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DUKE REALTY CORP

Form 10-Q

August 05, 2015

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, 2015

OR

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

For the transition period from to

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

DUKE REALTY CORPORATION

DUKE REALTY LIMITED PARTNERSHIP

(Exact Name of Registrant as Specified in Its Charter)

Indiana (Duke Realty Corporation)

35-1740409 (Duke Realty Corporation)

Indiana (Duke Realty Limited Partnership)

35-1898425 (Duke Realty Limited Partnership)

(State or Other Jurisdiction

(I.R.S. Employer

of Incorporation or Organization)

Identification Number)

600 East 96th Street, Suite 100

46240

Indianapolis, Indiana

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

Indicate by check mark whether the registrant has submitted electronically 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).

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

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

Duke Realty Corporation:

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

Duke Realty Limited Partnership:

Large accelerated filer Accelerated filer 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):

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

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

Class Outstanding Common Shares of Duke Realty Corporation at August 5, 2015

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Common Stock, \$.01 par value per share 345,252,265

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2015 of both Duke Realty Corporation and Duke Realty Limited Partnership. Unless stated otherwise or the context otherwise requires, references to "Duke Realty Corporation" or the "General Partner" mean Duke Realty Corporation and its consolidated subsidiaries; and references to the "Partnership" mean Duke Realty Limited Partnership and its consolidated subsidiaries. The terms the "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership.

Duke Realty Corporation is a self-administered and self-managed real estate investment trust ("REIT") and is the sole general partner of the Partnership, owning 99.0% of the common partnership interests of the Partnership ("General Partner Units") as of June 30, 2015. The remaining 1.0% of the common partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership. The General Partner also owns all of the issued and outstanding preferred partnership interests in the Partnership ("Preferred Units"), to the extent the Partnership has issued Preferred Units.

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

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

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

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

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

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

DUKE REALTY CORPORATION/DUKE REALTY LIMITED PARTNERSHIP
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except per share amounts)

| | June 30, 2015 (Unaudited) | December 31, 2014 |
|---|---------------------------------|----------------------|
| ASSETS | | |
| Real estate investments: | | |
| Land and improvements | \$1,395,664 | \$1,412,867 |
| Buildings and tenant improvements | 4,805,915 | 4,986,390 |
| Construction in progress | 216,352 | 246,062 |
| Investments in and advances to unconsolidated companies | 284,739 | 293,650 |
| Undeveloped land | 474,997 | 499,960 |
| | 7,177,667 | 7,438,929 |
| Accumulated depreciation | (1,178,976) | (1,235,337) |
| Net real estate investments | 5,998,691 | 6,203,592 |
| | | |
| Real estate investments and other assets held-for-sale | 72,384 | 725,051 |
| | | |
| Cash and cash equivalents | 20,254 | 17,922 |
| Accounts receivable, net of allowance of \$1,831 and \$2,742 | 22,649 | 26,168 |
| Straight-line rent receivable, net of allowance of \$7,069 and \$8,405 | 111,255 | 109,657 |
| Receivables on construction contracts, including retentions | 14,529 | 36,224 |
| Deferred financing costs, net of accumulated amortization of \$30,875 and \$38,863 | 32,410 | 38,734 |
| Deferred leasing and other costs, net of accumulated amortization of \$245,840 and \$259,883 | 370,172 | 387,635 |
| Escrow deposits and other assets | 472,177 | 209,856 |
| | \$7,114,521 | \$7,754,839 |
| LIABILITIES AND EQUITY | | |
| Indebtedness: | | |
| Secured debt | \$778,869 | \$942,478 |
| Unsecured debt | 2,681,874 | 3,364,161 |
| Unsecured line of credit | — | 106,000 |
| | 3,460,743 | 4,412,639 |
| | | |
| Liabilities related to real estate investments held-for-sale | 3,742 | 59,092 |
| | | |
| Construction payables and amounts due subcontractors, including retentions | 63,396 | 69,470 |
| Accrued real estate taxes | 73,556 | 76,308 |
| Accrued interest | 37,289 | 55,110 |
| Other accrued expenses | 41,939 | 62,632 |
| Other liabilities | 105,533 | 95,566 |
| Tenant security deposits and prepaid rents | 36,480 | 44,142 |
| Total liabilities | 3,822,678 | 4,874,959 |
| Shareholders' equity: | | |
| Common shares (\$.01 par value); 600,000 shares authorized; 345,249 and 344,112 shares issued and outstanding | 3,451 | 3,441 |
| Additional paid-in capital | 4,953,224 | 4,944,800 |

