

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Tanger Factory Outlet Centers, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from [Samit Hareek] of Banc of America Securities.

[Samit Hareek] – Banc of America Securities

Hi, good morning, I'm here with Christy McElroy as well. Can you elaborate on the comment in your press release regarding flooding in the Midwest? Which specific centers were impacted and were there any damages not covered by insurance? Also, if you can, if you can quantify the resulting impact on sales growth and percentage rents in the quarter?

Steven B. Tanger

Let me take them one at a time. We have a center which we opened last year in Wisconsin Dells, Wisconsin, highly publicized at Lake Delton, which created the Wisconsin Dells. The dam that created the lake broke. It was highly publicized in that area and affected traffic. In Branson, Missouri, Lake Branson flooded, and Branson of course is a very popular tourist area in the Midwest. Finally we have a center in Williamsburg, Iowa, and regrettably Iowa was subject to considerable flooding for most of the second quarter. I'm pleased to tell you thought that none of our centers had any significant damage and any damage we had was covered by insurance.

[Samit Hareek] – Banc of America Securities

I guess then taking that, do you have any idea exactly how much of that impacted your percentage rents and the sales growth in the quarter?

Steven B. Tanger

I think about 10% of our portfolio was located in the Midwest. We can certainly quantify for you and if you want to call us after the call we can try to give you an estimate but we don't have that estimate right now.

[Samit Hareek] – Banc of America Securities

Okay and lastly, I guess, do you have any sense that maybe there's becoming some slowing customer traffic driven by fewer people making the drive out to your centers given higher gas prices or is really some of that or most of that offset as consumers trade down to more discounted merchandise given the current environment?

Steven B. Tanger

I think I'd agree with both your statements. Every business is affected by higher gas prices which are in direct relation to higher oil prices. We're pleased to see that oil is now back down almost to a high by historic levels back down to \$120, \$122 a barrel, which is off 17% this month alone. So hopefully that has already started to reflect in lowering gas prices. But yes, our traffic was down in the second quarter, and yes, it was probably a result in some areas of higher gas prices. Offsetting that, the old adage still remains true. In good times people like a bargain, and in the not-so-good times they need one. Outlet centers remain the distribution channel where consumers can buy brand name products direct from the manufacturer. They cut out the middle man and get the largest assortment of brand name products and the best values, so we still remain a very profitable distribution channel for our tenants and we have long term leases with sophisticated retailers that continue to do well, most of them continue to do well even in tough economic times.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.