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BRE Properties, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Dustin Pizzo of Banc of America Securities.

Dustin Pizzo – Banc of America Securities LLC

I guess Connie or Ed, can you just talk a bit about the '09 supply picture in Seattle and your thoughts on the impact it may have on the lease-up of your two projects as they come on line next year, if any.

Constance Moore

Well, I think, and Ed can speak probably more to some of the specifics. I think '09 actually doesn't look as challenging probably as '10. I think there'll be a big supply issue in '10, and obviously we will be contributing to that with our project up there as well. But we're clearly mindful of the number of new construction both on condos and some of which will revert to rentals and then of course the rentals as well. So I don't know if you want to add anything to that, Ed.

Edward Lange Jr.

No, I think that covers it. I think Connie's right, the supply picture becomes a little bit more of a topic in 2010. I think to look at what's been going on with leasing of new product in Seattle and Bellevue, one of our peers just opened up the doors on a new podium product in Bellevue and they took a very aggressive leasing strategy, offering almost up to two months free, two months of concession during the initial stages of the lease-up. I think once they got to a certain point in their leasing, they basically brought that back to a month. So I think you're going to see more aggressive leasing strategies as people try to get out in front of the supply issue, and I think that strategy worked well for them.

Connie Moore

I think right now, if Seattle continues to have the level of job add, I think that will mute some of the challenges with the supply; but it's something that we're watching very closely.

Dustin Pizzo – Banc of America Securities LLC

Then I may have missed it in your discussion when you were talking about developments, but have there been any changes to your, just underwriting yield given the continued upward move in cap rate assumptions, or they still pretty consistent with the changes you outlined last quarter?

Edward Lange Jr.

I think as we indicated last quarter, we've moved for new properties or new sites that we would be sourcing, we've moved our return thresholds up about 75 basis points so that in rough terms, I think something coming through the door today would have to have a current yield on current costs and rents of about 6.5% and we would be looking for a trend to stabilize return up in the 7.75% region.

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