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| | | |
|--|-------------|----------------|
| Accumulated other comprehensive income | 2,340 | 3,026 |
| Distributions in excess of net income | (1,694,574 |) (2,090,942) |
| Total shareholders' equity | 3,264,441 | 2,860,325 |
| Noncontrolling interests | 27,402 | 19,555 |
| Total equity | 3,291,843 | 2,879,880 |
| | \$7,114,521 | \$7,754,839 |

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
For the three and six months ended June 30,
(in thousands, except per share amounts)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------|------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| Rental and related revenue | \$201,996 | \$204,780 | \$416,611 | \$413,426 |
| General contractor and service fee revenue | 23,901 | 69,512 | 76,722 | 125,332 |
| | 225,897 | 274,292 | 493,333 | 538,758 |
| Expenses: | | | | |
| Rental expenses | 30,094 | 32,221 | 66,218 | 74,262 |
| Real estate taxes | 27,747 | 28,652 | 58,526 | 57,855 |
| General contractor and other services expenses | 21,738 | 63,857 | 68,762 | 111,128 |
| Depreciation and amortization | 78,334 | 88,500 | 160,237 | 176,798 |
| | 157,913 | 213,230 | 353,743 | 420,043 |
| Other operating activities: | | | | |
| Equity in earnings of unconsolidated companies | 15,123 | 60,826 | 21,369 | 63,147 |
| Gain on sale of properties | 107,410 | 70,318 | 130,894 | 86,171 |
| Gain on land sales | 17,012 | 3,889 | 22,437 | 4,041 |
| Other operating expenses | (1,555) | (1,987) | (3,112) | (4,203) |
| Impairment charges | (5,470) | (2,523) | (5,470) | (2,523) |
| General and administrative expenses | (19,238) | (10,365) | (36,242) | (25,059) |
| | 113,282 | 120,158 | 129,876 | 121,574 |
| Operating income | 181,266 | 181,220 | 269,466 | 240,289 |
| Other income (expenses): | | | | |
| Interest and other income, net | 1,375 | 229 | 1,713 | 580 |
| Interest expense | (42,976) | (51,448) | (92,567) | (103,306) |
| Loss on debt extinguishment | (82,653) | (139) | (82,653) | (139) |
| Acquisition-related activity | (1,305) | (747) | (1,333) | (761) |
| Income from continuing operations before income taxes | 55,707 | 129,115 | 94,626 | 136,663 |
| Income tax benefit (expense) | 2,288 | (364) | 804 | (3,038) |
| Income from continuing operations | 57,995 | 128,751 | 95,430 | 133,625 |
| Discontinued operations: | | | | |
| Income before gain on sales | 36 | 5,471 | 10,195 | 9,393 |
| Gain on sale of depreciable properties, net of tax | 396,134 | 2,305 | 414,509 | 19,080 |
| Income from discontinued operations | 396,170 | 7,776 | 424,704 | 28,473 |
| Net income | 454,165 | 136,527 | 520,134 | 162,098 |
| Dividends on preferred shares | — | (7,046) | — | (14,083) |
| Adjustments for redemption/repurchase of preferred shares | — | — | — | 483 |
| Net income attributable to noncontrolling interests | (4,785) | (1,793) | (5,510) | (2,127) |
| Net income attributable to common shareholders | \$449,380 | \$127,688 | \$514,624 | \$146,371 |
| Basic net income per common share: | | | | |
| Continuing operations attributable to common shareholders | \$0.16 | \$0.36 | \$0.27 | \$0.35 |
| Discontinued operations attributable to common shareholders | 1.14 | 0.02 | 1.22 | 0.09 |
| Total | \$1.30 | \$0.38 | \$1.49 | \$0.44 |
| Diluted net income per common share: | | | | |
| Continuing operations attributable to common shareholders | \$0.16 | \$0.36 | \$0.27 | \$0.35 |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Discontinued operations attributable to common shareholders | 1.14 | 0.02 | 1.22 | 0.09 |
| Total | \$1.30 | \$0.38 | \$1.49 | \$0.44 |
| Weighted average number of common shares outstanding | 345,098 | 331,753 | 344,849 | 329,442 |
| Weighted average number of common shares and potential dilutive securities | 349,161 | 336,414 | 348,945 | 334,102 |
| Comprehensive income: | | | | |
| Net income | \$454,165 | \$136,527 | \$520,134 | \$162,098 |
| Other comprehensive loss: | | | | |
| Amortization of interest contracts | (276) | (287) | (563) | (574) |
| Other | (123) | 55 | (123) | 55 |
| Total other comprehensive loss | (399) | (232) | (686) | (519) |
| Comprehensive income | \$453,766 | \$136,295 | \$519,448 | \$161,579 |
| See accompanying Notes to Consolidated Financial Statements | | | | |

