

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2001

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-12110

**CAMDEN PROPERTY TRUST**

*(Exact Name of Registrant as Specified in Its Charter)*

TEXAS

*(State or Other Jurisdiction of  
Incorporation or Organization)*

76-6088377

*(I.R.S. Employer Identification  
Number)*

3 Greenway Plaza, Suite 1300, Houston, Texas 77046  
*(Address of Principal Executive Offices) (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)*

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

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

As of August 3, 2001, there were 40,735,751 shares of Common Shares of Beneficial Interest, \$0.01 par value outstanding.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CAMDEN PROPERTY TRUST  
CONSOLIDATED BALANCE SHEETS***(In thousands)*

	<b>ASSETS</b>	
	<b>June 30, 2001</b>	<b>December 31, 2000</b>
	(Unaudited)	
Real estate assets, at cost:		
Land	\$ 359,150	\$ 350,248
Buildings and improvements	2,190,177	2,124,740
	<u>2,549,327</u>	<u>2,474,988</u>
Less: accumulated depreciation	(374,696)	(326,723)
Net operating real estate assets	2,174,631	2,148,265
Properties under development, including land	128,610	148,741
Investment in joint ventures	20,380	22,612
Total real estate assets	<u>2,323,621</u>	<u>2,319,618</u>
Accounts receivable - affiliates	3,733	3,236
Notes receivable:		
Affiliates	1,800	1,800
Other	79,323	72,893
Other assets, net	30,990	23,923
Cash and cash equivalents	2,576	4,936
Restricted cash	4,538	4,475
	<u>\$ 2,446,581</u>	<u>\$ 2,430,881</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Notes payable:		
Unsecured	\$ 871,079	\$ 799,026
Secured	324,386	339,091
Accounts payable	14,309	13,592
Accrued real estate taxes	20,967	26,781
Accrued expenses and other liabilities	39,553	36,981
Distributions payable	30,262	28,900
Total liabilities	<u>1,300,556</u>	<u>1,244,371</u>
Minority Interests:		
Units convertible into perpetual preferred shares	149,815	149,815
Units convertible into common shares	57,849	60,562
Total minority interests	<u>207,664</u>	<u>210,377</u>
7.33% Convertible Subordinated Debentures		1,950
Shareholders' Equity:		
Convertible preferred shares of beneficial interest		42
Common shares of beneficial interest	475	450
Additional paid-in capital	1,294,534	1,312,323
Distributions in excess of net income	(169,787)	(153,972)
Unearned restricted share awards	(10,434)	(6,680)
Less: treasury shares, at cost	(176,427)	(177,980)
Total shareholders' equity	<u>938,361</u>	<u>974,183</u>
Total liabilities and shareholders' equity	<u>\$ 2,446,581</u>	<u>\$ 2,430,881</u>

See Notes to Consolidated Financial Statements.

**CAMDEN PROPERTY TRUST**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

(In thousands, except per share amounts)

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Revenues</b>				
Rental income	\$ 93,116	\$ 91,660	\$ 185,326	\$ 181,178
Other property income	7,372	6,613	14,323	12,976
Total property income	<u>100,488</u>	<u>98,273</u>	<u>199,649</u>	<u>194,154</u>
Equity in income of joint ventures	228	223	2,924	480
Fee and asset management	1,720	1,217	3,263	2,926
Other income	2,124	1,614	4,078	2,481
Total revenues	<u>104,560</u>	<u>101,327</u>	<u>209,914</u>	<u>200,041</u>
<b>Expenses</b>				
Property operating and maintenance	28,205	28,274	56,364	55,980
Real estate taxes	10,448	10,044	20,514	20,034
General and administrative	3,109	3,626	6,392	6,765
Impairment provision for technology investments			1,090	
Interest	17,774	17,605	34,917	34,189
Depreciation and amortization	24,848	25,244	49,344	49,843
Total expenses	<u>84,384</u>	<u>84,793</u>	<u>168,621</u>	<u>166,811</u>
<b>Income before gain on sales of properties and minority interests</b>	20,176	16,534	41,293	33,230
Gain on sales of properties	656		2,372	1,933
<b>Income before minority interests</b>	<u>20,832</u>	<u>16,534</u>	<u>43,665</u>	<u>35,163</u>
Income allocated to minority interests				
Distributions on units convertible into perpetual preferred shares	(3,218)	(3,190)	(6,436)	(6,408)
Income allocated to units convertible into common shares	(478)	(407)	(1,549)	(799)
Total income allocated to minority interests	<u>(3,696)</u>	<u>(3,597)</u>	<u>(7,985)</u>	<u>(7,207)</u>
<b>Net income</b>	17,136	12,937	35,680	27,956
<b>Preferred share dividends</b>	(202)	(2,343)	(2,545)	(4,686)
<b>Net income to common shareholders</b>	<u>\$ 16,934</u>	<u>\$ 10,594</u>	<u>\$ 33,135</u>	<u>\$ 23,270</u>
<b>Basic earnings per share</b>	\$ 0.43	\$ 0.28	\$ 0.85	\$ 0.61
<b>Diluted earnings per share</b>	\$ 0.40	\$ 0.27	\$ 0.82	\$ 0.58
<b>Distributions declared per common share</b>	\$ 0.61	\$ 0.5625	\$ 1.22	\$ 1.125
<b>Weighted average number of common shares outstanding</b>	39,797	37,927	38,891	38,210
<b>Weighted average number of common and common dilutive equivalent shares outstanding</b>	44,525	41,146	42,512	41,361

See Notes to Consolidated Financial Statements.

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

(In thousands)

	<b>Six Months</b>	
	<b>Ended June 30,</b>	
	<b>2001</b>	<b>2000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income	\$ 35,680	\$ 27,956
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,344	49,843
Equity in income of joint ventures, net of cash received	3,359	779
Gain on sale of properties	(2,372)	(1,933)
Income allocated to units convertible into common shares	1,549	799
Accretion of discount on unsecured notes payable	251	198
Net change in operating accounts	419	(5,088)
Net cash provided by operating activities	<u>88,230</u>	<u>72,554</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in real estate assets	(59,629)	(73,536)
Net proceeds from sale of properties	8,914	20,056
Increase in investment in joint ventures	(1,136)	
Increase in notes receivable	(13,665)	(6,300)
Decrease in notes receivable	7,235	
Other	(3,470)	(783)
Net cash used in investing activities	<u>(61,751)</u>	<u>(60,563)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in unsecured lines of credit and short-term borrowings	(26,000)	52,000
Proceeds from notes payable	211,227	
Proceeds from issuance of preferred units, net		17,136
Repayment of notes payable	(128,130)	(2,507)
Distributions to shareholders and minority interests	(59,444)	(55,605)
Repurchase of preferred shares	(26,922)	
Repurchase of common shares and units convertible into common shares		(26,306)
Other	430	786
Net cash used in financing activities	<u>(28,839)</u>	<u>(14,496)</u>
Net decrease in cash and cash equivalents	(2,360)	(2,505)
<b>Cash and cash equivalents, beginning of period</b>	<u>4,936</u>	<u>5,517</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 2,576</u>	<u>\$ 3,012</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest, net of interest capitalized	\$ 31,888	\$ 34,070
Interest capitalized	5,809	8,067
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Conversion of 7.33% subordinated debentures to common shares, net	\$ 1,950	\$ 859
Value of shares issued under benefit plans, net	5,475	6,125
Conversion of operating partnership units to common shares	1,126	

See Notes to Consolidated Financial Statements.

