

HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
May 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

Or

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

For the transition period from _____ to _____
Commission File Number: 001-35568

HEALTHCARE TRUST OF AMERICA, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization) 20-4738467
(I.R.S. Employer Identification No.)

16435 N. Scottsdale Road,
Suite 320, Scottsdale, Arizona 85254
(Address of principal executive offices) (Zip Code)

(480) 998-3478
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

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

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

As of May 3, 2013, there were 111,424,429 shares of Class A common stock and 114,566,254 shares of Class B common stock of Healthcare Trust of America, Inc. outstanding.

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(A Maryland Corporation)
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

HEALTHCARE TRUST OF AMERICA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Real estate investments:		
Land	\$ 181,881	\$ 183,651
Building and improvements	2,094,322	2,044,113
Lease intangibles	365,758	352,884
Property held for sale, net	21,138	—
	2,663,099	2,580,648
Accumulated depreciation and amortization	(368,460	) (349,118
Real estate investments, net	2,294,639	2,231,530
Real estate notes receivable	20,000	20,000
Cash and cash equivalents	120,958	15,956
Restricted cash and escrow deposits	17,479	17,623
Receivables and other assets, net	93,134	84,970
Other intangibles, net	43,069	44,011
Non-real estate assets of property held for sale, net	925	—
Total assets	\$2,590,204	\$2,414,090
LIABILITIES AND EQUITY		
Liabilities:		
Debt, net	\$ 1,135,693	\$ 1,037,359
Accounts payable and accrued liabilities	66,929	63,443
Derivative financial instruments - interest rate swaps	6,569	9,370
Security deposits, prepaid rent and other liabilities	24,237	24,450
Intangible liabilities, net	11,211	11,309
Total liabilities	1,244,639	1,145,931
Commitments and contingencies		
Redeemable noncontrolling interest of limited partners	1,909	3,564
Equity:		
Preferred stock, \$0.01 par value; 200,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, \$0.01 par value; 800,000,000 and 700,000,000 shares authorized as of March 31, 2013 and December 31, 2012, respectively; 109,724,429 and 100,086,387 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	1,097	1,001
Class B common stock, \$0.01 par value; 200,000,000 and 300,000,000 shares authorized as of March 31, 2013 and December 31, 2012, respectively; 114,566,254 shares issued and outstanding as of March 31, 2013 and December 31, 2012	1,146	1,146
Additional paid-in capital	1,991,217	1,885,836
Cumulative dividends in excess of earnings	(664,607	) (633,717
Total stockholders' equity	1,328,853	1,254,266
Noncontrolling interest	14,803	10,329

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Total equity	1,343,656	1,264,595
Total liabilities and equity	\$2,590,204	\$2,414,090

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

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HEALTHCARE TRUST OF AMERICA, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share data)
 (Unaudited)

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Rental income	\$75,807	\$69,368
Interest income from mortgage notes receivable and other income	620	1,308
Total revenues	76,427	70,676
Expenses:		
Rental	23,904	22,628
General and administrative	6,448	6,007
Non-traded REIT	—	2,143
Acquisition-related	1,025	2,321
Depreciation and amortization	28,390	27,128
Listing	4,405	—
Total expenses	64,172	60,227
Income before other income (expense)	12,255	10,449
Other income (expense):		
Interest expense:		
Interest related to debt	(11,157	) (10,106
Interest related to derivative financial instruments and net change in fair value of derivative financial instruments	241	(800
Other income	8	27
Income (loss) from continuing operations	1,347	(430
Income from discontinued operations	37	123
Net income (loss)	\$1,384	\$(307
Net income attributable to noncontrolling interests	(33	) (8
Net income (loss) attributable to controlling interest	\$1,351	\$(315
Earnings (losses) per share attributable to controlling interest - basic:		
Continuing operations	\$0.01	\$0.00
Discontinued operations	0.00	0.00
Net income (loss)	\$0.01	\$0.00
Earnings (losses) per share attributable to controlling interest - diluted:		
Continuing operations	\$0.01	\$0.00
Discontinued operations	0.00	0.00
Net income (loss)	\$0.01	\$0.00
Weighted average number of shares outstanding:		
Basic	217,103	228,881
Diluted	218,904	228,881
Distributions declared per common share	\$0.14	\$0.18

