approximately \$519.9 million, of which our proportionate share was approximately \$104.0 million. As of June 30, 2014, we had no outstanding guarantees related to the loans of our unconsolidated joint ventures.

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### Inflation

Substantially all of our apartment leases are for a term generally ranging from six to fifteen months. In an inflationary environment, we may realize increased rents at the commencement of new leases or upon the renewal of existing leases. We believe the short-term nature of our leases generally minimizes our risk from the adverse effects of inflation.

### Critical Accounting Policies

Our critical accounting policies have not changed from information reported in our Annual Report on Form 10-K for the year ended December 31, 2013.

**Recent Accounting Pronouncements.** In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 changes the threshold for disclosing discontinued operations and the related disclosure requirements, requiring only disposals representing a strategic shift, such as a major line of business, a major geographical area or a major equity investment, to be presented as a discontinued operation. If the disposal does qualify as a discontinued operation under ASU 2014-08, the entity will be required to provide expanded disclosures. The guidance will be applied prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014 with early adoption permitted but only for disposals or classifications as held for sale which have not been reported in financial statements previously issued or available for issuance. We adopted ASU 2014-08 as of January 1, 2014 and believe future sales of our individual operating properties will no longer qualify as discontinued operations.

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2016 and may be applied using either a full retrospective or a modified approach upon adoption. We expect to adopt ASU 2014-09 as of January 1, 2017 and are currently evaluating the impact this standard may have on our financial statements.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

No material changes to our exposures to market risk have occurred since our Annual Report on Form 10-K for the year ended December 31, 2013.

### Item 4. Controls and Procedures

**Evaluation of disclosure controls and procedures.** We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Securities Exchange Act ("Exchange Act") Rules 13a-15(e) and 15d-15(e). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded the disclosure controls and procedures as of the end of the period covered by this report are effective to ensure information required to be disclosed by us in our Exchange Act filings is accurately recorded, processed, summarized, and reported within the periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in internal controls.** There were no changes in our internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) in Rules 13a-15 and 15d-15 under the Exchange Act) during our most recent fiscal quarter which have materially affected, or are reasonably likely to materially affect, our internal



control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 1A. Risk Factors**

There have been no material changes to the Risk Factors previously disclosed in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2013.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits

|                   |                                                                                                                          |
|-------------------|--------------------------------------------------------------------------------------------------------------------------|
| *31.1             | Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated August 1, 2014                                 |
| *31.2             | Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated August 1, 2014                                 |
| *32.1             | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 |
| *101.INS          | XBRL Instance Document                                                                                                   |
| *101.SCH          | XBRL Taxonomy Extension Schema Document                                                                                  |
| *101.CAL          | XBRL Taxonomy Extension Calculation Linkbase Document                                                                    |
| *101.DEF          | XBRL Taxonomy Extension Definition Linkbase Document                                                                     |
| *101.LAB          | XBRL Taxonomy Extension Label Linkbase Document                                                                          |
| *101.PRE          | XBRL Taxonomy Extension Presentation Linkbase Document                                                                   |
| * Filed herewith. |                                                                                                                          |

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SIGNATURES

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

CAMDEN PROPERTY TRUST

/s/Michael P. Gallagher  
Michael P. Gallagher  
Senior Vice President – Chief Accounting Officer

August 1, 2014  
Date

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Exhibit Index

| Exhibit           | Description of Exhibits                                                                                                  |
|-------------------|--------------------------------------------------------------------------------------------------------------------------|
| *10.1             | Amended and Restated Camden Property Trust 1999 Employee Share Purchase Plan (as amended and restated on July 30, 2014). |
| *31.1             | Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated August 1, 2014                                 |
| *31.2             | Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated August 1, 2014                                 |
| *32.1             | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 |
| *101.INS          | XBRL Instance Document                                                                                                   |
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| *101.LAB          | XBRL Taxonomy Extension Label Linkbase Document                                                                          |
| *101.PRE          | XBRL Taxonomy Extension Presentation Linkbase Document                                                                   |
| * Filed herewith. |                                                                                                                          |