

Paramount Group, Inc.
Form 10-Q
November 05, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2018

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: 001-36746

PARAMOUNT GROUP, INC.

(Exact name of registrant as specified in its charter)

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Maryland 32-0439307
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

1633 Broadway, Suite 1801, New York, NY 10019
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 237-3100

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company
Emerging Growth Company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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As of October 31, 2018, there were 237,253,335 shares of the registrant's common stock outstanding.

Table of Contents

Item	Page Number
Part I. Financial Information	
Item 1. <u>Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets (Unaudited) as of September 30, 2018 and December 31, 2017</u>	3
<u>Consolidated Statements of Income (Unaudited) for the three and nine months ended _ September 30, 2018 and 2017</u>	4
<u>Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months _ ended September 30, 2018 and 2017</u>	5
<u>Consolidated Statements of Changes in Equity (Unaudited) for the nine months ended September 30, 2018 and 2017</u>	6
<u>Consolidated Statements of Cash Flows (Unaudited) for the nine months _ ended September 30, 2018 and 2017</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	9
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	65
Item 4. <u>Controls and Procedures</u>	67
Part II. Other Information	
Item 1. <u>Legal Proceedings</u>	68
Item 1A. <u>Risk Factors</u>	68
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	68
Item 3. <u>Defaults Upon Senior Securities</u>	69
Item 4. <u>Mine Safety Disclosures</u>	69
Item 5. <u>Other Information</u>	69

Item 6. <u>Exhibits</u>	69
<u>Signatures</u>	71

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PARAMOUNT GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Amounts in thousands, except share, unit and per share amounts)	September 30, 2018	December 31, 2017
ASSETS		
Real estate, at cost		
Land	\$2,065,206	\$2,209,506
Buildings and improvements	5,998,805	6,119,969
	8,064,011	8,329,475
Accumulated depreciation and amortization	(598,756)	(487,945)
Real estate, net	7,465,255	7,841,530
Cash and cash equivalents	538,725	219,381
Restricted cash	30,902	31,044
Investments in unconsolidated joint ventures	75,255	44,762
Investments in unconsolidated real estate funds	9,007	7,253
Preferred equity investments, net of allowance of \$0 and \$19,588	35,983	35,817
Marketable securities	26,668	29,039
Accounts and other receivables, net of allowance of \$503 and \$277	16,205	17,082
Deferred rent receivable	254,002	220,826
Deferred charges, net of accumulated amortization of \$27,311 and \$19,412	111,870	98,645
Intangible assets, net of accumulated amortization of \$230,985 and \$200,857	287,222	352,206
Other assets	90,143	20,076
Total assets ⁽¹⁾	\$8,941,237	\$8,917,661
LIABILITIES AND EQUITY		
Notes and mortgages payable, net of deferred financing costs of \$35,112 and \$41,800	\$3,564,688	\$3,541,300
Revolving credit facility	-	-
Due to affiliates	27,299	27,299
Accounts payable and accrued expenses	133,995	117,630
Dividends and distributions payable	26,596	25,211
Intangible liabilities, net of accumulated amortization of \$84,271 and \$75,073	102,279	130,028
Other liabilities	56,968	54,109
Total liabilities ⁽¹⁾	3,911,825	3,895,577
Commitments and contingencies		
Paramount Group, Inc. equity:		

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Common stock \$0.01 par value per share; authorized 900,000,000 shares; issued		
and outstanding 240,461,106 and 240,427,022 shares in 2018 and 2017, respectively	2,402	2,403
Additional paid-in-capital	4,301,329	4,297,948
Earnings less than distributions	(201,868)	(133,693)
Accumulated other comprehensive income	31,530	10,083
Paramount Group, Inc. equity	4,133,393	4,176,741
Noncontrolling interests in:		
Consolidated joint ventures	399,934	404,997
Consolidated real estate fund	66,099	14,549
Operating Partnership (25,127,003 and 24,620,279 units outstanding)	429,986	425,797
Total equity	5,029,412	5,022,084
Total liabilities and equity	\$8,941,237	\$8,917,661

⁽¹⁾Represents the consolidated assets and liabilities of Paramount Group Operating Partnership LP, a Delaware limited partnership (the “Operating Partnership”). The Operating Partnership is a consolidated variable interest entity (“VIE”), of which we are the sole general partner and own approximately 90.5% as of September 30, 2018. The assets and liabilities of the Operating Partnership, as of September 30, 2018, include \$1,999,741 and \$1,261,751 of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. See Note 14, Variable Interest Entities (“VIEs”).

See notes to consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES:				
Rental income	\$ 167,934	\$ 156,384	\$ 500,868	\$ 469,961
Tenant reimbursement income	15,579	14,053	42,989	38,761
Fee and other income	9,083	9,333	24,429	29,988
Total revenues	192,596	179,770	568,286	538,710
EXPENSES:				
Operating	69,811	68,264	206,435	197,696
Depreciation and amortization	64,610	66,515	194,541	198,143
General and administrative	14,452	14,470	44,278	44,624
Transaction related costs	450	274	863	1,051
Real estate impairment loss	-	-	46,000	-
Total expenses	149,323	149,523	492,117	441,514
Operating income	43,273	30,247	76,169	97,196
Income from unconsolidated joint ventures	472	671	2,931	19,143
Loss from unconsolidated real estate funds	(188)	(3,930)	(268)	(6,053)
Interest and other income (loss), net	2,778	(17,668)	6,888	(11,982)
Interest and debt expense	(37,105)	(35,733)	(109,996)	(107,568)
Loss on early extinguishment of debt	-	-	-	(7,877)
Gain on sale of real estate	36,845	-	36,845	133,989
Unrealized gain on interest rate swaps	-	-	-	1,802
Net income (loss) before income taxes	46,075	(26,413)	12,569	118,650
Income tax (expense) benefit	(1,814)	1,010	(2,171)	(4,242)
Net income (loss)	44,261	(25,403)	10,398	114,408
Less net (income) loss attributable to noncontrolling interests in:				
Consolidated joint ventures	(2,713)	14,217	(5,520)	11,029
Consolidated real estate fund	(86)	(114)	(668)	(20,195)
Operating Partnership	(3,931)	1,086	(381)	(12,068)
Net income (loss) attributable to common stockholders	\$ 37,531	\$ (10,214)	\$ 3,829	\$ 93,174
INCOME (LOSS) PER COMMON SHARE - BASIC:				
Income (loss) per common share	\$ 0.16	\$ (0.04)	\$ 0.02	\$ 0.40
Weighted average shares outstanding	240,447,921	239,445,810	240,365,882	235,151,398

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INCOME (LOSS) PER COMMON SHARE -
DILUTED:

Income (loss) per common share	\$0.16	\$(0.04) \$0.02	\$0.40
Weighted average shares outstanding	240,489,138	239,445,810	240,391,184	235,177,683

See notes to consolidated financial statements (unaudited).

PARAMOUNT GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$44,261	\$(25,403)	\$10,398	\$114,408
Other comprehensive income (loss):				
Change in value of interest rate swaps	3,392	738	23,738	729
Pro rata share of other comprehensive (loss) income				
of unconsolidated joint ventures	(262)	226	(105)	39
Comprehensive income (loss)	47,391	(24,439)	34,031	115,176
Less comprehensive (income) loss attributable to				