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

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(Unaudited)

	Common Stock Issued			Par Value	Additional Paid-In Capital	Cumulative Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Common Stock	Class A	Class B						
Balance as of December 31, 2011	228,491	—	—	\$2,284	\$2,032,305	\$(467,249)	\$1,567,340	\$—	\$1,567,340
Issuance of restricted common stock	18	—	—	1	(1)	—	—	—	—
Share-based compensation expense	—	—	—	—	1,002	—	1,002	—	1,002
Issuance of common stock under the DRIP	2,016	—	—	20	19,128	—	19,148	—	19,148
Repurchase and cancellation of common stock	(1,011)	—	—	(10)	(9,906)	—	(9,916)	—	(9,916)
Distributions	—	—	—	—	—	(41,502)	(41,502)	—	(41,502)
Net loss attributable to controlling interest	—	—	—	—	—	(315)	(315)	—	(315)
Balance as of March 31, 2012	229,514	—	—	\$2,295	\$2,042,528	\$(509,066)	\$1,535,757	\$—	\$1,535,757
Balance as of December 31, 2012	—	100,086	114,566	\$2,147	\$1,885,836	\$(633,717)	\$1,254,266	\$10,329	\$1,264,595
Issuance of common stock	—	9,308	—	93	104,465	—	104,558	—	104,558
Issuance of restricted common stock	—	358	—	4	(4)	—	—	—	—
Share-based compensation expense	—	—	—	—	1,191	—	1,191	3,132	4,323
Repurchase and cancellation of common stock	—	(27)	—	(1)	(271)	—	(272)	—	(272)
Distributions	—	—	—	—	—	(32,241)	(32,241)	(277)	(32,518)
Noncontrolling interests	—	—	—	—	—	—	—	1,619	1,619

transfer									
Net income									
attributable to	—	—	—	—	—	1,351	1,351	—	1,351
controlling									
interest									
Balance as of									
March 31, 2013	—	109,725	114,566	\$2,243	\$1,991,217	\$(664,607)	\$1,328,853	\$14,803	\$1,343,656

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

Table of ContentsHEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 1,384	\$(307)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	28,564	26,716
Share-based compensation expense	4,323	1,002
Bad debt expense	(174)	) 225
Change in fair value of derivative financial instruments	(1,606)	) 508
Changes in operating assets and liabilities:		
Receivables and other assets	(5,428)	) (3,181)
Accounts payable and accrued liabilities	1,331	(1,956)
Security deposits, prepaid rent and other liabilities	(457)	) 3,098
Net cash provided by operating activities	27,937	26,105
Cash flows from investing activities:		
Acquisition of real estate operating properties and other assets	(88,529)	) (213,900)
Capital expenditures	(3,739)	) (6,695)
Restricted cash, escrow deposits and notes receivable	143	(1,209)
Real estate deposits paid	—	(2,810)
Real estate deposits used	—	3,800
Net cash used in investing activities	(92,125)	) (220,814)
Cash flows from financing activities:		
Proceeds from unsecured senior notes	297,558	—
Borrowings on unsecured revolving credit facility	103,000	182,000
Payments on unsecured revolving credit facility	(175,000)	) (182,000)
Borrowings on unsecured term loans	—	200,000
Payments on secured real estate term loan and mortgage loans	(127,175)	) (2,563)
Deferred financing costs	(2,179)	) (4,777)
Derivative financial instrument termination payments	(1,195)) —
Security deposits	—	198
Proceeds from issuance of common stock, net	105,749	—
Repurchase and cancellation of common stock	(272)	) (9,916)
Distributions	(30,856)	) (22,246)
Payment on earnout liability	(92)	) (328)
Distributions to noncontrolling interest of limited partners	(348)	) (30)
Net cash provided by financing activities	169,190	160,338
Net change in cash and cash equivalents	105,002	(34,371)
Cash and cash equivalents - beginning of period	15,956	69,491
Cash and cash equivalents - end of period	\$ 120,958	\$ 35,120

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

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HEALTHCARE TRUST OF AMERICA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The use of the words “we,” “us” or “our” refers to Healthcare Trust of America, Inc. and its subsidiaries, including Healthcare Trust of America Holdings, LP, except where the context otherwise requires.