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

**1. Interim Unaudited Financial Information**

*The accompanying interim unaudited financial information has been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted according to such rules and regulations. Management believes that the disclosures included are adequate to make the information presented not misleading. In the opinion of management, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Camden Property Trust as of June 30, 2001 and the results of operations and cash flows for the three and six months ended June 30, 2001 and 2000 have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year.*

Business

Camden Property Trust is a real estate company engaged in the ownership, development, construction and management of multifamily apartment communities. At June 30, 2001, we owned interests in, operated or were developing 147 multifamily properties containing 52,590 apartment homes located in the Sunbelt and Midwestern markets from Florida to California. Two of our multifamily properties containing 918 apartment homes were under development at June 30, 2001. Two of our newly developed multifamily properties containing 952 apartment homes were in lease-up at June 30, 2001. Additionally, we have several sites which we intend to develop into multifamily apartment communities.

Property Update

During the first six months of 2001, stabilization occurred at the following two properties totaling 924 apartment homes: The Park at Oxmoor in Louisville and The Park at Lee Vista in Orlando. We consider a property stabilized once it reaches 90% occupancy, or generally one year from opening the leasing office, with some allowances for larger than average properties. We completed construction of 620 apartment homes at The Park at Farmers Market, Phase I in Dallas. Construction continued at two properties totaling 918 apartment homes: The Park at Crown Valley in Mission Viejo and Camden Harbour View in Long Beach. We have begun leasing at the Mission Viejo property, and are expected to begin leasing during the third quarter of 2002 at the property in Long Beach.

During the second quarter of 2001, we acquired Camden Pecos Ranch, a 272 apartment home property located in Phoenix, Arizona for \$20.6 million. Camden Pecos Ranch was developed under our third party development pipeline and was completed during the fourth quarter 2000. It stabilized during the first quarter 2001.

Dispositions during the first six months of 2001 included two parcels of land totaling 22.7 acres located in Houston and two operating properties with a total of 556 apartment homes located in North Carolina. The proceeds from the land sales totaled \$8.6 million and were used to reduce indebtedness outstanding under our unsecured line of credit. The operating properties were held through a joint venture and the gains from these dispositions, totaling \$2.6 million, are included in "Equity in income of joint ventures".

### Real Estate Assets at Cost

We capitalized \$12.7 million and \$13.7 million in the six months ended June 30, 2001 and 2000, respectively, of renovation and improvement costs which we believe extended the economic lives and enhanced the earnings of our multifamily properties.

### Property Operating and Maintenance Expenses

Property operating and maintenance expenses included normal repairs and maintenance totaling \$6.7 million and \$13.7 million for the three and six months ended June 30, 2001, compared to \$7.2 million and \$14.3 million for the three and six months ended June 30, 2000.

### Common Share Dividend Declaration

In June 2001, we announced that our Board of Trust Managers had declared a dividend of \$0.61 per share for the second quarter of 2001 which was paid on July 17, 2001 to all common shareholders of record as of June 29, 2001. We paid an equivalent amount per unit to holders of common operating partnership units. This distribution to common shareholders and holders of common operating partnership units equates to an annualized dividend rate of \$2.44 per share or unit.

### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities”, which is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. We have adopted SFAS No. 133 effective January 1, 2001. The adoption of SFAS No. 133 did not have a material impact on our financial position, results of operations, or cash flows.

In July 2001, FASB issued SFAS No. 141, “Business Combinations”, which is effective for business combinations initiated after June 30, 2001. SFAS No. 141 requires all business combinations to be accounted for under the purchase method and that the pooling-of-interest method is no longer allowed. The adoption of SFAS No. 141 will not have a material impact on our financial position, results of operations, or cash flows.

In July 2001, FASB issued SFAS No. 142, “Goodwill and Other Intangible Assets”, which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. The adoption of SFAS No. 142 will not have a material impact on our financial position, results of operations, or cash flows.

## Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share for the three and six months ended June 30, 2001 and 2000:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Basic earnings per share:</b>				
Weighted average common shares outstanding	39,797	37,927	38,891	38,210
Basic earnings per share	<u>\$ 0.43</u>	<u>\$ 0.28</u>	<u>\$ 0.85</u>	<u>\$ 0.61</u>
<b>Diluted earnings per share:</b>				
Weighted average common shares outstanding	39,797	37,927	38,891	38,210
Shares issuable from assumed conversion of:				
Common share options and awards granted	1,169	670	1,096	602
Convertible preferred shares (a)	1,047			
Units convertible into common shares	2,512	2,549	2,525	2,549
Weighted average common shares outstanding, as adjusted	<u>44,525</u>	<u>41,146</u>	<u>42,512</u>	<u>41,361</u>
Diluted earnings per share	<u>\$ 0.40</u>	<u>\$ 0.27</u>	<u>\$ 0.82</u>	<u>\$ 0.58</u>
<b>Earnings for basic and diluted computation:</b>				
Net income	\$ 17,136	\$ 12,937	\$ 35,680	\$ 27,956
Less: Preferred share dividends	<u>(202)</u>	<u>(2,343)</u>	<u>(2,545)</u>	<u>(4,686)</u>
Net income to common shareholders				
(Basic diluted earnings per share computation)	16,934	10,594	33,135	23,270
Preferred share dividends (a)	202			
Income allocated to operating partnership units	<u>478</u>	<u>407</u>	<u>1,549</u>	<u>799</u>
Net income to common shareholders, as adjusted				
(Diluted earnings per share computation)	<u>\$ 17,614</u>	<u>\$ 11,001</u>	<u>\$ 34,684</u>	<u>\$ 24,069</u>

(a) The convertible preferred shares were anti-dilutive for the three and six months ended June 30, 2000 and for the six months ended June 30, 2001

## **2. Notes Receivable**

We have entered into agreements with unaffiliated third parties to develop, construct, and manage eight multifamily projects containing a total of 2,840 apartment homes. We are providing financing for a portion of each project in the form of notes receivable which mature through 2005. These notes earn interest at 10% annually and are secured by second liens on the assets and partial guarantees by the third party owners. We expect these notes to be repaid from operating cash flow or proceeds from the sale of the individual properties. At June 30, 2001 and 2000, these notes had principal balances totaling \$76.2 million and \$38.3 million, respectively, and we anticipate funding up to an aggregate of \$103 million in connection with these projects.