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30,

(in thousands)

(Unaudited)

| | 2015 | 2014 |
|--|--------------|------------|
| Cash flows from operating activities: | | |
| Net income | \$520,134 | \$162,098 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of buildings and tenant improvements | 128,624 | 144,618 |
| Amortization of deferred leasing and other costs | 35,130 | 51,287 |
| Amortization of deferred financing costs | 3,835 | 5,042 |
| Straight-line rental income and expense, net | (12,775) | (10,892) |
| Impairment charges | 5,470 | 2,523 |
| Loss on debt transactions | 82,653 | 139 |
| Gains on land and depreciated property sales | (571,060) | (107,164) |
| Third-party construction contracts, net | 4,956 | (10,209) |
| Other accrued revenues and expenses, net | (11,924) | 11,042 |
| Operating distributions received in excess of (less than) equity in earnings from unconsolidated companies | (9,391) | (44,454) |
| Net cash provided by operating activities | 175,652 | 204,030 |
| Cash flows from investing activities: | | |
| Development of real estate investments | (109,617) | (226,575) |
| Acquisition of real estate investments and related intangible assets | (20,929) | (85,182) |
| Acquisition of undeveloped land | (25,579) | (11,800) |
| Second generation tenant improvements, leasing costs and building improvements | (30,871) | (44,367) |
| Other deferred leasing costs | (22,302) | (14,980) |
| Other assets | (94,745) | 3,954 |
| Proceeds from land and depreciated property sales, net | 1,305,794 | 213,040 |
| Capital distributions from unconsolidated companies | 67,004 | 40,293 |
| Capital contributions and advances to unconsolidated companies | (50,208) | (4,165) |
| Net cash provided by (used for) investing activities | 1,018,547 | (129,782) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common shares, net | 4,756 | 191,107 |
| Payments for redemption/repurchase of preferred shares | — | (17,656) |
| Payments on unsecured debt | (759,354) | (1,029) |
| Payments on secured indebtedness including principal amortization | (207,169) | (88,898) |
| Repayments on line of credit, net | (106,000) | (28,000) |
| Distributions to common shareholders | (117,274) | (111,919) |
| Distributions to preferred shareholders | — | (14,186) |
| Distributions to noncontrolling interests, net | (1,394) | (1,304) |
| Buyout of noncontrolling interests | — | (7,717) |
| Change in book overdrafts | (5,322) | 7,659 |
| Deferred financing costs | (110) | (355) |
| Net cash used for financing activities | (1,191,867) | (72,298) |
| Net increase in cash and cash equivalents | 2,332 | 1,950 |
| Cash and cash equivalents at beginning of period | 17,922 | 19,275 |
| Cash and cash equivalents at end of period | \$20,254 | \$21,225 |

Non-cash investing and financing activities:

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| | | |
|--|------------|------|
| Assumption of indebtedness and other liabilities in real estate acquisitions | \$— | \$54 |
| Mortgage note receivable from buyer in property sale | \$200,000 | \$— |
| Conversion of Limited Partner Units to common shares | \$(1,693) | \$56 |
| See accompanying Notes to Consolidated Financial Statements | | |

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015

(in thousands, except per share data)

(Unaudited)

| | Common Shareholders | | | | | | |
|--|---------------------|----------------------------------|---|---|-----------------------------|-------------|--|
| | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Distributions in Excess of Net Income | Noncontrolling Interests | Total | |
| Balance at December 31, 2014 | \$3,441 | \$4,944,800 | \$3,026 | \$(2,090,942) | \$19,555 | \$2,879,880 | |
| Net income | — | — | — | 514,624 | 5,510 | 520,134 | |
| Other comprehensive loss | — | — | (686) | — | — | (686) | |
| Issuance of common shares | 2 | 4,754 | — | — | — | 4,756 | |
| Stock-based compensation plan activity | 7 | 5,364 | — | (982) | 2,038 | 6,427 | |
| Conversion of Limited Partner Units | 1 | (1,694) | — | — | 1,693 | — | |
| Distributions to common shareholders (\$0.34 per share) | — | — | — | (117,274) | — | (117,274) | |
| Distributions to noncontrolling interests, net | — | — | — | — | (1,394) | (1,394) | |
| Balance at June 30, 2015 | \$3,451 | \$4,953,224 | \$2,340 | \$(1,694,574) | \$27,402 | \$3,291,843 | |