1. Organization and Description of Business

Healthcare Trust of America, Inc., a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006 and consider that to be our date of inception.

We are a fully integrated, self-administered and internally managed real estate investment trust, or REIT, primarily focused on acquiring, owning and operating high-quality medical office buildings that are predominantly located on or aligned with campuses of nationally or regionally recognized healthcare systems. We are one of the largest public REITs focused on medical office buildings in the United States based on gross leasable area, or GLA, and have strong industry relationships, a stable and diversified tenant mix and an extensive and active acquisition network. Our primary objective is to maximize stockholder value with disciplined growth through strategic investments and to provide an attractive risk-adjusted return for our stockholders by consistently increasing our cash flow. In pursuing this objective, we (i) target mid-sized acquisitions of high-quality medical office buildings in markets with dominant healthcare systems, attractive demographics and that complement our existing portfolio, (ii) actively manage our balance sheet to maintain flexibility with conservative leverage, and (iii) seek internal growth through proactive asset management, leasing and property management oversight. We have qualified to be taxed as a REIT for federal income tax purposes and we intend to continue to be taxed as a REIT. We conduct substantially all of our operations through Healthcare Trust of America Holdings, LP, or our operating partnership.

We invest primarily in high-quality medical office buildings in our target markets, and have acquired high-quality medical office buildings and other facilities that serve the healthcare industry with an aggregate purchase price of \$2.7 billion through March 31, 2013. As of March 31, 2013, our portfolio consisted of 249 medical office buildings and 19 other facilities that serve the healthcare industry, as well as a mortgage loan receivable secured by medical office buildings.

On June 6, 2012, we listed our Class A common stock on the New York Stock Exchange, or the NYSE, under the symbol “HTA,” or the Listing. In accordance with an amendment to our charter approved by our stockholders on December 20, 2010, all of our common stock was converted into Class A, Class B-1, Class B-2 and Class B-3 common stock. Our Class B common stock is identical to our Class A common stock except that our Class B common stock is not currently listed on a national securities exchange. The shares of our Class B-1 common stock converted into shares of our Class A common stock on December 6, 2012 and our Class B-2 and B-3 common stock will convert to Class A common stock after the market closes on June 6, 2013 and December 6, 2013, respectively, unless our Board of Directors elects to convert some or all of the shares prior to those dates.

Our principal executive offices are located at 16435 N. Scottsdale Road, Suite 320, Scottsdale, Arizona, 85254.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our condensed consolidated financial statements. Such condensed consolidated financial statements and the accompanying notes are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing our accompanying condensed consolidated financial statements.

Basis of Presentation

Our accompanying unaudited condensed consolidated financial statements include our accounts and those of our operating partnership, or the OP, the wholly-owned subsidiaries of our OP and any consolidated variable interest entities. We operate in an umbrella partnership REIT structure in which subsidiaries of our OP own all of the properties acquired on our behalf. Because we are the sole general partner of our OP and have sole control over its management and major operating decisions (even if additional limited partners are admitted to our operating

partnership), the accounts of our OP are consolidated. As of March 31, 2013 and December 31, 2012, we owned an approximately 99.20% and 99.93%, respectively, interest in our OP.

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HEALTHCARE TRUST OF AMERICA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Reclassifications

To better present our real estate related balances, we have chosen to break out the details of real estate investments (net) in our balance sheet as opposed to disclosing the details in a footnote. In addition, we have reclassified certain accounts, as further discussed below, in our previously issued balance sheet to conform to current period presentation. In place leases and tenant relationship intangibles are now included in real estate investments (net) as lease intangibles. In addition, accounts and other receivables (net) have been combined with receivables and other assets (net). None of the revised reclassifications reflect corrections of any amounts. The following table presents the previously reported balances and the reclassified balances for the impacted line items of the December 31, 2012 balance sheet (in thousands):

	December 31, 2012	
	As Previously Reported	As Reclassified
Real estate investments:		
Land	\$—	\$ 183,651
Building and improvements	—	2,044,113
Lease intangibles	—	352,884
	—	2,580,648
Accumulated depreciation and amortization	—	(349,118)
Real estate investments, net	1,992,607	2,231,530
Accounts and other receivables, net	13,317	—
Receivables and other assets, net	71,653	84,970
Other intangibles, net	282,934	44,011

In our previously issued condensed consolidated statement of operations for the three months ended March 31, 2012, non-traded REIT expenses of \$2.1 million were included in general and administrative expenses. The non-traded REIT expenses have been reclassified to a separate line item in our condensed consolidated statements of operations.