We earn fees for managing the development, construction and eventual operations of these properties. The related fees we earned for these projects totaled \$462,000 and \$1.3 million for the six months ended June 30, 2001 and 2000, respectively. We have begun construction on four of these projects, and initial occupancy has begun on three of the projects. We have the option to purchase these properties in the future at a price to be determined based upon the property's performance and an agreed valuation model.

During the second quarter of 2001, we acquired Camden Pecos Ranch which was developed under our third party development pipeline for \$20.6 million. Camden Pecos Ranch contains 272 apartment homes and is located in Phoenix, Arizona. The note receivable relating to Camden Pecos Ranch at time of acquisition was \$7.2 million.

The following is a detail of our third party construction subject to notes receivable.

<b>Property and Location</b>	<b>Number of Apartment Homes</b>	<b>Estimated Cost (\$ millions)</b>	<b>Estimated/ Actual Date of Completion</b>	<b>Estimated/ Actual Date of Stabilization</b>
<u>In lease-up</u>				
Marina Pointe II <i>Tampa, FL</i>	352	\$ 30	1Q01	3Q01
Creekside <i>Denver, CO</i>	279	32	3Q01	4Q01
Ybor City <i>Tampa, FL</i>	454	40	4Q01	3Q02
<u>Under Construction</u>				
Little Italy <i>San Diego, CA</i>	160	36	4Q02	3Q03
<u>Pre-Development</u>				
Otay Ranch <i>San Diego, CA</i>	422	57		
California Oaks <i>Murietta, CA</i>	264	35		
Lee Vista II <i>Orlando, FL</i>	366	31		
Midtown West <i>Houston, TX</i>	543	54		
Total Third Party Development	2,840	\$ 315		

### 3. Technology Investments

During 2000, our Board of Trust Managers authorized us to invest in non-real estate initiatives, including investments in e-commerce initiatives with other multi-family real estate owners. These investments may be made in companies that we believe will provide our residents with a broad range of real estate technology services including high-speed data, video and entertainment services, as well as resident portals. These portals should provide our residents with a variety of online services, including online rental payments and maintenance requests, which we believe will improve their overall living experience. Additionally, we have invested in companies that we believe will improve the efficiency of our internal operations through revenue management, credit scoring and purchasing.

As of June 30, 2001, we had \$5.0 million invested into various e-commerce companies. These investments are being accounted for under the cost method and are included in other assets in our consolidated financial statements. In addition to our investments, we have \$3.1 million in notes receivable relating to our e-commerce investments. We have commitments outstanding to fund an additional \$3.3 million on current e-commerce investments.

During the first six months of 2001, we expensed \$1.1 million of e-commerce investments relating to BroadBand Residential Inc. The \$1.1 million included a note receivable of approximately \$600,000, and represented our total investment, including notes receivable, in BroadBand Residential at the time of the write-off.



#### 4. Notes Payable

The following is a summary of our indebtedness:

(In millions)

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
<b>Unsecured Line of Credit and Short Term Borrowings</b>	\$ 170.0	\$ 196.0
<b>Senior Unsecured Notes</b>		
6.73% - 6.76% Notes, due 2001	50.0	150.0
7.03% Notes, due 2003	50.0	50.0
7.14% Notes, due 2004	199.3	199.2
7.16% - 7.28% Notes, due 2006	173.9	124.3
7.78% Notes, due 2011	148.4	
	<u>621.6</u>	<u>523.5</u>
<b>Medium Term Notes</b>		
6.68% - 6.74% Notes, due 2002	34.5	34.5
6.88% - 7.17% Notes, due 2004	30.0	30.0
7.63% Notes, due 2009	15.0	15.0
	<u>79.5</u>	<u>79.5</u>
<b>Secured Notes</b>		
7.00% - 8.50% Conventional Mortgage Notes, due 2003 - 2009	223.3	237.6
4.37% - 7.29 Tax-exempt Mortgage Notes, due 2023 - 2031	101.1	101.5
	<u>324.4</u>	<u>339.1</u>
<b>Total Notes Payable</b>	<u>\$ 1,195.5</u>	<u>\$ 1,138.1</u>

We have a \$400 million line of credit with a group of 14 banks which matures August 2003. The scheduled interest rate is currently based on a spread over LIBOR or Prime. The scheduled interest rates are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of \$200 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations. At quarter end, we were in compliance with all covenants and limitations.

On February 7, 2001, we issued from our \$750 million shelf registration an aggregate principal amount of \$50 million of 7% five-year senior unsecured notes maturing on February 15, 2006 and \$150 million of 7.625% ten-year senior unsecured notes maturing on February 15, 2011. Interest on the notes is payable semiannually on February 15 and August 15, commencing on August 15, 2001. We may redeem the notes at any time at a redemption price equal to the principal amount and accrued interest, plus a make-whole provision. The notes are direct, senior unsecured obligations and rank equally with all other unsecured and unsubordinated indebtedness. The proceeds from the sale of the notes were \$197.8 million, net of issuance costs. We used the net proceeds to reduce indebtedness outstanding under the unsecured line of credit.

At June 30, 2001, the weighted average interest rate on floating rate debt was 4.91%.

## 5. Net Change in Operating Accounts

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

(In thousands)

	Six Months Ended	
	June 30,	
	2001	2000
Decrease (increase) in assets:		
Accounts receivable – affiliates	\$ (100)	\$ 183
Other assets, net	(3,004)	(7,987)
Restricted cash	(63)	(471)
Increase (decrease) in liabilities:		
Accounts payable	711	152
Accrued real estate taxes	(5,606)	(3,747)
Accrued expenses and other liabilities	8,481	6,782
Net change in operating accounts	<u>\$ 419</u>	<u>\$ (5,088)</u>

## 6. Convertible Subordinated Debentures

In April 1994, we issued \$86.3 million aggregate principal amount of 7.33% Convertible Subordinated Debentures which matured on April 1, 2001. The debentures were convertible at any time prior to maturity into our common shares. Prior to maturity, \$86.2 million in principal amount of the debentures were converted into 3.6 million common shares. In addition, \$3.2 million of unamortized debenture issue costs were reclassified to additional paid-in-capital.

## 7. Preferred Units

In 1999, our operating partnership issued \$100 million of 8.5% Series B Cumulative Redeemable Perpetual Preferred Units. Also during 1999 and 2000, our operating partnership issued \$53 million of 8.25% Series C Cumulative Redeemable Perpetual Preferred Units. Distributions on the preferred units are payable quarterly in arrears. The preferred units are redeemable for cash by the operating partnership on or after the fifth anniversary of issuance at par plus the amount of any accumulated and unpaid distributions. The preferred units are convertible after 10 years by the holder into corresponding Cumulative Redeemable Perpetual Preferred Shares. The preferred units are subordinate to present and future debt.

