

**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 March 31, 2024
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)

TX

(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)

77046

(Zip Code)

(713) 354-2500

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Shares of Beneficial Interest, \$.01 par value	CPT	NYSE

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit). Yes ☒ No ☐

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

Large Accelerated Filer <input checked="" type="checkbox"/>	<input type="checkbox"/> Accelerated filer
Non-accelerated filer <input type="checkbox"/>	<input type="checkbox"/> Smaller Reporting Company
	Emerging Growth Company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected to not use the extended transition period for complying with any new or revised financial accounting standards provided pursuant of 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 ☒

On April 26, 2024, 106,535,189 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 share amounts)	March 31, 2024	December 31, 2023
Assets		
Real estate assets, at cost		
Land	\$ 1,706,983	\$ 1,711,873
Buildings and improvements	11,014,440	10,993,390
	<u>\$12,721,423</u>	<u>\$12,705,263</u>
Accumulated depreciation	(4,439,710)	(4,332,524)
Net operating real estate assets	\$ 8,281,713	\$ 8,372,739
Properties under development, including land	477,481	486,864
Total real estate assets	\$ 8,759,194	\$ 8,859,603
Accounts receivable – affiliates	10,350	11,905
Other assets, net	233,137	244,182
Cash and cash equivalents	92,693	259,686
Restricted cash	8,230	8,361
Total assets	<u>\$ 9,103,604</u>	<u>\$ 9,383,737</u>
Liabilities and equity		
Liabilities		
Notes Payable		
Unsecured	\$ 3,223,285	\$ 3,385,309
Secured	330,184	330,127
Accounts payable and accrued expenses	213,896	222,599
Accrued real estate taxes	46,612	96,517
Distributions payable	113,556	110,427
Other liabilities	182,443	186,987
Total liabilities	\$ 4,109,976	\$ 4,331,966
Commitments and contingencies (Note 10)		
Equity		
Common shares of beneficial interest; \$0.01 par value per share; 175,000,000 shares authorized; 117,737,729 and 117,737,712 issued; 115,661,048 and 115,640,369 outstanding at March 31, 2024 and December 31, 2023, respectively	1,157	1,156
Additional paid-in capital	5,919,851	5,914,868
Distributions in excess of net income attributable to common shareholders	(641,663)	(613,651)
Treasury shares, at cost (9,083,403 and 8,859,556 common shares at March 31, 2024 and December 31, 2023, respectively)	(356,880)	(320,364)
Accumulated other comprehensive loss	(78)	(1,252)
Total common equity	\$ 4,922,387	\$ 4,980,757
Non-controlling interests	71,241	71,014
Total equity	\$ 4,993,628	\$ 5,051,771
Total liabilities and equity	<u>\$ 9,103,604</u>	<u>\$ 9,383,737</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	Three Months Ended March 31,	
	2024	2023
<i>(in thousands, except per share amounts)</i>		
Property revenues	\$383,141	\$378,163
Property expenses		
Property operating and maintenance	89,044	85,285
Real estate taxes	49,501	49,396
Total property expenses	<u>\$138,545</u>	<u>\$134,681</u>
Non-property income		
Fee and asset management	\$ 1,284	\$ 578
Interest and other income	1,768	62
Income on deferred compensation plans	5,819	5,912
Total non-property income	<u>\$ 8,871</u>	<u>\$ 6,552</u>
Other expenses		
Property management	\$ 9,394	\$ 8,297
Fee and asset management	443	413
General and administrative	16,693	15,356
Interest	32,537	32,843
Depreciation and amortization	144,802	142,444
Expense on deferred compensation plans	5,819	5,912
Total other expenses	<u>\$209,688</u>	<u>\$205,265</u>
Loss on early retirement of debt	(921)	—
Gain on sale of operating property	43,806	—
Income from continuing operations before income taxes	\$ 86,664	\$ 44,769
Income tax expense	(905)	(1,150)
Net income	<u>\$ 85,759</u>	<u>\$ 43,619</u>
Less income allocated to non-controlling interests	(1,870)	(1,702)
Net income attributable to common shareholders	<u><u>\$ 83,889</u></u>	<u><u>\$ 41,917</u></u>

Earnings per share - basic	\$ 0.77	\$ 0.39
Earnings per share - diluted	\$ 0.77	\$ 0.39
Weighted average number of common shares outstanding - basic	108,706	108,568
Weighted average number of common shares outstanding - diluted	108,729	108,604
Condensed Consolidated Statements of Comprehensive Income		
Net income	\$ 85,759	\$ 43,619
Other comprehensive income		
Unrealized gain on cash flow hedging activities	85	—
Reclassification of net loss on cash flow hedging activities, prior service cost and net loss on post retirement obligation	1,089	359
Comprehensive income	\$ 86,933	\$ 43,978
Less income allocated to non-controlling interests	(1,870)	(1,702)
Comprehensive income attributable to common shareholders	<u>\$ 85,063</u>	<u>\$ 42,276</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
For the three months ended March 31, 2024

(in thousands, except per share amounts)	Common Shareholders						Non- controlling interests	Total equity
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive (loss)/income			
Equity, December 31, 2023	\$ 1,156	\$5,914,868	\$ (613,651)	\$(320,364)	\$ (1,252)	\$ 71,014		\$5,051,771
Net income			83,889			1,870		85,759
Other comprehensive income					1,174			1,174
Net share awards		4,875		9,166				14,041
Employee share purchase plan		109						109
Common shares repurchased				(45,682)				(45,682)
Cash distributions declared to equity holders (\$1.03 per common share)			(111,901)			(1,643)		(113,544)
Other	1	(1)						—
Equity, March 31, 2024	<u>\$ 1,157</u>	<u>\$5,919,851</u>	<u>\$ (641,663)</u>	<u>\$(356,880)</u>	<u>\$ (78)</u>	<u>\$ 71,241</u>		<u>\$4,993,628</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CAMDEN PROPERTY TRUST
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(Unaudited)
For the three months ended March 31, 2023

(in thousands, except per share amounts)	Common Shareholders						Non- controlling interests	Total equity
	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Treasury shares, at cost	Accumulated other comprehensive (loss)/income			
Equity, December 31, 2022	\$ 1,156	\$5,897,454	\$ (581,532)	\$(328,684)	\$ (1,774)	\$ 70,301		\$5,056,921
Net income			41,917			1,702		43,619
Other comprehensive income					359			359
Net share awards		5,721		7,253				12,974
Employee share purchase plan		118						118
Conversion of operating partnership units		144				(144)		—
Cash distributions declared to equity holders (\$1.00 per common share)			(108,842)			(1,596)		(110,438)
Equity, March 31, 2023	<u>\$ 1,156</u>	<u>\$5,903,437</u>	<u>\$ (648,457)</u>	<u>\$(321,431)</u>	<u>\$ (1,415)</u>	<u>\$ 70,263</u>		<u>\$5,003,553</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

(in thousands)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 85,759	\$ 43,619
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	144,802	142,444
Loss on early retirement of debt	921	—
Gain on sale of operating property	(43,806)	—
Share-based compensation	3,360	3,629
Net change in operating accounts and other	(55,146)	(49,981)
Net cash from operating activities	\$ 135,890	\$ 139,711
Cash flows from investing activities		
Development and capital improvements, including land	\$(106,094)	\$ (91,908)
Net proceeds from sale of operating property	114,474	—
Other	(1,490)	(1,627)
Net cash from investing activities	\$ 6,890	\$ (93,535)
Cash flows from financing activities		
Borrowings on unsecured revolving credit facility	\$ 120,000	\$ 265,000
Repayments on unsecured revolving credit facility	(120,000)	(199,000)
Proceeds from notes payable	395,952	—
Repayment of notes payable	(550,000)	—
Distributions to common shareholders and non-controlling interests	(110,427)	(103,599)
Repurchase of common shares	(45,682)	—
Other	253	1,267
Net cash from financing activities	\$(309,904)	\$ (36,332)
Net (decrease)/increase in cash, cash equivalents, and restricted cash	(167,124)	9,844
Cash, cash equivalents, and restricted cash, beginning of period	268,047	17,438
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 100,923</u>	<u>\$ 27,282</u>
Reconciliation of cash, cash equivalents, and restricted cash to the Condensed Consolidated Balance Sheets		
Cash and cash equivalents	\$ 92,693	\$ 20,419
Restricted cash	8,230	6,863
Total cash, cash equivalents, and restricted cash, end of period	<u>\$ 100,923</u>	<u>\$ 27,282</u>
Supplemental information		
Cash paid for interest, net of interest capitalized	\$ 21,240	\$ 26,378
Cash paid for income taxes	228	681
Supplemental schedule of noncash investing and financing activities		
Distributions declared but not paid	113,556	110,444
Value of shares issued under benefit plans, net of cancellations	23,499	23,583
Accrual associated with construction and capital expenditures	29,144	27,413

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CAMDEN PROPERTY TRUST
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business

Business. Formed on May 25, 1993, Camden Property Trust ("CPT"), a Texas real estate investment trust ("REIT"), and all consolidated subsidiaries are primarily engaged in the ownership, management, development, reposition, 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 March 31, 2024, we owned interests in, operated, or were developing 175 multifamily properties comprised of 59,227 apartment homes across the United States. Of the 175 properties, four properties were under construction as of March 31, 2024, and will consist of a total of 1,166 apartment homes when completed. We also own land holdings which we may develop into multifamily 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 (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. In determining if we have a controlling financial interest, we consider factors such as ownership interests, decision making authority, kick-out rights, and participating rights. As of March 31, 2024, two of our consolidated operating partnerships were VIEs. We are considered the primary beneficiary of both consolidated operating partnerships and therefore consolidate these operating partnerships. As of March 31, 2024, we held approximately 93% and 95% of the outstanding common limited partnership units and the sole 1% general partnership interest in each of these consolidated operating partnerships.

