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Developers Diversified Realty Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

Your first question comes from the line of Michael Bilerman with Citigroup. Please proceed sir.

Michael Bilerman - Citigroup

Good morning, (inaudible) is also here with me as well. David, I want to go back to a comment you made on the merchant development where you talked about having \$1 billion dollar pipeline, \$180 million of net gain. In the last quarter call in our discussion, you talked about a few hundred million of merchant development.

And just going back over history, I don't know if you've even developed the \$1 billion to have that sort of inventory. So, I'm sort of scratching my head a little bit to what encompasses \$1 billion of merchant development in your books?

David Oakes

Well, given the conversations we've had previously, we've refined our methodology for making sure that we do have that pool identified. And that pool at current market values of stabilized or nearly stabilized developments has a market value in excess or right around \$1 billion currently and again, relative to current market pricing we would expect even net of taxes and net of the gain we deferred due to our continued ownership would think that the gain is recognizable for this over the next year or several years, if we chose to sell all those assets would be in excess of \$180 million.

Michael Bilerman - Citigroup

What changed from last quarter where you thought it was only a few hundred million dollars?

David Oakes

I think last quarter we had spoken specifically about our plans for calendar 2008 as opposed to the entire scope of recently developed or nearly stabilized assets that would be eligible for sale at a considerable gain relative to our cost basis.

Michael Bilerman - Citigroup

And this is all in the core portfolio or some of this is JV?

David Oakes

A few of these would be partially owned projects but a majority of that would be within the core portfolio.

Michael Bilerman - Citigroup

I really think we need some disclosure. This is well over 10% of the company's assets, its north of \$1 billion. And I think just understanding where and how you're booking the gains is very important for shareholders and analysts to understand.

Separate from that, can you just walk through the same-store NOI, was up 2.5% this quarter and occupancy was down 40 basis points, the reimbursement rate was 77% versus 86% last year, the NOI margin was 70% versus 72%. OpEx was higher. And so I'm just trying to piece it together, if you have all those downward movements, how is same-store NOI up?

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