## 8. Restricted Share and Option Awards

During the first six months of 2001, we granted 263,068 restricted shares in lieu of cash compensation to certain key employees and non-employee trust managers. The restricted shares were issued based on the market value of our common shares at the date of grant and have vesting periods of up to five years. We granted no options during the six months ended June 30, 2001. During the six month period ended June 30, 2001, previously granted options to purchase 582,131 shares became exercisable and 89,478 restricted shares vested.

## 9. Securities Repurchase Program

In 1998 and 1999, the Board of Trust Managers authorized us to repurchase or redeem up to \$200 million of our securities through open market purchases and private transactions. As of June 30, 2001, we had repurchased 6,857,726 common shares and redeemed 105,814 units convertible in to common shares for a total cost of \$178.0 million and \$2.9 million, respectively.

## **10. Convertible Preferred Shares**

The 4,165,000 preferred shares paid a cumulative dividend quarterly in arrears in an amount equal to \$2.25 per share per annum. The preferred shares generally had no voting rights and had a liquidation preference of \$25 per share plus accrued and unpaid distributions. The preferred shares were convertible at the option of the holder at any time into common shares at a conversion price of \$32.4638 per common share (equivalent to a conversion rate of 0.7701 per common share for each preferred share), subject to adjustment in certain circumstances. The preferred shares were not redeemable prior to April 30, 2001.

In April 2001, we announced that our issued and outstanding preferred shares would be redeemed effective April 30, 2001 at a redemption price of \$25.00 per share plus an amount equal to all accumulated, accrued and unpaid dividends as of April 30, 2001. Prior to redemption, 3.1 million preferred shares were converted into 2.4 million common shares. The remaining preferred shares were redeemed for an aggregate of \$27.1 million, including unpaid dividends, using funds available under our unsecured line of credit.

## **11. Contingencies**

Prior to our merger with Oasis Residential, Inc. in April 1998, Oasis had been contacted by certain regulatory agencies with regards to alleged failures to comply with the Fair Housing Amendments Act (the "Fair Housing Act") as it pertained to nine properties (seven of which we currently own) constructed for first occupancy after March 31, 1991. On February 1, 1999, the Justice Department filed a lawsuit against us and several other defendants in the United States District Court for the District of Nevada alleging (1) that the design and construction of these properties violates the Fair Housing Act and (2) that we, through the merger with Oasis, had discriminated in the rental of dwellings to persons because of handicap. The complaint requests an order that (i) declares that the defendant's policies and practices violate the Fair Housing Act; (ii) enjoins us from (a) failing or refusing, to the extent possible, to bring the dwelling units and public use and common use areas at these properties and other covered units that Oasis has designed and/or constructed into compliance with the Fair Housing Act, (b) failing or refusing to take such affirmative steps as may be necessary to restore, as nearly as possible, the alleged victims of the defendants alleged unlawful practices to positions they would have been in but for the discriminatory conduct and (c) designing or constructing any covered multi-family dwellings in the future that do not contain the accessibility and adaptability features set forth in the Fair Housing Act; and requires us to pay damages, including punitive damages, and a civil penalty.

With any acquisition, we plan for and undertake renovations needed to correct deferred maintenance, life/safety and Fair Housing matters. On January 30, 2001, a consent decree was ordered and executed in the above Justice Department action. Under the terms of the decree, we were ordered to make certain retrofits and implement certain educational programs and fair housing advertising. These changes are to take place over the next five years. In management's opinion, the costs associated with complying with the decree are not expected to have a material impact on our financial statements.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on our consolidated financial statements.

## **12. Subsequent Events**

In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for the purchase or sale of multifamily properties or development land. In accordance with the local real estate market practice, such letters of intent are non-binding, and neither party to the letter of intent is obligated to pursue the transaction unless and until a definitive contract is entered into by the parties. The letters of intent and any resulting definitive contracts provide the purchaser with time to evaluate the properties and conduct due diligence and 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 that definitive contracts will be entered into with respect to any properties covered by letters of intent or that we will acquire or sell any property as to which we may have entered into a definitive contract. Further, due diligence periods are frequently extended as needed. An acquisition or sale becomes probable at the time that the due diligence period expires and the definitive contract has not been terminated. We are then at risk under an acquisition contract, but only to the extent of any earnest money deposits associated with the contract, and are obligated to sell under a sales contract.

We are currently in the due diligence period on contracts for the purchase of land for development. No assurance can be made that we will complete the purchases or will be satisfied with the outcome of the due diligence.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

#### Overview

*The following discussion should be read in conjunction with all of the financial statements and notes appearing elsewhere in this report as well as the audited financial statements appearing in our 2000 Annual Report to Shareholders. Where appropriate, comparisons are made on a dollars per-weighted-average-unit basis in order to adjust for changes in the number of apartment homes owned during each period. The statements contained in this report that are not historical facts are forward-looking statements, and actual results may differ materially from those included in the forward-looking statements. These forward-looking statements involve risks and uncertainties including, but not limited to, the following: changes in general economic conditions, changes in financial markets and interest rates, our failure to qualify as a real estate investment trust ("REIT") and environmental uncertainties and natural disasters.*

#### Business

Camden Property Trust is a real estate investment trust which reports as a single business segment. At June 30, 2001, we owned interests in, operated or were developing 147 multifamily properties containing 52,590 apartment homes located in the Sunbelt and Midwestern markets from Florida to California. Two of our multifamily properties containing 918 apartment homes were under development at June 30, 2001. Two of our newly developed multifamily properties containing 952 apartment homes were in lease-up at June 30, 2001. Additionally, we have several sites which we intend to develop into multifamily apartment communities.

#### Property Update

During the first six months of 2001, stabilization occurred at the following two properties totaling 924 apartment homes: The Park at Oxmoor in Louisville and The Park at Lee Vista in Orlando. We consider a property stabilized once it reaches 90% occupancy, or generally one year from opening the leasing office, with some allowances for larger than average properties. We completed construction of 620 apartment homes at The Park at Farmers Market, Phase I in Dallas. Construction continued at two properties totaling 918 apartment homes: The Park at Crown Valley in Mission Viejo and Camden Harbour View in Long Beach. We have begun leasing at the Mission Viejo property, and are expected to begin leasing during the third quarter of 2002 at the property in Long Beach.

During the second quarter of 2001, we acquired Camden Pecos Ranch, a 272 apartment home property located in Phoenix, Arizona for \$20.6 million. Camden Pecos Ranch was developed under our third party development pipeline and was completed during the fourth quarter 2000. It stabilized during the first quarter 2001.