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 2023 Annual Report on Form 10-K.

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 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. When impairment exists, the long-lived asset is adjusted to its fair value. In estimating fair value, management uses appraisals, management estimates, and discounted cash flow calculations which utilize inputs from a marketplace participant's perspective. We did not record any impairment charges for the three months ended March 31, 2024 or 2023.

The value of our properties under development depends on market conditions, including estimates of the project start date, projected construction costs, and demand for multifamily communities. We have reviewed market trends and other marketplace information and 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 in our condensed 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 and was approximately \$5.0 million for each of the three

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months ended March 31, 2024 and 2023. Capitalized real estate taxes were approximately \$1.4 million and \$1.3 million for the three months ended March 31, 2024 and 2023, respectively.

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 certain 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. As apartment homes within development properties are substantially completed, the total capitalized development cost of each apartment home is transferred from properties under development including land to buildings and improvements.

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

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

Derivative Financial Instruments. Derivative financial instruments are recorded in the condensed consolidated balance sheets at fair value and presented on a gross basis for financial reporting purposes even when those instruments are subject to master netting arrangements and may otherwise qualify for net presentation. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Cash flows from derivatives and the related gains and losses are classified as cash flows from operating activities on the condensed consolidated statements of cash flows.

Cash Flow Hedges. For derivative instruments which are designated and qualify as a cash flow hedge, the derivative's gain or loss is reported as a component to other comprehensive income ("OCI") and recorded in accumulated other comprehensive income ("AOCI") on our condensed consolidated balance sheets. The gain or loss is subsequently reclassified into net earnings when the hedged exposure affects net earnings, in the same line item as the underlying hedged item on our condensed consolidated statements of earnings.

Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge. Cash flows from hedging transactions are classified in the same categories as the cash flows from the respective hedged items.

Fair Value Hedges. For derivative instruments which are designated and qualify as a fair value hedge, the changes in fair value of the derivative instrument and the offsetting changes in fair value of the underlying hedged item due to changes in the hedged risk are recorded to interest expense on our condensed consolidated statements of earnings.

Counterparty Credit Risk. Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. We manage counterparty credit risk (the risk counterparties will default and not make payments to us according to the terms of our agreements) on an individual counterparty basis.

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 expect to receive to sell an asset, or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date under current market conditions. 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.

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Recurring Fair Value Measurements. The following describes the valuation methodologies we use to measure different financial instruments at fair value on a recurring basis:

Derivative Financial Instruments. The estimated fair values of derivative financial instruments are valued using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and volatility. The fair values of interest rate swaps are estimated using the market-standard methodology of netting the discounted fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of interest rates (forward curves) derived from observable market interest rate curves. In addition, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk, including our own nonperformance risk and the respective counterparty's nonperformance risk.

Although we have determined the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Deferred Compensation Plan Investments. The estimated fair values of investment securities classified as deferred compensation plan investments are based on quoted market prices utilizing public information for the same transactions. Our deferred compensation plan investments, excluding the value of Company shares, are recorded in other assets in our condensed consolidated balance sheets. The inputs associated with the valuation of our recurring deferred compensation plan investments are included in Level 1 of the fair value hierarchy.

Non-Recurring Fair Value Measurements. 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 when they are acquired, including the remeasurement of previously held ownership interests, using fair value methodologies described above at "Acquisitions of Real Estate," or if the long-lived assets 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.

Financial Instrument Fair Value Disclosures. As of March 31, 2024 and December 31, 2023, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and distributions payable represented 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 credit worthiness and market conditions available for the issuance of notes payable with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

Income Recognition. The majority of our revenues are derived from real estate lease contracts and presented as property revenues, and include rental revenue as well as revenue under contractual terms for other services provided to our customers. As a lessor, we have also elected practical expedients to: i) not separate the lease and non-lease components by class of underlying assets and account for the combined components as a single component under certain conditions, and ii) exclude from lease revenues the sales taxes collected from lessees and certain lessor costs paid directly by the lessee. Our other revenue streams include fee and asset management income in accordance with other revenue guidance, ASC 606, Revenues from Contracts with Customers. Details of our material revenue streams are discussed below:

Property Revenues. We earn rental revenue from operating lease contracts for the use of dedicated spaces within owned assets, which is our only underlying asset class. We recognize rental revenues from these lease contracts on a straight-line basis over the applicable lease term, net of amounts related to lease contracts identified as uncollectible. We also earn revenues under contractual terms for other services considered non-lease components within a lease contract, primarily consisting of utility rebillings and other transactional fees. These amounts received under contractual terms for other services are charged to our residents and recognized monthly as earned. Any identified uncollectible amounts related to individual lease contracts are presented as an adjustment to property revenue. Any renewal options of real estate lease contracts are considered a new and separate contract which will be recognized at the time the option is exercised on a straight-line basis over the renewal period.

As of March 31, 2024, our average residential lease term was approximately fourteen months with all non-residential commercial leases averaging longer lease terms. We currently anticipate property revenue from existing leases as follows:

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(in millions)

Year ended December 31,	Operating Leases
Remainder of 2024	\$ 712.0
2025	137.7
2026	3.8
2027	3.3
2028	3.0
Thereafter	6.2
Total	\$ 866.0

Credit Risk. We believe there is no significant concentration of credit risk due to the number of residents, the types and diversity of submarkets in which our properties operate, and the collection terms.

Investments. We hold equity interests in certain technology funds which are not accounted for using the equity method because we have no influence over these entities and their fair values are not readily determinable. These investments are recorded using the measurement alternative in which our equity interests are recorded at cost, adjusted for impairments and observable price changes in orderly transactions for an identical or similar investment of the same issuer. At each reporting period, we reassess whether these investments continue to qualify for this measurement alternative. We had investments recorded at cost of approximately \$14.8 million and \$14.3 million as of March 31, 2024 and December 31, 2023, respectively. These investments are included in other assets, net in our condensed consolidated balance sheets and we did not record any impairments during the three months ended March 31, 2024 or 2023 relating to these investments.

Recent Accounting Pronouncements: In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07 ("ASU 2023-07"), Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 is intended to enhance disclosures regarding a public entity's reportable segments by requiring public entities, who have a single reportable segment or multiple reportable segments, to disclose significant segment expenses which are regularly provided to the chief operating decision maker ("CODM"), the title or position of the CODM, and how the CODM utilizes segment information to assess performance and allocate resources. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 and interim periods for fiscal years beginning after December 15, 2024, and early adoption is permitted. This standard must be applied using the retrospective transition method upon adoption. We expect to adopt ASU 2023-07 in our 2024 Form 10-K and in the interim periods thereafter. The adoption of ASU 2023-07 will require additional disclosures, but we do not believe the adoption will materially impact our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 ("ASU 2023-09"), Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 requires additional disclosures to enhance the transparency regarding income tax information through the use of a rate reconciliation table and disclosure of net taxes paid, detailed by federal, state, and foreign taxes and, if applicable, further detailed by specific jurisdictions if the amount exceeds a

qualitative threshold. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, and early adoption is permitted. This standard may be applied either on a prospective basis or on a retrospective basis. We expect to adopt ASU 2023-09 for the fiscal year ending December 31, 2025 and do not expect the additional disclosure to impact our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

In March 2024, the SEC issued final rules on the enhancement and standardization of climate-related disclosures. The rules require disclosure of, among other things: material climate-related risks; activities to mitigate or adapt to such risks; governance and management of such risks; and material greenhouse gas (GHG) emissions from operations owned or controlled (Scope 1) and/or indirect emissions from purchased energy consumed in operations (Scope 2). Additionally, the rules require disclosure in the notes to the financial statements regarding the effects of severe weather events and other natural conditions, subject to certain materiality thresholds. As published, rules will be effective on a phased-in-timeline starting with annual periods beginning in 2025. On April 4, 2024, the SEC issued a stay on this rule pending the outcome of existing and future legal challenges, and it is therefore unclear at this time when, or if, the climate disclosure rule will become effective.