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands)

| | June 30, 2015 (Unaudited) | December 31, 2014 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Real estate investments: | | |
| Land and improvements | \$1,395,664 | \$1,412,867 |
| Buildings and tenant improvements | 4,805,915 | 4,986,390 |
| Construction in progress | 216,352 | 246,062 |
| Investments in and advances to unconsolidated companies | 284,739 | 293,650 |
| Undeveloped land | 474,997 | 499,960 |
| | 7,177,667 | 7,438,929 |
| Accumulated depreciation | (1,178,976) | (1,235,337) |
| Net real estate investments | 5,998,691 | 6,203,592 |
| | | |
| Real estate investments and other assets held-for-sale | 72,384 | 725,051 |
| | | |
| Cash and cash equivalents | 20,254 | 17,922 |
| Accounts receivable, net of allowance of \$1,831 and \$2,742 | 22,649 | 26,168 |
| Straight-line rent receivable, net of allowance of \$7,609 and \$8,405 | 111,255 | 109,657 |
| Receivables on construction contracts, including retentions | 14,529 | 36,224 |
| Deferred financing costs, net of accumulated amortization of \$30,875 and \$38,863 | 32,410 | 38,734 |
| Deferred leasing and other costs, net of accumulated amortization of \$245,840 and \$259,883 | 370,172 | 387,635 |
| Escrow deposits and other assets | 472,177 | 209,856 |
| | \$7,114,521 | \$7,754,839 |
| LIABILITIES AND EQUITY | | |
| Indebtedness: | | |
| Secured debt | \$778,869 | \$942,478 |
| Unsecured debt | 2,681,874 | 3,364,161 |
| Unsecured line of credit | — | 106,000 |
| | 3,460,743 | 4,412,639 |
| | | |
| Liabilities related to real estate investments held-for-sale | 3,742 | 59,092 |
| | | |
| Construction payables and amounts due subcontractors, including retentions | 63,396 | 69,470 |
| Accrued real estate taxes | 73,556 | 76,308 |
| Accrued interest | 37,289 | 55,110 |
| Other accrued expenses | 42,168 | 62,812 |
| Other liabilities | 105,533 | 95,566 |
| Tenant security deposits and prepaid rents | 36,480 | 44,142 |
| Total liabilities | 3,822,907 | 4,875,139 |
| Partners' equity: | | |
| General Partner: | | |
| Common equity (345,249 and 344,112 General Partner Units issued and outstanding) | 3,261,872 | 2,857,119 |
| | 3,261,872 | 2,857,119 |

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| | | |
|--|-------------|-------------|
| Limited Partners' common equity (3,504 and 3,717 Limited Partner Units issued and outstanding) | 25,230 | 17,289 |
| Accumulated other comprehensive income | 2,340 | 3,026 |
| Total partners' equity | 3,289,442 | 2,877,434 |
| Noncontrolling interests | 2,172 | 2,266 |
| Total equity | 3,291,614 | 2,879,700 |
| | \$7,114,521 | \$7,754,839 |