Dispositions during the first six months of 2001 included two parcels of land totaling 22.7 acres located in Houston and two operating properties with a total of 556 apartment homes located in North Carolina. The proceeds from the land sale totaled \$8.6 million and were used to reduce indebtedness outstanding under our unsecured line of credit. The operating properties were held through a joint venture and the gains from these dispositions, totaling \$2.6 million, are included in "Equity in income of joint ventures".

## Property Portfolio

Our multifamily property portfolio, excluding land held for future development is summarized as follows:

	June 30, 2001		December 31, 2000	
	Apartment Homes	Properties	Apartment Homes	Properties
<b>Operating Properties</b>				
<b>West</b>				
Las Vegas, Nevada (a)	10,653	37	10,653	37
Denver, Colorado (a)	2,529	8	2,529	8
Phoenix, Arizona	2,109	7	1,837	6
Southern California	1,272	3	1,272	3
Tucson, Arizona	821	2	821	2
Reno, Nevada	450	1	450	1
<b>Central</b>				
Dallas, Texas (a)	9,067	24	8,447	23
Houston, Texas	7,190	16	7,190	16
St. Louis, Missouri	2,123	6	2,123	6
Austin, Texas	1,745	6	1,745	6
Corpus Christi, Texas	1,663	4	1,663	4
Kansas City, Missouri	596	1	596	1
<b>East</b>				
Tampa, Florida	5,023	11	5,023	11
Orlando, Florida	2,804	6	2,804	6
Charlotte, North Carolina (a)	1,659	6	1,879	7
Louisville, Kentucky	1,448	5	1,448	5
Greensboro, North Carolina (a)	520	2	856	3
<b>Total Operating Properties</b>	<b>51,672</b>	<b>145</b>	<b>51,336</b>	<b>145</b>
<b>Properties Under Development</b>				
<b>West</b>				
Southern California	918	2	918	2
<b>Central</b>				
Dallas, Texas			620	1
<b>Total Properties Under Development</b>	<b>918</b>	<b>2</b>	<b>1,538</b>	<b>3</b>
<b>Total Properties</b>	<b>52,590</b>	<b>147</b>	<b>52,874</b>	<b>148</b>
Less: Joint Venture Properties (a)	5,947	21	6,503	23
<b>Total Properties Owned 100%</b>	<b>46,643</b>	<b>126</b>	<b>46,371</b>	<b>125</b>

(a) The figures include properties held in joint ventures as follows: one property with 708 apartment homes in Dallas (and two properties with 556 apartment homes in North Carolina at December 31, 2000) in which we own a 44% interest, the remaining interest is owned by unaffiliated private investors; one property with 320 apartment homes in Colorado in which we own a 50% interest, the remaining interest is owned by an unaffiliated private investor; and 19 properties with 4,919 apartment homes in Nevada in which we own a 20% interest, the remaining interest is owned by an unaffiliated private pension fund.

At June 30, 2001, we had two completed properties under lease-up as follows:

Property and Location	Product Type	Number of Apartment Homes	% Leased at 7/30/01	Date of Completion	Estimated Date of Stabilization
The Park at Arizona Center Phoenix, AZ	Urban	332	91%	1Q00	3Q01
The Park at Farmers Market, Phase I Dallas, TX	Urban	620	79%	2Q01	4Q01

At June 30, 2001, we had two development properties in various stages of construction as follows:

Property and Location	Product Type	Number of Apartment Homes	Estimated Cost (\$ millions)	Estimated Date of Completion	Estimated Date of Stabilization
<u>In Lease-Up</u>					
The Park at Crown Valley Mission Viejo, CA	Garden	380	\$ 58.5	3Q01	4Q01
<u>Under Construction</u>					
Camden Harbour View Long Beach, CA	Urban	538	120.0	2Q03	2Q04
Total for two development properties		<u>918</u>	<u>\$ 178.5</u>		

We stage our construction to allow leasing and occupancy during the construction period which we believe minimizes the duration of the lease-up period following completion of construction. Our accounting policy related to properties in the development and leasing phase is that all operating expenses, excluding depreciation, associated with occupied apartment homes are expensed against revenues generated by those apartment homes as they become occupied. All construction and carrying costs are capitalized and reported on the balance sheet in "Properties under development, including land" until individual buildings are completed. Upon completion of each building, the total cost of that building and the associated land is transferred to "Land" and "Buildings and improvements" and the assets are depreciated over their estimated useful lives using the straight-line method of depreciation. Upon achieving 90% occupancy, or generally one year from opening the leasing office (with some allowances for larger than average properties), whichever occurs first, all apartment homes are considered operating and we begin expensing all items that were previously considered as carrying costs.

Our consolidated financial statements includes \$137.1 million related to the development of three urban land projects located in Dallas, Houston and Long Beach, California. Of this amount, \$83.5 million relates to two of our current development projects - The Park at Farmers Market in Dallas and Camden Harbour View in Long Beach. We have an additional \$25.4 million invested in Dallas, which we may use for the future development of Farmers Market, Phase II, and we are also in the construction phase of for-sale townhomes in this area. We have \$28.2 million invested in additional land under development in Houston and Long Beach. We are currently in the planning phase with respect to these properties to determine whether to further develop apartment homes in these areas. We may also sell certain parcels of all three properties to third parties for commercial and retail development.

## Comparison of the Quarter Ended June 30, 2001 and June 30, 2000

Earnings before interest, depreciation and amortization increased \$3.4 million, or 5.8%, from \$59.4 million to \$62.8 million for the three months ended June 30, 2000 and 2001, respectively. The weighted average number of apartment homes for the second quarter of 2001 decreased by 2,005 apartment homes, or 4.2%, from 47,372 to 45,367. The decrease in the weighted average number of apartment homes is due to the disposition of 3,599 apartment homes in the third quarter of 2000, offset by property development and acquisition. Total operating properties were 124 and 133 at June 30, 2001 and 2000, respectively. The 45,367 weighted average apartment homes and the 124 operating properties exclude the impact of our ownership interest in properties owned in joint ventures.

Our apartment communities generate rental revenue and other income through the leasing of apartment homes. Revenues from our rental operations comprised 96% and 97% of our total revenues for the quarters ended June 30, 2001 and 2000, respectively. The decrease in rental revenue as a percent of total revenue is due to the increase in fee and asset management income and interest income from our third party development pipeline and related notes receivable. Our primary financial focus for our apartment communities is net operating income. Net operating income represents total property revenues less property operating and maintenance expenses, including real estate taxes. Net operating income increased \$1.9 million, or 3.1%, from \$60.0 million to \$61.8 million for the quarters ended June 30, 2000 and 2001, respectively.

Rental income for the quarter ended June 30, 2001 increased \$1.5 million, or 1.6%, over the quarter ended June 30, 2000. Rental income per apartment home per month increased \$39 or 6.1%, from \$645 to \$684 for the second quarters of 2000 and 2001, respectively. The increase was primarily due to increased revenue growth from the stabilized real estate portfolio and higher average rental rates on the completed development properties. Additionally, properties sold in 2000 had average rental rates which were significantly lower than the portfolio average. Overall average occupancy increased from 93.7% for the quarter ended June 30, 2000 to 94.4% for the quarter ended June 30, 2001.