3. Per Share Data

Basic earnings per share is computed using net income attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflects common shares issuable from the assumed conversion of common share options and unvested share awards as well as 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. Common shares under a forward sale agreement, if any, will be considered in our calculation for diluted earnings-per-share until settlement using the if-converted method. The number of common share equivalent securities excluded from the diluted earnings per share calculation was approximately 1.8 million and for each of the three months ended March 31, 2024 and 2023. These securities, which include share awards granted and units convertible into common shares, are anti-dilutive and were therefore excluded from the diluted earnings per share calculations. The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated:

	Three Months Ended March 31,	
(in thousands, except per share amounts)	2024	2023
Earnings per common share calculation - basic		
Income from continuing operations attributable to common shareholders	\$83,889	\$41,917
Amount allocated to participating securities	(159)	(81)
Net income attributable to common shareholders - basic	<u>\$83,730</u>	<u>\$41,836</u>
Total earnings per common share - basic	<u>\$ 0.77</u>	<u>\$ 0.39</u>
Weighted average number of common shares outstanding - basic	<u>108,706</u>	<u>108,568</u>
Earnings per common share calculation - diluted		
Income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	\$83,730	\$41,836
Income allocated to common units from continuing operations	—	—
Net income attributable to common shareholders - diluted	<u>\$83,730</u>	<u>\$41,836</u>
Total earnings per common share - diluted	<u>\$ 0.77</u>	<u>\$ 0.39</u>
Weighted average number of common shares outstanding - basic	108,706	108,568
Incremental shares issuable from assumed conversion of:		
Share awards granted	23	36
Weighted average number of common shares outstanding - diluted	<u>108,729</u>	<u>108,604</u>

4. Common Shares

In May 2023, we created an at-the-market ("ATM") share offering program through which we can, but have no obligation to, sell common shares for an aggregate offering amount of up to \$500.0 million (the "2023 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. We intend to use the proceeds from any sale of our common shares under the 2023 ATM program for general corporate purposes, which may include reducing future borrowings under our unsecured revolving credit facility, the repayment of other indebtedness, the redemption or other repurchase of outstanding debt or equity securities, funding for development activities, and financing for acquisitions.

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The 2023 ATM program also permits the use of forward sale agreements which allows us to lock in a share price on the sale of common shares at the time the agreement is executed, but defer receiving the proceeds from the sale of the applicable shares until a later date. If we enter into a forward sale agreement, we expect the applicable forward purchasers will borrow from third parties and, through the applicable sales agent acting in its role as forward seller, sell a number of common shares equal to the number of shares underlying the applicable agreement. Under this scenario, we would not initially receive any proceeds from any sale of borrowed shares by the forward seller. We expect to physically settle each forward sale agreement with the relevant forward purchaser on or prior to the maturity date of a particular forward sale agreement by issuing our common shares in return for the receipt of aggregate net cash proceeds at settlement equal to the number of common shares underlying the particular forward sale agreement multiplied by the relevant forward sale price. However, at our sole discretion, we may also elect to cash settle or net share settle a particular forward sale agreement, in which case we may not receive any proceeds from the issuance of common shares, and we will instead receive or pay cash (in the case of cash settlement) or receive or deliver common shares (in the case of net share settlement). As of the date of this filing, we have not sold any shares or entered into any forward sales agreement under the 2023 ATM program and have common shares having an aggregate offering amount of up to \$500.0 million remaining available for sale under the 2023 ATM program.

In May 2022, we created an ATM share offering program through which we could, but had no obligation to, sell common shares for an aggregate offering amount of up to \$500.0 million (the "2022 ATM program"). In May 2023, in connection with the creation of the 2023 ATM program, we terminated the 2022 ATM program and did not sell any shares under this program.

We have a share repurchase plan approved by our Board of Trust Managers which allows for the repurchase of up to \$500.0 million of our common equity securities through open-market purchases, block purchases, and privately negotiated transactions. During the three months ended March 31, 2024, we repurchased 471,282 common shares at an average price of \$96.91 per share for approximately \$45.7 million. In April 2024, we repurchased 44,692 common shares at an average price of \$96.52 per share for approximately \$4.3 million. As of the date of this filing, the remaining dollar value of our common equity securities authorized to be repurchased under this plan was approximately \$450.0 million.

We currently have an automatic shelf registration statement which allows us to offer common shares, preferred shares, debt securities, or warrants, and 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 March 31, 2024, we had approximately 106.6 million common shares outstanding, net of treasury shares and shares held in our deferred compensation arrangements, and no preferred shares outstanding.

5. Dispositions

Sale of Operating Property. During the three months ended March 31, 2024, we sold one operating property comprised of 592 apartment homes located in Atlanta, Georgia for approximately \$115.0 million and recognized a gain of approximately \$43.8 million. We did not sell any operating properties during the three months ended March 31, 2023.

6. Notes Payable

The following is a summary of our indebtedness:

(in millions)	March 31, 2024	December 31, 2023
Commercial banks		
6.55% Term Loan, due 2024	\$ 40.0	\$ 39.9
6.21% Term Loan, due 2024	—	300.0
	<u>\$ 40.0</u>	<u>\$ 339.9</u>
Senior unsecured notes		
4.36% Notes, due 2024	\$ —	\$ 250.0
3.68% Notes, due 2024	249.8	249.7
6.76% Notes, due 2026 (1)	501.1	508.6
3.74% Notes, due 2028	398.8	398.7
3.67% Notes, due 2029 (2)	596.3	596.1
2.91% Notes, due 2030	745.5	745.4
5.06% Notes, due 2034	394.9	—
3.41% Notes, due 2049	296.9	296.9
	<u>\$ 3,183.3</u>	<u>\$ 3,045.4</u>
Total unsecured notes payable	<u>\$ 3,223.3</u>	<u>\$ 3,385.3</u>
Secured notes		
Master Credit Facilities		
3.78% - 4.04% Conventional Mortgage Notes, due 2026 - 2028	\$ 291.3	\$ 291.3
3.87% note, due 2028	38.9	38.8
Total secured notes payable	<u>\$ 330.2</u>	<u>\$ 330.1</u>
Total notes payable (3)	<u>\$ 3,553.5</u>	<u>\$ 3,715.4</u>

- (1) Balance includes \$3.8 million and \$11.6 million fair value adjustments due to changes in benchmark interest rates related to these notes as of March 31, 2024 and December 31, 2023, respectively. See [Note 7, "Derivative Financial Instruments and Hedging Activities,"](#) for further discussion.
- (2) The 2029 Notes have an effective annual interest rate of approximately 3.84% through June 2026, which includes the effect of a settled forward interest rate swap, and approximately 3.28% thereafter, for an all-in average effective rate of approximately 3.67%.
- (3) Unamortized debt discounts, debt issuance costs, and fair market value adjustments of \$17.5 million and \$5.5 million are included in notes payable as of March 31, 2024 and December 31, 2023, respectively.

We have a \$1.2 billion unsecured revolving credit facility which matures in August 2026, with two options to extend the facility at our election for two consecutive six-month periods and to expand the facility up to three times by up to an additional \$500 million upon satisfaction of certain conditions. The interest rates on our unsecured revolving credit facility is based upon, at our option, (a) the daily or the one-, three-, or six-month Secured Overnight

Financing Rate ("SOFR") plus, in each case, a spread based on our credit rating, or (b) a base rate equal to the higher of: (i) the Federal Funds Rate plus 0.50%, (ii) Bank of America, N.A.'s prime rate, (iii) Term SOFR plus 1.0%, and (iv) 1.0%. Advances under our unsecured revolving credit facility 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 \$600 million or the remaining amount available under our unsecured revolving credit facility. Our unsecured revolving credit facility is subject to customary financial covenants and limitations. We believe we are in compliance with all such financial covenants and limitations as of March 31, 2024 and through the date of this filing.

Our unsecured revolving credit facility provides us with the ability to issue up to \$50 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our unsecured revolving credit facility, it does reduce the amount available. At March 31, 2024, we had outstanding letters of credit totaling approximately \$27.7 million and approximately \$1.2 billion available under our unsecured revolving credit facility.

In January 2024, we issued \$400.0 million aggregate principal amount of 4.90% senior unsecured notes due January 15, 2034 (the "2034 Notes") under our existing shelf registration statement. The 2034 Notes were offered to the public at 99.638% of their face amount with a stated rate of 4.90% and a yield to maturity of 4.946%. After deducting underwriting discounts and

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other offering expenses, the net proceeds from the sale of the 2034 Notes was approximately \$394.8 million. Interest on the 2034 Notes is payable semi-annually on January 15 and July 15, beginning July 15, 2024. We may redeem the 2034 Notes, in whole or in part, at anytime at a redemption price equal to the principal amount and accrued interest of the notes being redeemed, plus a make-whole provision. If, however, we redeem the 2034 Notes on or after three months prior to their maturity date, the redemption price will equal 100% of the principal amount of the 2034 Notes to be redeemed plus accrued and unpaid interest on the amount being redeemed to the redemption date. The 2034 Notes are direct, senior unsecured obligations and rank equally with all of our other unsecured and unsubordinated indebtedness. In January 2024, we utilized a portion of the net proceeds from the 2034 Notes to repay the \$300.0 million, 6.21% unsecured term loan due in August 2024 with a one year extension option to August 2025. As a result of the early repayment, we expensed approximately \$0.9 million of unamortized loan costs, which are reflected in the loss on early retirement of debt in our condensed consolidated statements of income and comprehensive income.

