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Healthcare Realty Trust, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Certainly. (Operator instructions) Our first question comes from Rosemary Pugh from Green Street Advisors.

Rosemary Pugh – Green Street Advisors

Yes hello.

David Emery

Good morning.

Rosemary Pugh – Green Street Advisors

Good morning. I (inaudible) learning more about the purchase options that were exercised or agreed to during the last couple of months, can you provide a little bit more detail on that?

David Emery

Rosemary, property purchase options are more fully discussed in the 2007 10-K in footnote 3 to the financial statements and in the trends section of MDNA, and in this form 10-Q you will find information in the footnote 2 to the financial statements and in the liquidity section of MDNA. We continue to experience the occasional exercise of purchase options by (inaudible) but these are options that have been in leases for many years as opposed to anything new that we are doing.

Rosemary Pugh – Green Street Advisors

So, in the case where the tenant paid you \$38 million on a building where you had a growth investment of \$47 million, why would the tenant have such a favorable purchase option?

Scott Holmes

\$47 million?

Rosemary Pugh – Green Street Advisors

\$46.8 million I think was the number I saw in the 10-Q.

Scott Holmes

Hold on just a second, let me catch up with you. It was based on a cap rate formula that was put in the lease 12 years ago, so it is what it is.

Rosemary Pugh – Green Street Advisors

Okay and what percentage of leases would include purchase options?

Scott Holmes

Well, that's in the disclosures that I was talking about. We talked about how many million dollars of investment are subject to purchase options and the leases. So, I would suggest that you read that and if you want to talk about that in more detail, we can do that offline.

Rosemary Pugh – Green Street Advisors

Do you have an estimate on how many of these are valued at or below the total amount invested?

Scott Holmes

We have said that, this is absolutely true; we would expect to incur no loss on the disposal of any asset subject to purchase option. So, we should recover at least our net book investment or more.

Rosemary Pugh – Green Street Advisors

Okay. Then one more question on development returns, in the past you stated that stabilized returns on development projects are about 9% but it looks like in mid supplemental you are extending the period of stabilization from 2 to 3 years for some projects, and I am curious about what the typical IRR or total return on an MOB project would be for you?

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