Other property income increased \$759,000 from \$6.6 million to \$7.4 million for the three months ended June 30, 2000 and 2001, respectively, which represents a monthly increase of \$8 per apartment home. The increase in other property income was due primarily to increases from revenue sources such as telephone, cable, water and other miscellaneous property fees.

Property operating and maintenance expenses decreased \$69,000, from \$28.3 million for the quarter ended June 30, 2000 to \$28.2 million for the quarter ended June 30, 2001. On an annualized basis, property operating and maintenance expenses increased \$99 per unit, or 4.2%. This increase is primarily due to significant increases in property insurance costs, as well as increases in salary and benefit expenses per unit. Property operating and maintenance expenses as a percent of total property income decreased from 28.8% to 28.1% for the quarters ended June 30, 2000 and 2001, respectively. Our operating expense ratios decreased primarily as a result of operating efficiencies generated by our newly developed properties. Also, the operating expense ratios for the properties sold in 2000 were higher than the portfolio average.

Real estate taxes increased \$404,000 from \$10.0 million to \$10.4 million for the second quarters of 2000 and 2001, respectively, which represents an annual increase of \$73 per apartment home. The increase was primarily due to increases in the valuations of renovated and developed properties and increases in property tax rates.

General and administrative expenses decreased \$517,000 from \$3.6 million to \$3.1 million, and decreased as a percent of revenues from 3.6% to 3.0% for the quarters ended June 30, 2000 and 2001 respectively. The decrease was primarily due to the vesting of outstanding performance-based compensation during the second quarter of 2000.



Interest expense, before capitalized interest, decreased from \$21.5 million for the quarter ended June 30, 2000 to \$20.5 million for the quarter ended June 30, 2001. This decrease is primarily due to lower debt balances in 2001 arising from proceeds received from the dispositions in the third quarter of 2000 and lower interest rates on variable debt. These decreases are offset by increases in the debt used to fund new development, third party construction and repurchase our preferred shares. Interest capitalized was \$2.7 million and \$3.9 million for the quarters ended June 30, 2001 and 2000, respectively.

Depreciation and amortization decreased from \$25.2 million to \$24.8 million. This decrease was due primarily to the sale of eleven properties in the third quarter of 2000, offset by new development and capital improvements.

#### Comparison of the Six Months Ended June 30, 2000 and June 30, 1999

Earnings before interest, depreciation and amortization increased \$8.3 million, or 7.1%, from \$117.3 million to \$125.6 million for the six months ended June 30, 2000 and 2001, respectively. The weighted average number of apartment homes for the first six months of 2001 decreased by 1,941 apartment homes, or 4.1%, from 47,144 to 45,203. The decrease in the weighted average number of apartment homes is due to the disposition of 3,599 apartment homes in the third quarter of 2000, offset by property development and acquisition. Total operating properties were 124 and 133 at June 30, 2001 and 2000, respectively. The weighted average apartment homes and the number of operating properties exclude the impact of our ownership interest in properties owned in joint ventures.

Revenues from our rental operations comprised 95% and 97% of our total revenues for the six months ended June 30, 2001 and 2000, respectively. The decrease in rental revenue as a percent of total revenue is due to the increase in fee and asset management income and interest income from our third party development and related notes receivable. Net operating income increased \$4.6 million, or 3.9%, from \$118.1 million to \$122.8 million for the six months ended June 30, 2000 and 2001, respectively.

Rental income for the six months ended June 30, 2001 increased \$4.1 million, or 2.3%, over the six months ended June 30, 2000. Rental income per apartment home per month increased \$43 or 6.7%, from \$641 to \$683 for the first six months of 2000 and 2001, respectively. The increase was primarily due to increased revenue growth from the stabilized real estate portfolio and higher average rental rates on the completed development properties.

Other property income increased \$1.3 million from \$13.0 million to \$14.3 million for the six months ended June 30, 2000 and 2001, respectively, which represents a monthly increase of \$7 per apartment home. The increase in other property income was due primarily to increases from revenue sources such as telephone, cable, water and other miscellaneous property fees.

Equity in income of joint ventures increased \$2.4 million over the first six months of 2000, primarily from gains recognized in one of our joint ventures from the sale of two properties totaling 556 apartment homes. Other income for the six months ended June 30, 2001 increased \$1.6 million over the same period in 2000. This increase was due to interest earned on our third party construction notes receivable.

Property operating and maintenance expenses increased \$384,000, from \$56.0 million to \$56.4 million, but decreased as a percent of total property income from 28.8% to 28.2% for the six months ended June 30, 2000 and 2001, respectively. On an annualized basis, property operating and maintenance expenses increased \$119 per unit, or 5.0%. This increase is primarily due to significant increases in property insurance costs as well as increases in salary and benefit expenses per unit. Our operating expense ratios decreased primarily as a result of operating efficiencies generated by our newly developed properties. Additionally, the operating expense ratios for the properties sold in 2000 were higher than the portfolio average.

Real estate taxes increased \$480,000 from \$20.0 million to \$20.5 million for the first six months of 2000 and 2001, respectively, which represents an annual increase of \$58 per apartment home. The increase was primarily due to increases in the valuations of renovated and developed properties and increases in property tax rates.

General and administrative expenses decreased \$373,000 from \$6.8 million to \$6.4 million, and decreased as a percent of revenues from 3.4% to 3.0% for the six months ended June 30, 2000 and 2001, respectively. The decrease was primarily due to the vesting of outstanding performance-based compensation during the first six months of 2000.

Interest expense, before capitalized interest, decreased from \$42.3 million for the six months ended June 30, 2000 to \$40.7 million for the six months ended June 30, 2001. This decrease is primarily due to lower debt balances in 2001 arising from proceeds received from the dispositions in the third quarter of 2000 and lower interest rates on variable debt. These decreases are offset by increases in the debt used to fund new development, third party construction and repurchase our preferred shares. Interest capitalized was \$5.8 million and \$8.1 million for the six months ended June 30, 2001 and 2000, respectively.

Depreciation and amortization decreased from \$49.8 million to \$49.3 million. This decrease was due primarily to the sale of eleven properties in the third quarter of 2000, offset by new development and capital improvements.

Gains on sale of properties for the six months ended June 30, 2001 totaled \$2.4 million due to the sale of 22.7 acres of undeveloped land located in Houston. Gains on sales of properties for the six months ended June 30, 2000 totaled \$1.9 million due to the sale of a mini-storage facility in Las Vegas and the sale of approximately 61 acres of undeveloped land located in Las Vegas, Dallas and Houston.