In January 2024, we utilized cash on hand to repay the principal amount of our 4.36% senior unsecured notes payable, which matured on January 15, 2024, for a total of \$250.0 million, plus accrued interest.

We had outstanding floating rate debt of approximately \$541.1 million and \$848.5 million at March 31, 2024 and December 31, 2023, respectively, which includes the senior unsecured notes payable due in 2026 which have been converted to floating rate debt through the issuance of an interest rate swap. The weighted average interest rate on such debt was approximately 6.7% for the three months ended March 31, 2024 and approximately 6.5% at December 31, 2023.

Our indebtedness had a weighted average maturity of approximately 6.6 years at March 31, 2024. The table below is a summary of the maturity dates of our outstanding debt and principal amortizations, and the weighted average interest rates on such debt, at March 31, 2024:

(in millions) (1)	Amount (2)	Weighted Average Interest Rate (3)
Remainder of 2024	\$ 287.2	4.1 %
2025	(3.5)	—
2026	524.5	6.6
2027	172.5	3.9
2028	529.9	3.8
Thereafter	2,042.9	3.7
Total	<u>\$ 3,553.5</u>	<u>4.2 %</u>

(1) Includes all available extension options.

(2) Includes amortization of debt discounts, debt issuance costs, and fair market value adjustments.

(3) Includes the effects of the applicable settled derivatives.

7. Derivative Financial Instruments and Hedging Activities

Risk Management Objective of Using Derivatives. We are exposed to certain risks arising from both our business operations and economic conditions. We manage economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we may enter into derivative financial instruments to manage exposures arising from business activities resulting in differences in the amount, timing, and duration of our known or expected cash payments related to our borrowings. We do not utilize derivative financial instruments for trading or speculative purposes. See [Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements"](#) for a further discussion of derivative financial instruments.

Cash Flow Hedges. From time to time, we enter into designated cash flow hedges to manage the variability in cash flows due to changes in benchmark interest rates. We enter into interest rate swap agreements, including forward interest rate swaps and treasury locks, settled in cash based upon the difference between an agreed-upon benchmark rate and the prevailing benchmark rate at settlement. The agreements are generally settled around the time of the pricing of the related debt. Each cash flow derivative gain or loss is recorded to OCI and is subsequently reclassified to interest expense over the life of the related debt. We did not have any cash flow hedges at March 31, 2024 or material cash flow hedges at December 31, 2023.

During each of the three months ended March 31, 2024 and 2023, approximately \$0.3 million was reclassified from AOCI as an increase to interest expense for derivative financial instruments settled in prior periods.

Fair Value Hedges. From time to time, we utilize interest rate swaps to achieve an additional level of floating rate debt relative to fixed rate debt as we deem appropriate. We designate fixed to floating interest rate swaps as fair value hedges. The changes in fair values of these derivative instruments and the offsetting changes in fair values of the underlying hedged debt due to changes in the relevant benchmark interest rates are recorded in interest expense. At March 31, 2024 and December 31,

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2023, we had one interest rate swap with a notional amount of \$500.0 million designated as a fair value hedge, which converts our \$500.0 million principal amount of 5.85% fixed rate senior unsecured notes due November 2026 into a floating rate instrument with an interest rate based on a SOFR index.

Refer to [Note 12, "Fair Value Measurements"](#) for the outstanding derivative instruments and the corresponding fair value classifications.

8. Share-Based Compensation and Non-Qualified Deferred Compensation Plan

Incentive Compensation. We currently maintain the 2018 Share Incentive Plan (the "2018 Share Plan"), which was approved by our shareholders. The shares available for awards under the 2018 Share Plan are, subject to certain other limits under the plan, generally available for any type of award authorized under the 2018 Share Plan including stock options, stock appreciation rights, restricted stock awards, stock bonuses, and other stock-based awards. Persons eligible to receive awards under the 2018 Share Plan include our and our subsidiaries' officers and employees, Trust Managers, and certain of our and our subsidiaries' consultants and advisors. A total of 9.7 million shares ("Share Limit") was authorized under the 2018 Share Plan. Shares issued or to be issued are counted against the Share Limit as (1) 3.45 to 1.0 for every share award, excluding stock options and share appreciation rights, granted, and (2) 1.0 to 1.0 for every share of stock option or share appreciation right granted. As of March 31, 2024, there were approximately 4.3 million common shares available under the 2018 Share Plan, which would result in approximately 1.3 million shares which could be granted pursuant to full value awards conversion ratios as defined under the plan.

Total compensation cost for share awards charged against income was approximately \$3.5 million and \$3.9 million for the three months ended March 31, 2024 and 2023, respectively. Total capitalized compensation costs for share awards were approximately \$1.2 million and \$1.7 million for the three months ended March 31, 2024 and 2023, respectively.

A summary of activity under our share incentive plans for the three months ended March 31, 2024 is shown below:

	Nonvested Share Awards Outstanding	Weighted Average Exercise / Grant Price
Nonvested share awards outstanding at December 31, 2023	174,164	\$ 126.46
Granted	250,800	95.41
Vested	(201,784)	107.39
Forfeited	(3,365)	127.83
Total nonvested share awards outstanding at March 31, 2024	<u>219,815</u>	<u>\$ 108.52</u>

Share Awards and Vesting. Share awards for employees generally vest over three years and are valued at the market value of the shares on the grant date. In the event the holder of the share awards attains at least age 65, and with respect to employees, also attain at least

ten or more years of service ("Retirement Eligibility") before the term in which the awards are scheduled to vest, the value of the share awards is amortized from the date of grant to the individual's Retirement Eligibility date. All new share awards granted after reaching Retirement Eligibility vest on the date of grant.

The weighted average fair value of share awards granted during the three months ended March 31, 2024 and 2023 was \$95.41 per share and \$117.56 per share, respectively. The total fair value of shares vested was approximately \$21.7 million and \$20.2 million during the three months ended March 31, 2024 and 2023, respectively. At March 31, 2024, the unamortized value of previously issued unvested share awards was approximately \$22.2 million which is expected to be amortized over the next three years.

9. Net Change in Operating Accounts

The effect of changes in the operating and other accounts on cash flows from operating activities is as follows:

	Three Months Ended March 31,	
	2024	2023
(in thousands)		
Change in assets:		
Other assets, net	\$ (6,766)	\$ 4,044
Change in liabilities:		
Accounts payable and accrued expenses	(4,698)	(20,000)
Accrued real estate taxes	(49,693)	(47,467)
Other liabilities	4,953	12,539
Other	1,058	903
Change in operating accounts and other	<u>\$ (55,146)</u>	<u>\$ (49,981)</u>

10. Commitments and Contingencies

Construction Contracts. As of March 31, 2024, we estimated the total additional cost to complete the four properties currently under construction to be approximately \$97.4 million. We expect to fund this amount through a combination of one or more of the following: cash flows generated from operations, draws on our unsecured revolving credit facility, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our ATM program, and other unsecured borrowings or secured mortgages.

Litigation. We are subject to various legal proceedings and claims which arise in the ordinary course of business. Matters which arise out of allegation 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 currently believes the final outcome of such matters will not have a material adverse effect on our consolidated financial statements.

We have been named as a defendant in several cases alleging antitrust violations by a seller of revenue management software and owners and/or operators of multi-family housing, including us, which utilize this software. The complaints allege collusion among the defendants to fix rents in violation of Section 1 of the Sherman Act. The U.S. Judicial Panel on Multidistrict Litigation has consolidated some cases, including those filed against us, into a single action in the United States District Court for the Middle District of Tennessee. We and our co-defendants formed a joint defense group which allows free communication and strategizing among us and our attorneys as well as allows us to combine efforts in drafting motions. In addition to those lawsuits, we and several other owners and/or operators of multi-family housing have been sued in separate actions by the Attorney General of the District of Columbia and the Attorney General of Arizona. Those lawsuits also allege collusion among the defendants to fix rents in violation of DC and Arizona law, respectively. Additionally, we have been served with Civil Investigative Demands ("CIDs"), separately, by

the U.S. Department of Justice and the Attorney General of Texas. The CIDs are not lawsuits alleging wrongdoing but mechanisms by which the government can obtain information from companies regarding their use of the revenue management software. We believe all of the lawsuits are without merit. We intend to vigorously defend these actions and are cooperating and responding to the CIDs. At this stage of the proceedings, it is not possible to predict or determine the outcome nor is it possible to estimate the amount of loss, if any, which may be associated with an adverse decision on any of these matters.

Other Commitments and 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 March 31, 2024, we had approximately \$0.6 million of earnest money deposits for potential acquisitions of land which are included in other assets in our condensed consolidated balance sheet, of which approximately \$0.5 million was non-refundable.