Real Estate Investments

Depreciation expense of buildings and improvements for the three months ended March 31, 2013 and 2012 was \$18.2 million and \$16.7 million, respectively.

Listing Expenses

Listing expenses primarily include fees associated with the Listing and share-based compensation expense associated with the long term incentive program, or LTIP, awards that were granted in connection with the Listing.

Interim Unaudited Financial Data

Our accompanying condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the Securities and Exchange Commission, or the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable for the full year. Our accompanying condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in the 2012 Annual Report on Form 10-K.

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HEALTHCARE TRUST OF AMERICA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Recently Issued or Adopted Accounting Pronouncements

In January 2013, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2013-01, Balance Sheet (Topic 210) - Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, or ASU 2013-01, which clarifies the scope of ASU 2011-11, Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities. ASU 2013-01 requires entities to disclose both gross and net information about derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse purchase agreements and securities borrowing and securities lending transactions that are subject to an agreement similar to a master netting arrangement. Entities are required to apply these disclosures for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity must provide the disclosures required by those amendments retrospectively for all comparative periods presented. We adopted ASU 2011-11 and ASU 2013-01 in the first quarter of fiscal 2013 and have reflected the adoption in our disclosures to our interim condensed consolidated financial statements.

3. Business Combinations

For the three months ended March 31, 2013, we have completed two acquisitions for an aggregate purchase price of \$88.5 million, in addition to closing costs attributable to these acquisitions of \$0.4 million. Results of operations for these acquisitions are reflected in our condensed consolidated statements of operations for the three months ended March 31, 2013, for the period subsequent to the acquisition dates.

The aggregate purchase price of the 2013 acquisitions was allocated in the amounts set forth in the table below. Due to the recent timing of the 2013 acquisitions, we have not yet finalized our purchase price allocations related to our acquisitions during the three months ended March 31, 2013. Since the acquisitions were determined to be individually not significant, but material on a collective basis, the allocations for these acquisitions are set forth below in the aggregate (in thousands).

2013 Acquisitions	Total
Land	\$3,340
Building and improvements	67,031
In place leases	11,674
Tenant relationships	6,780
Below market leases	(296)
Aggregate purchase price	\$88,529

The weighted average lives of the above acquired intangible assets and liabilities were 7.8 years and 8.3 years, respectively.

The property acquisitions completed during the three months ended March 31, 2013, were all cash transactions. No mortgage loans payable were assumed or put in place, and we acquired a 100% ownership interest in each property acquisition. See below for a brief description of each of the acquisitions.

On March 11, 2013, we completed the acquisition of a medical office building located in Dallas, Texas for \$48.7 million.

On March 22, 2013, we completed the acquisition of a medical office building located in Bryan - College Station, Texas for \$39.8 million.

4. Real Estate Notes Receivable

Real estate notes receivable consisted of the following as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Real estate notes receivable	\$20,000	\$20,000

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HEALTHCARE TRUST OF AMERICA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Our real estate notes receivable balance consists of four promissory notes receivable secured by medical office buildings, with interest rates ranging from 10.85% per annum to 10.95% per annum. The weighted average effective interest rate based on the purchase price of the notes was 14.57% per annum as of March 31, 2013. The promissory notes were scheduled to mature on May 1, 2013. Subsequent to the end of the quarter at the request of the borrower, we extended the maturity date until November 1, 2013.

We monitor the credit quality of our real estate notes receivable on an ongoing basis by tracking possible credit quality indicators. As of March 31, 2013, all of our real estate notes receivable are current and we have not provided for any allowance for losses or recorded any impairments with respect to our notes receivable. We made no purchases or sales of real estate notes receivable during the three months ended March 31, 2013.