## **Liquidity and Capital Resources**

### Financial Structure

We intend to continue maintaining what management believes to be a conservative capital structure by:

- (i) using what management believes is a prudent combination of debt and common and preferred equity;
- (ii) extending and sequencing the maturity dates of our debt where possible;
- (iii) managing interest rate exposure using fixed rate debt and hedging here management believes it is appropriate;
- (iv) borrowing on an unsecured basis in order to maintain a substantial number of nencumbered assets; and
- (v) maintaining conservative coverage ratios.

The interest expense coverage ratio, net of capitalized interest, was 3.6 and 3.4 times for the six months ended June 30, 2001 and 2000, respectively. At June 30, 2001 and 2000, 77.0% and 76.3%, respectively, of our properties (based on invested capital) were unencumbered.

### Liquidity

We intend to meet our short-term liquidity requirements through cash flows provided by operations, our unsecured line of credit discussed in the financial flexibility section and other short-term borrowings.

We expect that our ability to generate cash will be sufficient to meet our short-term liquidity needs, which include:

- (i) normal operating expenses;
- (ii) current debt service requirements;
- (iii) recurring capital expenditures;
- (iv) property developments;
- (v) common share repurchases; and
- (vi) distributions on our common and preferred equity.

We consider our long-term liquidity requirements to be the repayment of maturing secured debt and borrowings under our unsecured line of credit and funding of acquisitions. We intend to meet our long-term liquidity requirements through the use of common and preferred equity capital, senior unsecured debt and property dispositions, if the dispositions fit our strategy of portfolio balancing discussed below.

We intend to concentrate our growth efforts toward selective development and acquisition opportunities in our current markets, and through the acquisition of existing operating portfolios and the development of properties in selected new markets. During the six months ended June 30, 2000, we incurred \$27.5 million in development costs and \$20.6 million in acquisition costs. We are developing two properties at an aggregate cost of approximately \$178.5 million, \$81.5 million of which was incurred through June 30, 2001. We intend to fund our developments and acquisitions through a combination of equity capital, partnership units, medium-term notes, construction loans, other debt securities and the unsecured line of credit. We also seek to selectively dispose of assets that management believes have a lower projected net operating income growth rate than the overall portfolio, or no longer conform to our operating and investment strategies. Additionally, over the next three years, we will continue rebalancing our portfolio with the goal of limiting any one market to no more than 12% of total real estate assets. We expect that any such sales should generate capital for acquisitions and new developments or for debt reduction.

During the first six months of 2001 we sold 22.7 acres of undeveloped land located in Houston. Net proceeds from these sales were approximately \$8.6 million. We used the proceeds to reduce indebtedness outstanding under our unsecured line of credit.

Net cash provided by operating activities totaled \$88.2 million for the six months ended June 30, 2001, an increase of \$15.7 million, or 21.6%, over the same period in 2000. This increase was attributable to a \$4.6 million increase in net operating income from the real estate portfolio for the six months ended June 30, 2001 as compared to the same period in 2000. Additionally, equity in income of joint ventures increased \$2.4 million due to the sales of two joint venture properties and fee and asset management and other income increased a total of \$1.9 million from third party construction and interest on notes receivable. Also, other assets increased \$7.1 million during 2001, primarily from increases in third party construction receivables and technology investments.

Net cash used in investing activities totaled \$61.8 million for the six months ended June 30, 2001 compared to \$60.6 million for the same period in 2000. Total real estate assets, before joint ventures and accumulated depreciation, increased \$54.2 million for the six months ended June 30, 2001, compared to \$53.5 million for the six months ended June 30, 2000. For the six months ended June 30, 2001, net cash flows provided by investing activities included \$8.9 million in net proceeds received from property dispositions. This increase in cash was offset by expenditures for acquisitions, property development and capital improvements totaling \$20.6 million, \$27.5 million and \$12.7 million, respectively for the six months ended June 30, 2001. For the six months ended June 30, 2000, expenditures for property development and capital improvements were \$58.3 million and \$13.7 million, respectively. Additionally, we received \$20.1 million in net proceeds for property dispositions during the six months ended June 30, 2000.

Net cash used in financing activities totaled \$28.8 million for the six months ended June 30, 2001 compared to \$14.5 million for the six months ended June 30, 2000. During the six months ended June 30, 2001, we paid distributions totaling \$59.4 million. We also paid \$26.9 million during the first six months of 2001 to repurchase our unconverted preferred shares. We received proceeds totaling \$211.2 million from the issuance of senior unsecured notes and mortgage notes. The proceeds from these issuances were used to pay down borrowings under our line of credit and repay notes payable, which decreased \$26.0 million and \$128.1 million, respectively, for the six months ended June 30, 2001. During the six months ended June 30, 2000, we paid \$55.6 million for distributions and repurchased \$26.3 million common shares and units convertible into common shares. These payments were funded by the issuance of \$17.5 million in preferred units, and an increase in borrowings under our line of credit of \$52.0 million.

In 1998, we began repurchasing our securities under a program approved by our Board of Trust Managers. The plan allows us to repurchase or redeem up to \$200 million of our securities through open market purchases and private transactions. Management consummates these repurchases and redemptions at the time when they believe that we can reinvest available cash flow into our own securities at yields which exceed those currently available on direct real estate investments. These repurchases were made and we expect that future repurchases, if any, will be made without incurring additional debt and, in management's opinion, without reducing our financial flexibility. At June 30, 2001, we had repurchased approximately 6.9 million common shares and redeemed approximately 106,000 units at a total cost of \$180.9 million.

In June 2001, we announced that our Board of Trust Managers had declared a dividend in the amount of \$0.61 per share for the second quarter of 2001 which was paid on July 17, 2001 to all common shareholders of record as of June 29, 2001. We paid an equivalent amount per unit to holders of the common operating partnership units. This distribution to common shareholders and holders of common operating partnership units equates to an annualized dividend rate of \$2.44 per share or unit.

In April 2001, we announced that our issued and outstanding preferred shares would be redeemed effective April 30, 2001 at a redemption price of \$25.00 per share plus an amount equal to all accumulated, accrued and unpaid dividends as of April 30, 2001. Prior to redemption, 3.1 million preferred shares were converted into 2.4 million common shares. The remaining preferred shares were redeemed for an aggregate of \$27.1 million, including unpaid dividends, using funds available under our unsecured line of credit.

As of June 30, 2001, we had senior unsecured debt totaling \$871.1 million and secured mortgage loans totaling \$324.4 million. Our indebtedness, excluding our unsecured line of credit, has a weighted average maturity of 6.6 years as of June 30, 2001. Scheduled principal repayments on all notes payable outstanding at June 30, 2001 is as follows:

*(In thousands)*

<u>Year</u>	<u>Amount</u>
2001	\$ 52,526
2002	39,866
2003	294,872
2004	234,619
2005	61,227
2006 and thereafter	512,355
Total	<u>\$ 1,195,465</u>

The scheduled principal repayments in 2001 include \$50.0 million senior unsecured notes due November 2001, which were issued in November 1996 and which we expect to repay from the unsecured line of credit.