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Lease Commitments. Substantially all of our lessee operating leases, which are recorded within other liabilities in our condensed consolidated balance sheets, are related to office facility leases. We had no significant changes to our lessee lease commitments for the three months ended March 31, 2024. The lease and non-lease components, excluding short-term lease contracts with a duration of 12 months or less, are accounted for as a combined single component based upon the standalone price at the time the applicable lease is commenced and is recognized as a lease expense on a straight-line basis over the lease term. Most of our office facility leases include options to renew and generally are not included in the operating lease liabilities or right-of-use assets as they are not reasonably certain of being exercised. If an option to renew is exercised, it would be considered a separate contract and recognized based upon the standalone price at the time the option to renew is exercised. Variable lease payments which values are not known at lease commencement, such as executory costs of real estate taxes, property insurance, and common area maintenance, are expensed as incurred. Rental expense totaled approximately \$1.0 million for each of the three months ended March 31, 2024 and 2023.

The following is a summary of our maturities of our lease liabilities as of March 31, 2024:

(in millions)

Year ended December 31,	Operating Leases
Remainder of 2024	\$ 2.5
2025	2.4
2026	0.5
2027	0.2
2028	—
Thereafter	—
Less: discount for time value	(0.2)
Lease liability as of March 31, 2024	<u>\$ 5.4</u>

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 adjusted taxable income. 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 may be subject to federal and state income taxes for such year. In addition, we may not be able to requalify as a REIT for the four subsequent taxable years and may be subject to federal and state income taxes in those years as well. Historically, we have incurred only state and local income, franchise, and excise taxes. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state, and local income

taxes. Our consolidated operating partnerships are flow-through entities and are not subject to federal income taxes at the entity level.

We have recorded income, franchise, sales, and excise taxes in the condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2024 and 2023 as income tax expense. Income taxes for the three months ended March 31, 2024 primarily related to state income tax. 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 three months ended March 31, 2024.

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 March 31, 2024 and December 31, 2023 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

	March 31, 2024				December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions)								
Other Assets								
Deferred compensation plan investments (1)	\$ 125.7	\$ —	\$ —	\$ 125.7	\$ 132.0	\$ —	\$ —	\$ 132.0
Derivative financial instruments (fair value hedges)	\$ —	\$ 3.8	\$ —	\$ 3.8	\$ —	\$ 11.6	\$ —	\$ 11.6
Other Liabilities								
Derivative financial instruments (cash flow hedges)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.7	\$ —	\$ 0.7

(1) Approximately \$15.9 million and \$10.9 million of participant cash was withdrawn from our deferred compensation plan investments during the three months ended March 31, 2024 and the year ended December 31, 2023, respectively.

Non-Recurring Fair Value Disclosures. The nonrecurring fair value disclosure inputs under the fair value hierarchy are discussed in [Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements."](#) We did not have any asset acquisitions of operating properties or impairments during the three months ended March 31, 2024 or 2023.

Financial Instrument Fair Value Disclosures. The following table presents the carrying and estimated fair values of our notes payable at March 31, 2024 and December 31, 2023, in accordance with the policies discussed in [Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements."](#)

	March 31, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(in millions)				
Fixed rate notes payable	\$ 3,012.4	\$ 2,762.0	\$ 2,866.9	\$ 2,651.6
Floating rate notes payable (1)	541.1	554.5	848.5	864.9

(1) Includes the senior unsecured notes payable due in 2026 at March 31, 2024 and December 31, 2023.

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, 2023. 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, but instead 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, either nationally or regionally in one or more of the markets in which we operate, could adversely impact us;
- Short-term leases could expose us to the effects of declining market rents;
- Competition could limit our ability to lease apartments or increase or maintain rental income;
- We could be negatively impacted by the risks associated with land holdings and related activities;
- Development, repositions, redevelopment, and construction risks could impact our profitability;
- Our acquisition strategy may not produce the cash flows expected;
- Changes in rent control or rent stabilization laws and regulations could adversely affect our operations and property values;
- Failure to qualify as a REIT could have adverse consequences;
- Tax laws could continue to change at any time and any such legislative or other actions could have a negative effect on us;
- A cybersecurity incident and other technology disruptions could negatively impact our business;
- We have significant debt which could have adverse consequences;
- Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders;
- Issuances of additional debt may adversely impact our financial condition;
- We could be unable to renew, repay, or refinance our outstanding debt;

- Rising interest rates could increase our borrowing costs, lower the value of our real estate, and decrease our share price, leading investors to seek higher yields through other investments;
- 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;
- The form, timing, and amount of dividend distributions in future periods may vary and be impacted by economic and other considerations;
- Environmental, social, and governance factors may impose additional costs and/or expose us to new risks;
- Litigation risks could affect our business;
- Damage from catastrophic weather and other natural events could result in losses;
- Competition could adversely affect our ability to acquire properties; and
- We could be adversely impacted due to our share price fluctuations.

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.

Executive Summary

Camden Property Trust and all consolidated subsidiaries are primarily engaged in the ownership, management, development, reposition, redevelopment, acquisition, and construction of multifamily apartment communities. We focus on investing in markets characterized by high-growth economic conditions, strong employment, and attractive quality of life which we believe leads to higher demand for our apartments and retention of our residents. As of March 31, 2024, we owned interests in, operated, or were developing 175 multifamily properties comprised of 59,227 apartment homes across the United States. In addition, we own other land holdings which we may develop into multifamily apartment communities in the future.

Business Environment and Current Outlook

During the three months ended March 31, 2024, our results reflect an increase in same store revenues of approximately 2.5% as compared to the same period in 2023. The increase was primarily due to higher average rental rates, which we believe was primarily attributable to job growth, favorable demographics with a higher propensity to rent versus buy, continued demand for multifamily housing in our markets, and a manageable supply of new multifamily housing.

We believe the levels of new multifamily supply in the submarkets and asset classes in which we operate are elevated in 2024, but should be met with continued demand to absorb these new deliveries. However, if this were to change or other economic conditions were to worsen, our operating results could be adversely affected.

Consolidated Results

Net income attributable to common shareholders was \$83.9 million and \$41.9 million for the three months ended March 31, 2024 and 2023, respectively. The \$42.0 million increase during the three months ended March 31, 2024 as compared to the same period in 2023 was primarily due to a \$43.8 million gain on sale of one operating property recognized during the three months ended March 31, 2024, partially offset by a \$0.9 million loss on the early retirement of debt. See further discussion of our 2024 operations as compared to 2023 in ["Results of Operations,"](#) below.

Construction Activity

At March 31, 2024, we had a total of four properties under construction comprising 1,166 apartment homes. As of March 31, 2024, we estimated the total additional cost to complete the construction of these four properties is approximately \$97.4 million.

Dispositions

Operating property: In February 2024, we sold one operating property comprised of 592 apartment homes located in Atlanta, Georgia for approximately \$115.0 million and recognized a gain of approximately \$43.8 million.

Other

In January 2024, we issued \$400.0 million of 4.90% senior unsecured notes due January 15, 2034. We utilized a portion of the net proceeds from these notes to repay the outstanding balance on our \$300.0 million, 6.21% unsecured term loan due in August 2024. As a result of the early repayment, we expensed approximately \$0.9 million of unamortized loan costs,

which are reflected in the loss on early retirement of debt in our condensed consolidated statements of income and comprehensive income.

In January 2024, we utilized cash on hand to repay the principal amount of our 4.36% senior unsecured notes payable, which matured on January 15, 2024, for a total of \$250.0 million, plus accrued interest.

During the first quarter of 2024, we repurchased 471,282 common shares at an average price of \$96.91 per share for approximately \$45.7 million under our share repurchase plan. In April 2024, we repurchased 44,692 common shares at an average price of \$96.52 per share for approximately \$4.3 million under our share repurchase plan. As of the date of this filing, the remaining dollar value of our common equity securities authorized to be repurchased under this plan was approximately \$450.0 million.

Future Outlook

Subject to market conditions, we intend to continue to seek opportunities to develop new communities and to redevelop, reposition, and acquire existing communities. We also intend to evaluate our portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities arise. We expect to maintain a strong balance sheet and preserve our financial flexibility 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 one or more of the following: cash flows generated from operations, draws on our unsecured revolving credit facility, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from the ATM program, and other unsecured borrowings or secured mortgages.

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As of March 31, 2024, we had no amounts outstanding and had approximately \$1.2 billion available under our unsecured revolving credit facility. As of March 31, 2024, and through the date of this filing, we also had common shares having an aggregate offering amount of up to \$500.0 million remaining available for sale under our 2023 ATM program and the ability to issue debt and equity under our automatic shelf registration statement. We believe scheduled repayments of debt due during the next 12 months are manageable at approximately \$290.0 million which represents approximately 8.2% of our total outstanding debt, and excludes amortization of debt discounts and debt issuance costs. We believe we are well-positioned with a strong balance sheet and sufficient liquidity to fund new development, repositions, redevelopment, and other capital requirements including scheduled debt maturities. We will, however, continue to assess and take further actions we believe are prudent to meet our objectives and capital requirements.