5. Intangible Assets and Liabilities

Intangible assets and liabilities consisted of the following as of March 31, 2013 and December 31, 2012 (in thousands, except weighted average remaining life):

	March 31, 2013		December 31, 2012		
	Balance	Weighted Average Remaining Life in Years	Balance	Weighted Average Remaining Life in Years	Balance Sheet Classification
Assets:					
In place leases	\$ 183,394	9.4	\$ 174,615	9.7	Lease intangibles
Tenant relationships	182,364	11.3	178,269	11.6	Lease intangibles
Above market leases	24,785	6.7	25,387	6.9	Other intangibles, net
Below market leasehold interests	30,587	69.2	30,587	69.4	Other intangibles, net
	421,130		408,858		
Accumulated amortization	(131,127)		(125,924)		
Total	\$ 290,003		\$ 282,934		
Liabilities:					
Below market leases	\$ 13,017	13.7	\$ 12,823	13.7	Intangible liabilities, net
Above market leasehold interests	3,827	33.8	3,827	34.0	Intangible liabilities, net
	16,844		16,650		
Accumulated amortization	(5,633)		(5,341)		
Total	\$ 11,211		\$ 11,309		

The following is a summary of the net intangible amortization for the three months ended March 31, 2013 and 2012 (in thousands):

	Three Months Ended March 31,	
	2013	2012
Amortization recorded against rental income related to above or below market leases	\$ 455	\$ 421
Rental expense related to above or below market leasehold interests	95	175
Amortization expense related to in place leases and tenant relationships	9,536	9,750

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HEALTHCARE TRUST OF AMERICA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. Receivables and Other Assets

Receivables and other assets consisted of the following as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Accounts and other receivables, net	\$ 17,861	\$ 13,317
Tenant note receivable	3,260	3,287
Deferred financing costs, net	12,453	11,006
Deferred leasing costs, net	10,715	10,554
Lease inducements, net	802	880
Deferred rent receivable, net	40,936	39,095
Prepaid expenses, deposits, equipment and other	7,107	6,831
Total	\$ 93,134	\$ 84,970

The tenant note receivable is for a loan to a tenant for building improvements. The interest rate is 9.0% per annum and the promissory note requires monthly principal and interest payments from the tenant through July 2027. As of March 31, 2013, this tenant's promissory note is current and we have not provided any allowance for losses, and we have had no impairment with respect to this promissory note.

The following is a summary of amortization of deferred financing costs, deferred leasing commissions and lease inducements for the three months ended March 31, 2013 and 2012 (in thousands):

	Three Months Ended March 31,	
	2013	2012
Amortization expense related to deferred leasing costs	\$ 565	\$ 391
Interest expense related to deferred financing costs	1,245	1,214
Amortization recorded against rental income related to lease inducements	50	95

7. Assets Held for Sale and Discontinued Operations

During the quarter ended March 31, 2013, we classified one of our properties as held for sale as we committed to an approved plan to seek to dispose of the property. The sale of the property is expected to occur within one year. The following table represents the major classes of assets and liabilities and the balance sheet classification as of March 31, 2013 (in thousands):

	March 31, 2013
Land	\$ 5,109
Building and improvements, net	15,181
Lease intangibles, net	848
Property held for sale, net	\$ 21,138
Receivables and other assets, net	\$ 925
Non-real estate assets of property held for sale, net	\$ 925
Security deposits, prepaid rent and other liabilities	\$ 116
Security deposits, prepaid rent and other liabilities	\$ 116

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HEALTHCARE TRUST OF AMERICA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The table below reflects the results of operations of the property classified as held for sale, which are included in discontinued operations for the three months ended March 31, 2013 and 2012 (in thousands):

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Rental income	\$434	\$567
Expenses:		
Rental	65	88
Depreciation and amortization	171	229
Total expenses	236	317
Income before other income (expense)	198	250
Other income (expense):		
Interest expense related to debt	(161	) (127
Income from discontinued operations	\$37	\$123

8. Debt

Debt consisted of the following as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Unsecured revolving credit facility	\$—	\$72,000
Unsecured term loans	455,000	455,000
Unsecured senior notes	300,000	—
Fixed rate mortgages	380,781	382,456
Secured real estate term loan	—	125,500
	1,135,781	1,034,956
Net (discount) premium	(88)