See accompanying Notes to Consolidated Financial Statements

7

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

For the three and six months ended June 30,

(in thousands, except per unit amounts)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| Rental and related revenue | \$201,996 | \$204,780 | \$416,611 | \$413,426 |
| General contractor and service fee revenue | 23,901 | 69,512 | 76,722 | 125,332 |
| | 225,897 | 274,292 | 493,333 | 538,758 |
| Expenses: | | | | |
| Rental expenses | 30,094 | 32,221 | 66,218 | 74,262 |
| Real estate taxes | 27,747 | 28,652 | 58,526 | 57,855 |
| General contractor and other services expenses | 21,738 | 63,857 | 68,762 | 111,128 |
| Depreciation and amortization | 78,334 | 88,500 | 160,237 | 176,798 |
| | 157,913 | 213,230 | 353,743 | 420,043 |
| Other operating activities: | | | | |
| Equity in earnings of unconsolidated companies | 15,123 | 60,826 | 21,369 | 63,147 |
| Gain on sale of properties | 107,410 | 70,318 | 130,894 | 86,171 |
| Gain on land sales | 17,012 | 3,889 | 22,437 | 4,041 |
| Other operating expenses | (1,555) | (1,987) | (3,112) | (4,203) |
| Impairment charges | (5,470) | (2,523) | (5,470) | (2,523) |
| General and administrative expenses | (19,238) | (10,365) | (36,242) | (25,059) |
| | 113,282 | 120,158 | 129,876 | 121,574 |
| Operating income | 181,266 | 181,220 | 269,466 | 240,289 |
| Other income (expenses): | | | | |
| Interest and other income, net | 1,375 | 229 | 1,713 | 580 |
| Interest expense | (42,976) | (51,448) | (92,567) | (103,306) |
| Loss on debt extinguishment | (82,653) | (139) | (82,653) | (139) |
| Acquisition-related activity | (1,305) | (747) | (1,333) | (761) |
| Income from continuing operations before income taxes | 55,707 | 129,115 | 94,626 | 136,663 |
| Income tax benefit (expense) | 2,288 | (364) | 804 | (3,038) |
| Income from continuing operations | 57,995 | 128,751 | 95,430 | 133,625 |
| Discontinued operations: | | | | |
| Income before gain on sales | 36 | 5,471 | 10,195 | 9,393 |
| Gain on sale of depreciable properties, net of tax | 396,134 | 2,305 | 414,509 | 19,080 |
| Income from discontinued operations | 396,170 | 7,776 | 424,704 | 28,473 |
| Net income | 454,165 | 136,527 | 520,134 | 162,098 |
| Distributions on Preferred Units | — | (7,046) | — | (14,083) |
| Adjustments for redemption/repurchase of Preferred Units | — | — | — | 483 |
| Net income attributable to noncontrolling interests | (23) | (100) | (49) | (184) |
| Net income attributable to common unitholders | \$454,142 | \$129,381 | \$520,085 | \$148,314 |
| Basic net income per Common Unit: | | | | |
| Continuing operations attributable to common unitholders | \$0.16 | \$0.36 | \$0.27 | \$0.35 |
| Discontinued operations attributable to common unitholders | 1.14 | 0.02 | 1.22 | 0.09 |
| Total | \$1.30 | \$0.38 | \$1.49 | \$0.44 |
| Diluted net income per Common Unit: | | | | |
| Continuing operations attributable to common unitholders | \$0.16 | \$0.36 | \$0.27 | \$0.35 |
| Discontinued operations attributable to common unitholders | 1.14 | 0.02 | 1.22 | 0.09 |

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| Total | \$1.30 | \$0.38 | \$1.49 | \$0.44 |
| Weighted average number of Common Units outstanding | 348,728 | 336,139 | 348,511 | 333,828 |
| Weighted average number of Common Units and potential dilutive securities | 349,161 | 336,414 | 348,945 | 334,102 |
| Comprehensive income: | | | | |
| Net income | \$454,165 | \$136,527 | \$520,134 | \$162,098 |
| Other comprehensive loss: | | | | |
| Amortization of interest contracts | (276) | (287) | (563) | (574) |
| Other | (123) | 55 | (123) | 55 |
| Total other comprehensive loss | (399) | (232) | (686) | (519) |
| Comprehensive income | \$453,766 | \$136,295 | \$519,448 | \$161,579 |

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30,

(in thousands)

(Unaudited)

| | 2015 | 2014 |
|--|-----------|-----------|
| Cash flows from operating activities: | | |
| Net income | \$520,134 | \$162,098 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of buildings and tenant improvements | 128,624 | 144,618 |
| Amortization of deferred leasing and other costs | 35,130 | 51,287 |
| Amortization of deferred financing costs | 3,835 | 5,042 |
| Straight-line rental income and expense, net | (12,775) | (10,892) |
| Impairment charges | 5,470 | 2,523 |
| Loss on debt transactions | 82,653 | 139 |
| Gains on land and depreciated property sales | (571,060) | (107,164) |
| Third-party construction contracts, net | 4,956 | (10,209) |
| Other accrued revenues and expenses, net | (11,875) | 11,042 |
| Operating distributions received in excess of (less than) equity in earnings from unconsolidated companies | (9,391) | (44,454) |
| Net cash provided by operating activities | 175,701 | 204,030 |
| Cash flows from investing activities: | | |