Property Portfolio

Our multifamily property portfolio is summarized as follows:

	March 31, 2024		December 31, 2023	
	Number of Homes	Properties	Number of Homes	Properties
Operating Properties				
Houston, Texas	9,154	26	9,154	26
Dallas/Fort Worth, Texas	6,224	15	6,224	15
Washington, D.C. Metro	6,192	17	6,192	17
Phoenix, Arizona	4,426	14	4,426	14
Atlanta, Georgia	4,270	14	4,862	15
Orlando, Florida	3,954	11	3,954	11
Austin, Texas	3,686	11	3,686	11
Charlotte, North Carolina	3,510	15	3,491	15
Raleigh, North Carolina	3,252	9	3,252	9
Tampa/St. Petersburg, Florida	3,104	8	3,104	8
Southeast Florida	3,050	9	3,050	9
Denver, Colorado	2,873	9	2,873	9
Los Angeles/Orange County, California	1,811	5	1,811	5
San Diego/Inland Empire, California	1,797	6	1,797	6
Nashville, Tennessee	758	2	758	2
Total Operating Properties	58,061	171	58,634	172
Properties Under Construction				
Raleigh, North Carolina	789	2	789	2
Houston, Texas	377	2	377	2
Total Properties Under Construction	1,166	4	1,166	4
Total Properties	59,227	175	59,800	176

Stabilized Communities

We generally consider a property stabilized once it reaches 90% occupancy. During the fourth quarter of 2023, Camden NoDa in Charlotte, North Carolina completed construction of 387 homes and stabilization was achieved during the quarter ended March 31, 2024.

Properties Under Development

Our condensed consolidated balance sheet at March 31, 2024 includes approximately \$477.5 million related to properties under development and land. Of this amount, approximately \$194.2 million related to our properties currently under construction. In addition, we had approximately \$283.3 million primarily invested in land held for future development.

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Properties Under Construction. At March 31, 2024, we had four properties in various stages of construction as follows:

(\$ in millions)	Number of Homes	Estimated Cost	Cost Incurred	Included in Properties Under Development	Estimated Date of Construction Completion	Estimated Date of Stabilization
Properties and Locations						
Properties Under Construction						
Camden Durham (1)						
Durham, NC	420	\$ 145.0	\$ 133.3	\$ 59.8	3Q24	4Q25
Camden Woodmill Creek (2)						
The Woodlands, TX	189	75.0	70.0	12.1	3Q24	2Q25
Camden Long Meadow Farms (3)						
Richmond, TX	188	80.0	52.9	37.9	3Q24	2Q25
Camden Village District						
Raleigh, NC	369	138.0	84.4	84.4	2Q25	4Q26
Total	1,166	\$ 438.0	\$340.6	\$ 194.2		

(1) Property in lease-up and was 41% leased at April 30, 2024.

(2) Property in lease-up and was 35% leased at April 30, 2024.

(3) Property in lease-up and was 12% leased at April 30, 2024.

Development Pipeline Communities. At March 31, 2024, we had the following multifamily communities undergoing development activities:

(\$ in millions)		Total		
Properties and Locations	Projected Homes	Estimated Cost (1)	Cost to Date	
Camden South Charlotte				
Charlotte, NC	420	\$ 153.0	\$	37.6
Camden Blakeney				
Charlotte, NC	349	145.0		26.9
Camden Baker				
Denver, CO	435	165.0		33.9
Camden Nations				
Nashville, TN	393	175.0		39.7
Camden Gulch				
Nashville, TN	480	260.0		50.0
Camden Paces III				
Atlanta, GA	350	100.0		23.0
Camden Highland Village II				
Houston, TX	300	100.0		10.6
Camden Arts District				
Los Angeles, CA	354	150.0		47.0
Camden Downtown II				
Houston, TX	271	145.0		14.6
Total	3,352	\$ 1,393.0	\$	283.3

(1) Represents our estimate of total costs we expect to incur on these projects. However, forward-looking estimates 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 forecast, and estimates routinely require adjustment.

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, and the impact of acquisitions and dispositions.

Management considers property net operating income ("NOI") to be an appropriate supplemental measure of operating performance to net income because it reflects the operating performance of our communities without an allocation of corporate level property management overhead or general and administrative costs. We define NOI as property revenue less property operating and maintenance expenses less real estate taxes. NOI is further detailed in the Property-Level NOI table as seen below. NOI is not defined by accounting principles generally accepted in the United States of America ("GAAP") and should

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not be considered an alternative to net income as an indication of our operating performance. Additionally, NOI as disclosed by other REITs may not be comparable to our calculation.

Reconciliations of net income to NOI for the three months ended March 31, 2024 and 2023 are as follows:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Net income	\$ 85,759	\$ 43,619
Less: Fee and asset management income	(1,284)	(578)
Less: Interest and other income	(1,768)	(62)
Less: Income on deferred compensation plans	(5,819)	(5,912)
Plus: Property management expense	9,394	8,297
Plus: Fee and asset management expense	443	413
Plus: General and administrative expense	16,693	15,356
Plus: Interest expense	32,537	32,843
Plus: Depreciation and amortization expense	144,802	142,444
Plus: Expense on deferred compensation plans	5,819	5,912
Plus: Loss on early retirement of debt	921	—
Less: Gain on sale of operating property	(43,806)	—
Plus: Income tax expense	905	1,150
Property net operating income	<u>\$244,596</u>	<u>\$243,482</u>

Property NOI (1)

Property NOI, as reconciled above, is detailed further into the following categories for the three months ended March 31, 2024 as compared to the same period in 2023:

		Three Months Ended			
	Homes at	March 31,		Change	
(\$ in thousands)	3/31/2024	2024	2023	\$	%
Property revenues:					
Same store communities	55,866	\$364,478	\$355,618	\$ 8,860	2.5 %
Non-same store communities	2,195	13,967	10,535	3,432	32.6
Development and lease-up communities	1,166	602	—	602	*
Dispositions/Other	—	4,094	12,010	(7,916)	(65.9)
Total property revenues	59,227	\$383,141	\$378,163	\$ 4,978	1.3 %
Property expenses:					
Same store communities	55,866	\$129,844	\$126,240	\$ 3,604	2.9 %
Non-same store communities	2,195	4,824	4,365	459	10.5
Development and lease-up communities	1,166	600	3	597	*
Dispositions/Other	—	3,277	4,073	(796)	(19.5)
Total property expenses	59,227	\$138,545	\$134,681	\$ 3,864	2.9 %
Property NOI:					
Same store communities	55,866	\$234,634	\$229,378	\$ 5,256	2.3 %
Non-same store communities	2,195	9,143	6,170	2,973	48.2
Development and lease-up communities	1,166	2	(3)	5	*
Dispositions/Other	—	817	7,937	(7,120)	(89.7)
Total property NOI	59,227	\$244,596	\$243,482	\$ 1,114	0.5 %

* Not a meaningful percentage.

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- (1) For 2024, same store communities are communities we wholly-owned and were stabilized since January 1, 2023, excluding communities under redevelopment and properties held for sale. Non-same store communities are stabilized communities not owned or stabilized since January 1, 2023, including communities under redevelopment and excluding properties held for sale. We define communities under redevelopment as communities with capital expenditures which improve a community's cash flow and competitive position through extensive unit, exterior building, common area, and amenity upgrades. Management believes same store information is useful as it allows both management and investors to determine financial results over a particular period for the same set of communities. Development and lease-up communities are non-stabilized communities we have developed since January 1, 2023, excluding properties held for sale. Dispositions/Other includes those communities disposed of or held for sale which are not classified as discontinued operations, non-multifamily rental properties, expenses related to land holdings not under active development, and other miscellaneous revenues and expenses, including net below market leases, casualty-related expenses net of recoveries, and severance related costs.

Same Store Analysis

Same store property NOI increased approximately \$5.3 million for the three months ended March 31, 2024 as compared to the same period in 2023.

The \$5.3 million approximate increase in same store property NOI for the three months ended March 31, 2024 was primarily due to an increase of approximately \$8.9 million in same store property revenues which was partially offset by an increase in same store property expenses of approximately \$3.6 million as compared to the same period in 2023.

The \$8.9 million increase in same store property revenues during the three months ended March 31, 2024, as compared to the same period in 2023, was primarily due to an approximate \$4.8 million increase in rental revenues, due to an increase in average rental rates, and an increase of approximately \$3.6 million driven by lower uncollectible revenue and higher fee income. The increase was also due to approximately \$0.5 million of higher income from our utility rebilling and ancillary income programs.

The \$3.6 million approximate increase in same store property expenses during the three months ended March 31, 2024, as compared to the same period in 2023, was primarily due to higher salaries and benefits of approximately \$1.6 million, higher utilities expense of approximately \$0.8 million, higher real estate taxes of approximately \$0.7 million due to increased tax rates and property valuations, higher marketing and leasing expenses of approximately \$0.4 million, higher property general and administrative expenses of approximately \$0.3 million, and higher repairs and maintenance expense of approximately \$0.3 million. These increases were partially offset by decreased insurance expenses of approximately \$0.5 million.