### Financial Flexibility

We have a \$400 million line of credit with a group of 14 banks which matures August 2003. The scheduled interest rate on the line of credit is currently based on a spread over LIBOR or Prime. The scheduled interest rates are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of \$200 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations.

As an alternative to our unsecured line of credit, we from time to time borrow using competitively bid unsecured short-term notes with lenders who may or may not be a part of the unsecured line of credit bank group. Such borrowings vary in term and pricing and are typically priced at interest rates comparable to or below those available under the unsecured line of credit.

As of June 30, 2001, we had \$230 million available under the unsecured line of credit and \$550 million available under our universal shelf registration. We have significant unencumbered real estate assets which could be sold or used as collateral for financing purposes should other sources of capital not be available.

On February 7, 2001, we issued from our \$750 million shelf registration an aggregate principal amount of \$50 million of 7% five-year senior unsecured notes maturing on February 15, 2006 and \$150 million of 7.625% ten-year senior unsecured notes maturing on February 15, 2011. Interest on the notes is payable semiannually on February 15 and August 15, commencing on August 15, 2001. We may redeem the notes at any time at a redemption price equal to the principal amount and accrued interest, plus a make-whole provision. The notes are direct, senior unsecured obligations and rank equally with all other unsecured and unsubordinated indebtedness. The proceeds from the sale of the notes were \$197.8 million, net of issuance costs. We used the net proceeds to reduce indebtedness outstanding under the unsecured line of credit.

At June 30, 2001, the weighted average interest rate on floating rate debt was 4.91%.

### **Funds from Operations**

Management considers FFO to be an appropriate measure of performance of an equity REIT. The National Association of Real Estate Investment Trusts currently defines FFO as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our definition of diluted FFO assumes conversion at the beginning of the period of all dilutive convertible securities, including minority interests, which are convertible into common equity.

We believe that in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income as presented in the consolidated financial statements and data included elsewhere in this report. FFO is not defined by generally accepted accounting principles. FFO should not be considered as an alternative to net income as an indication of our operating performance or to net cash provided by operating activities as a measure of our liquidity. Further, FFO as disclosed by other REITs may not be comparable to our calculation. Our diluted FFO for the three and six months

ended June 30, 2001 increased \$3.2 million and \$5.3 million over the three and six months ended June 30, 2000, respectively. On a per share basis, diluted FFO for the three and six months ended June 30, 2001 increased approximately 8.0% and 7.0%, respectively over the same periods in 2000. The increase in diluted FFO was primarily due to a \$1.9 million and \$4.6 million increase in net operating income from our real estate portfolio for the three and six months ended June 30, 2001 compared to the same period in 2000.

The calculation of basic and diluted FFO for the three and six months ended June 30, 2001 and 2000 follows:

(In thousands)

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Funds from operations:</b>				
Net income to common shareholders	\$ 16,934	\$ 10,594	\$ 33,135	\$ 23,270
Real estate depreciation	24,198	24,500	48,005	48,302
Adjustments for unconsolidated joint ventures	801	809	(794)	1,618
Gain on sales of properties	(656)		(2,372)	(1,933)
<b>Funds from operations - basic</b>	<u>41,277</u>	<u>35,903</u>	<u>77,974</u>	<u>71,257</u>
Preferred share dividends	202	2,343	2,545	4,686
Income allocated to operating partnership units	478	407	1,549	799
Interest on convertible subordinated debentures	3	53	36	97
Amortization of deferred costs on convertible debentures		5	1	11
<b>Funds from operations - diluted</b>	<u>\$ 41,960</u>	<u>\$ 38,711</u>	<u>\$ 82,105</u>	<u>\$ 76,850</u>
<b>Weighted average shares - basic</b>	39,797	37,927	38,891	38,210
Common share options and awards granted	1,169	670	1,096	602
Preferred shares	1,047	3,207	2,121	3,207
Minority interest units	2,512	2,549	2,525	2,549
Convertible subordinated debentures		110	39	118
<b>Weighted average shares - diluted</b>	<u>44,525</u>	<u>44,463</u>	<u>44,672</u>	<u>44,686</u>

### Inflation

We lease apartments under lease terms generally ranging from six to thirteen months. Management believes that such short-term lease contracts lessen the impact of inflation due to our ability to adjust rental rates to market levels as leases expire.

### Impact of New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", which is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. We have adopted SFAS No. 133 effective January 1, 2001. The adoption of SFAS No. 133 did not have a material impact on our financial position, results of operations, or cash flows.

In July 2001, FASB issued SFAS No. 141, "Business Combinations", which is effective for business combinations initiated after June 30, 2001. SFAS No. 141 requires all business combinations to be accounted for under the purchase method and that the pooling-of-interest method is no longer allowed.

The adoption of SFAS No. 141 will not have a material impact on our financial position, results of operations, or cash flows.

In July 2001, FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. The adoption of SFAS No. 142 will not have a material impact on our financial position, results of operations, or cash flows.

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

No material changes have occurred since our Annual Report on Form 10-K for the year ended December 31, 2000.

## PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Shareholders was held on May 15, 2001.

(1) The shareholders elected all eight of the nominees for Trust Manager by the following vote:

	<u>Affirmative</u>	<u>Negative</u>	<u>Abstentions</u>	<u>Broker Non-Voters</u>
Richard J. Campo	28,503,167	6,769,013	-	-
William R. Cooper	33,457,684	1,814,496	-	-
George A. Hrdlicka	33,500,310	1,778,910	-	-
Lewis A. Levey	33,498,949	1,773,231	-	-
D. Keith Oden	28,502,667	6,769,513	-	-
F. Gardner Parker	33,500,290	1,771,890	-	-
Steven A. Webster	33,500,310	1,771,870	-	-
Scott S. Ingraham	33,042,320	2,229,860	-	-

(2) The shareholders ratified the appointment of Deloitte and Touche LLP as our independent auditors for the year ending December 31, 2001 by the following vote:

<u>Affirmative</u>	<u>Negative</u>	<u>Abstentions</u>	<u>Broker Non-Voters</u>
35,078,731	77,718	115,731	-

Item 5. Other Information

None



Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

Current report on Form 8-K dated April 3, 2001 and filed with the Commission on April 4, 2001, contained information under Item 5 (Other Events) and Item 7 (Financial Statements, Pro Forma Financial Information and Exhibits).

**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/ G. Steven Dawson                  

G. Steven Dawson  
Sr. Vice President of Finance,  
Chief Financial Officer and Treasurer

  August 8, 2001  

Date

                  /s/ Dennis M. Steen                  

Dennis M. Steen  
Vice President - Controller and Chief  
Accounting Officer

  August 8, 2001  

Date