Non-same Store and Development and Lease-up Analysis

Property NOI from non-same store (which includes non-same store stabilized properties and other) and development and lease-up communities increased approximately \$3.0 million for the three months ended March 31, 2024 as compared to the same period in 2023 primarily due to the stabilization of two operating properties in 2023 and one operating property in 2024.

The following table details the changes, described above, relating to non-same store and development and lease up NOI:

**For the three
months ended
March 31, 2024
as compared to
2023**

(in millions)

Property Revenues:

Revenues from non-same store stabilized properties	\$ 3.4
Revenues from development and lease-up properties	0.6
Other	—
	<u>\$ 4.0</u>

Property Expenses:

Expenses from non-same store stabilized properties	\$ 0.3
Expenses from development and lease-up properties	0.6
Other	0.1
	<u>\$ 1.0</u>

Property NOI:

NOI from non-same store stabilized properties	\$ 3.1
NOI from development and lease-up properties	—
Other	(0.1)
	<u>\$ 3.0</u>

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Dispositions/Other Property Analysis

Dispositions/Other property NOI decreased approximately \$7.1 million for the three months ended March 31, 2024 as compared to the same period in 2023. The decrease was comprised of lower NOI related to dispositions of approximately \$5.8 million and lower other property NOI of approximately \$1.3 million for the three months ended March 31, 2024 as compared to the same period in 2023. The decrease in NOI related to dispositions was due to the dispositions of one operating property in each of June of 2023, December of 2023, and February of 2024. The lower other property NOI was primarily due to higher storm-related expenses of approximately \$1.4 million during the three months ended March 31, 2024, partially offset by higher business interruption insurance proceeds recognized during the three months ended March 31, 2023 of approximately \$0.1 million.

Non-Property Income

(\$ in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Fee and asset management	\$ 1,284	\$ 578	\$ 706	122.1 %
Interest and other income	1,768	62	1,706	*
Income on deferred compensation plans	5,819	5,912	(93)	(1.6)%
Total non-property income	\$ 8,871	\$ 6,552	\$ 2,319	35.4 %

* Not a meaningful percentage.

Fee and asset management income from construction and development activities at our third-party construction projects, increased approximately \$0.7 million for the three months ended March 31, 2024 as compared to the same period in 2023. The increase was related to higher fees earned on third-party construction projects due to higher activity during the three months ended March 31, 2024 as compared to the same period in 2023.

Interest and other income increased approximately \$1.7 million for the three months ended March 31, 2024 as compared to the same period in 2023. The increase was primarily due to higher investment interest income earned due to having higher average cash balances during the three months ended March 31, 2024 as compared to the same period in 2023.

Other Expenses

(\$ in thousands)	Three Months Ended		Change	
	March 31,			
	2024	2023	\$	%
Property management	\$ 9,394	\$ 8,297	\$ 1,097	13.2 %
Fee and asset management	443	413	30	7.3
General and administrative	16,693	15,356	1,337	8.7
Interest	32,537	32,843	(306)	(0.9)
Depreciation and amortization	144,802	142,444	2,358	1.7
Expense on deferred compensation plans	5,819	5,912	(93)	(1.6)
Total other expenses	\$209,688	\$205,265	\$ 4,423	2.2 %

Property management expense, which represents regional supervision and accounting costs related to property operations, increased approximately \$1.1 million for the three months ended March 31, 2024 as compared to the same period in 2023. The increase was primarily related to higher salaries, benefits, and incentive compensation costs, and higher travel related costs. Property management expenses were approximately 2.5% and 2.2% of total property revenues for the three months ended March 31, 2024 and 2023, respectively.

General and administrative expense increased approximately \$1.3 million during the three months ended March 31, 2024 as compared to the same period in 2023. The increase was primarily related to higher salaries, benefits, and incentive compensation costs and higher legal expenses during the three months ended March 31, 2024 as compared to the same period in 2023. Excluding income on deferred compensation plans, general and administrative expenses were approximately 4.3% and 4.1% of total revenues for the three months ended March 31, 2024 and 2023, respectively.

Interest expense decreased approximately \$0.3 million for the three months ended March 31, 2024 as compared to the same period in 2023. The decrease was primarily due to the early retirement of \$185.3 million of secured variable rate notes in May 2023, the repayment of a \$250 million, 5.07% senior unsecured notes payable in June 2023, and the repayment of a \$300 million, 6.21% unsecured term loan and a \$250.0 million, 4.36% senior unsecured notes payable in January 2024. The decrease was also due to lower interest expense recognized on our unsecured revolving credit facility resulting from lower average balances outstanding during the three months ended March 31, 2024 as compared to the same period in 2023. The increase was

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partially offset by an increase in interest expense due to the issuance of \$500 million senior unsecured notes in November 2023 and the issuance of \$400 million senior unsecured notes in January 2024, which had average interest rates during the quarter of 6.76% and 5.06%, respectively.

Depreciation and amortization expense increased approximately \$2.4 million for the three months ended March 31, 2024 as compared to the same period in 2023. The increase during the three months ended March 31, 2024 was primarily due to higher depreciation related to the completion of apartment homes in our development pipeline and the completion of capitalized improvements during 2023 and 2024. The increase was partially offset by the disposition of one operating property in June of 2023, December of 2023, and February of 2024.

Other

	Three Months Ended		
	March 31,		Change
(\$ in thousands)	2024	2023	\$
Loss on early retirement of debt	\$ (921)	\$ —	\$ (921)
Gain on sale of operating property	43,806	—	43,806
Income tax expense	(905)	(1,150)	245

The loss on early retirement of debt for the three months ended March 31, 2024 was due to the write-off of unamortized loan costs related to the early retirement of our \$300 million unsecured term loan which was scheduled to mature in August 2024.

The \$43.8 million gain on sale during the three months ended March 31, 2024 was due to the disposition of one operating property located in Atlanta, Georgia in February 2024.

Income tax expense decreased approximately \$0.2 million for the three months ended March 31, 2024 as compared to the same period in 2023. The decrease was primarily due to lower state and franchise income taxes, partially offset by an increase in taxable income due to higher third-party construction activities in a taxable REIT subsidiary.

Funds from Operations ("FFO"), Core FFO, and Core Adjusted FFO ("Core AFFO")

Management considers FFO, Core FFO, and Core AFFO to be appropriate supplementary measures 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 GAAP), excluding depreciation and amortization related to real estate, gains (or losses) from the sale of certain real estate assets (depreciable real estate), impairments of certain real estate assets (depreciable real estate), gains (or losses) from change in control, and adjustments for unconsolidated joint ventures to reflect FFO on the same basis. 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 depreciable real estate 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.

Core FFO represents FFO as further adjusted for items not considered part of our core business operations. We consider Core FFO to be a helpful supplemental measure of operating performance as it excludes not only depreciation expense of real estate assets, but it also excludes certain items which, by nature, are not comparable period over period and therefore tends to obscure actual operating performance. Our definition of Core FFO may differ from other REITs, and there can be no assurance our basis for computing this measure is comparable to other REITs.

Core AFFO is calculated utilizing Core FFO less recurring capitalized expenditures which are necessary to help preserve the value of and maintain the functionality at our communities. We also consider Core AFFO to be a useful supplemental measure because it is frequently used by analysts and investors to evaluate a REIT's operating performance between periods or to different companies. Our definition of recurring capital expenditures may differ from other REITs, and there can be no assurance our basis for computing this measure is comparable to other REITs.

To facilitate a clear understanding of our consolidated historical operating results, we believe FFO, Core FFO, and Core AFFO 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, Core FFO, and Core AFFO are not defined by GAAP and should not be considered alternatives to net income attributable to common shareholders as an indication of our operating performance. Additionally, FFO, Core FFO, and Core AFFO as disclosed by other REITs may not be comparable to our calculation.

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Reconciliations of net income attributable to common shareholders to FFO, Core FFO, and Core AFFO for the three months ended March 31, 2024 and 2023 are as follows:

	Three Months Ended March 31,	
(\$ in thousands)	2024	2023
Funds from operations		
Net income attributable to common shareholders	\$ 83,889	\$ 41,917
Real estate depreciation and amortization	141,847	139,387
Gain on sale of operating property	(43,806)	—
Income allocated to non-controlling interests	1,870	1,702
Funds from operations	\$ 183,800	\$ 183,006
Casualty-related expenses, net of (recoveries)	1,523	(42)
Severance	506	—
Legal costs and settlements, net of recoveries	852	84
Loss on early retirement of debt	921	—
Core funds from operations	\$ 187,602	\$ 183,048
Less: recurring capitalized expenditures	(22,025)	(17,579)
Core adjusted funds from operations	\$ 165,577	\$ 165,469
Weighted average shares - basic	108,706	108,568
Incremental shares issuable from assumed conversion of:		
Share awards granted	23	36
Common units	1,594	1,597
Weighted average shares - diluted	110,323	110,201

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 6.9 and 6.7 for the three months ended March 31, 2024 and 2023, respectively. 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, and other expenses, after adding back depreciation, amortization, and interest expense. Approximately 89.8% and 84.0% of our properties were unencumbered as of March 31, 2024 and 2023, respectively. Our weighted average maturity of debt was approximately 6.6 years at March 31, 2024.

Our primary sources of liquidity is cash flows generated from operations. Other sources may include one or more of the following: availability under our unsecured revolving credit facility, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our ATM program, and other unsecured borrowings or secured mortgages. We believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash needs during the next twelve months from our filing date including:

- normal recurring operating expenses;
- current debt service requirements including scheduled debt maturities;
- recurring and non-recurring capital expenditures;
- funding of property developments, repositions, redevelopments, and acquisitions;
- the minimum dividend payments required to maintain our REIT qualification under the Code; and
- funding share repurchases.

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

Cash Flows

The following is a discussion of our cash flows for the three months ended March 31, 2024 as compared to the same period in 2023.

Net cash from operating activities was approximately \$135.9 million during the three months ended March 31, 2024 as compared to approximately \$139.7 million for the same period in 2023. The decrease was primarily due to lower cash inflows from operating accounts primarily due to lower prepayment of rental income received from our residents, as well as a decrease in cash from property operations due to the sale of two operating properties in 2023 and one operating property in 2024. These decreases were partially offset by the growth attributable to our same store and non-same store communities, and lower interest payments on our debt. See further discussion of our 2024 operations as compared to 2023 in ["Results of Operations."](#)

Net cash from investing activities during the three months ended March 31, 2024 totaled approximately \$6.9 million as compared to net cash used in investing activities of \$93.5 million during the same period in 2023. Cash inflows during the three months ended March 31, 2024 primarily related to net proceeds from the sale of one operating property of approximately \$114.5 million. These inflows were partially offset by amounts paid for property development and capital improvements of approximately \$106.1 million. Cash outflows during the three months ended March 31, 2023 primarily related to amounts paid for property development and capital improvements of approximately \$91.9 million. The increase in property development and capital improvements for the three months ended March 31, 2024, as compared to the same period in 2023, was primarily due to higher development, repositions, and capital improvements expenditures in 2024 as compared to 2023. The property development and capital improvements during the three months ended March 31, 2024 and 2023, included the following:

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(in millions)	Three Months Ended March 31,	
	2024	2023
Expenditures for new development, including land	\$ 49.6	\$ 40.5
Reposition expenditures	24.8	21.0
Capital expenditures	22.7	20.6
Direct real estate taxes and capitalized interest and other indirect costs	9.0	9.8
Total	<u>\$ 106.1</u>	<u>\$ 91.9</u>

Net cash used in financing activities totaled approximately \$309.9 million for the three months ended March 31, 2024 as compared to approximately \$36.3 million during the same period in 2023. Cash outflows during the three months ended March 31, 2024 primarily related to the repayment of our \$300 million unsecured term loan, and \$250 million senior unsecured notes in January 2024. Cash outflows also related to \$110.4 million used for distributions to common shareholders and non-controlling interest holders, and \$45.7 million used for common share repurchases, partially offset by net proceeds of approximately \$396.0 million from the issuance of \$400.0 million senior unsecured notes in January 2024. Cash outflows during the three months ended March 31, 2023 primarily related to \$103.6 million used for distributions to common shareholders and non-controlling interest holders, partially offset by net proceeds of \$66.0 million of borrowings from our unsecured revolving credit facility.

Financial Flexibility

We have a \$1.2 billion unsecured revolving credit facility which matures in August 2026, with two options to extend the facility at our election for two consecutive six-month periods and to expand the facility up to three times by up to an additional \$500 million upon satisfaction of certain conditions. The interest rates on our unsecured revolving credit facility is based upon, at our option, (a) the daily or the one-, three-, or six-month Secured Overnight Financing Rate ("SOFR") plus, in each case, a spread based on our credit rating, or (b) a base rate equal to the higher of: (i) the Federal Funds Rate plus 0.50%, (ii) Bank of America, N.A.'s prime rate, (iii) Term SOFR plus 1.0%, and (iv) 1.0%. Advances under our unsecured revolving credit facility 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 \$600 million or the remaining amount available under our unsecured revolving credit facility. Our unsecured revolving credit facility is subject to customary financial covenants and limitations. We believe we are in compliance with all such financial covenants and limitations as of March 31, 2024 and through the date of this filing.

Our unsecured revolving credit facility provides us with the ability to issue up to \$50 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our unsecured revolving credit facility, it does reduce the amount available. At March 31, 2024, we had outstanding letters of credit totaling approximately \$27.7 million, and approximately \$1.2 billion available under our unsecured revolving credit facility.

In May 2023, we created an ATM share offering program through which we can, but have no obligation to, sell common shares and we may also enter into separate forward sale agreements with forward purchasers for an aggregate offering amount of up to \$500.0 million (the "2023 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. We intend to use proceeds from the sale of our common shares under the 2023 ATM program for general corporate purposes, which may include reducing future borrowings under our unsecured revolving credit facility, the repayment of other indebtedness, the redemption or other repurchase of outstanding debt or equity securities, funding for development activities, and financing for acquisitions. As of the date of this filing, we have not sold any shares or entered into any forward sales agreement and have common shares having an aggregate offering amount of up to \$500.0 million remaining available for sale under the 2023 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 A3 with stable outlook, A- with stable outlook, and A- with stable outlook, respectively. We believe our ability to access capital markets is also enhanced 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 or 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 revolving credit facility. We believe scheduled repayments of debt due during the next 12 months are manageable at approximately \$290.0 million which represents approximately 8.2% of our total outstanding debt, and excludes amortization of debt discounts, and debt issuance costs. See [Note 6, "Notes Payable,"](#) in the notes to Condensed Consolidated Financial Statements for a further discussion of our scheduled maturities.

As of March 31, 2024, we estimated the additional cost to complete the construction of four properties to be approximately \$97.4 million. Of this amount, we expect to incur costs between approximately \$70 million and \$90 million during the remainder of 2024 and to incur the remaining costs during 2025 through 2026. Additionally, we expect to incur costs between approximately \$39 million and \$49 million related to the start of new development activities, between approximately \$73 million and \$77 million of repositions, redevelopment, repurposes, and revenue enhancing expenditures and between approximately \$79 million and \$83 million of additional recurring capital expenditures.

We anticipate meeting our near-term liquidity requirements through a combination of one or more of the following: cash flows generated from operations, draws on our unsecured revolving credit facility, the use of debt and equity offerings under our automatic shelf registration statement, proceeds from property dispositions, equity issued from our ATM program, and other unsecured borrowings or secured mortgages. We continue to evaluate our portfolio and plan to continue our practice of selective dispositions as market conditions warrant and opportunities arise.

As a REIT, we are subject to a number of organizational and operational requirements, including a requirement to distribute current dividends to our shareholders equal to a minimum of 90% of our annual taxable income. In order to minimize paying income taxes, our general policy is to distribute at least 100% of our taxable income. In February 2024, our Board of Trust Managers declared a quarterly dividend of \$1.03 per common share to our common shareholders of record as of March 29, 2024. The quarterly dividend was subsequently paid on April 17, 2024, and we paid equivalent amounts per unit to holders of the common operating partnership units. Assuming similar quarterly dividend distributions for the remainder of 2024, our annualized dividend rate would be \$4.12 per share or unit.

Critical Accounting Policies

Our critical accounting policies have not changed from the information reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

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, 2023.

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

For a discussion of our potential risks and uncertainties, see the risk factor below and those presented in our Annual Report on Form 10-K, Part 1, Item 1A, for the year ended December 31, 2023.

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

We made the following share repurchases during the three months ended March 31, 2024:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Repurchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program (2)
January 1, 2024 - January 31, 2024	—	\$ —	—	\$ 500,000,000
February 1, 2024 - February 29, 2024	150,300	93.57	150,300	485,937,106
March 1, 2024 - March 31, 2024	320,982	98.48	320,982	454,327,314
Total	<u>471,282</u>	<u>\$ 96.91</u>	<u>471,282</u>	

(1) Average Price Paid Per Share excludes cash paid for commissions.

(2) We have a share repurchase plan approved by our Board of Trust Managers in October 2022, which allows for the repurchase of up to \$500.0 million of our common equity securities through open-market purchases, block purchases, and privately negotiated transactions. The repurchase plan does not specify an expiration date.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

(a)

Exhibits

*10.1	Employment Letter Agreement dated April 17, 2024 between Camden Property Trust and Alexander J. Jessett
*10.2	Employment Letter Agreement dated April 17, 2024 between Camden Property Trust and D. Keith Oden
*31.1	Certification pursuant to Rule 13a-14(a) of Chief Executive Officer dated May 3, 2024
*31.2	Certification pursuant to Rule 13a-14(a) of Chief Financial Officer dated May 3, 2024
*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 - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL 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
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
* Filed herewith.	

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

May 3, 2024
Date