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Kite Realty Group Trust Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

And your first question comes from the line of Jonathan Litt with Citigroup. Please proceed.

Ambika Goel - Citigroup

Hi. This is Ambika with Jon. Could you give us some more color on the projects that were dropped from the shadow pipeline, just exactly what criteria did they not fit, and how has that changed their criteria that they are requiring for their new development project?

John Kite

Ambika, it's John. Basically, the shadow pipeline projects that we said, that we dropped, the criteria is essentially the timelines that we see, the length of time that we think it's going to take for lease up, the demand for tenants, kind of the cost structure associated with that. So really, there is a multitude of things we are looking at there.

But the bottom line is that we've always said that we have a very active shadow pipeline. And obviously, we had 10 projects in that pipeline, and we cut it in half. And also, there, we are looking at kind of a market-driven approach too. There is one particular project in the pipeline that was in a new market that would have been a merchant building. It would have been merchant building with TRS. And so that, at this point in time, didn't seem to make too much sense. So, I think it was really a combination of us wanting to be conservative, the returns that we're seeing and the activity that we have going on in the current pipeline and in the visible pipeline. We obviously have enough going on there. But then also, some of these projects can be a distraction. So, we tightened it up. We still have five projects there, they represent great opportunity. And I think going forward though it will be a real good thing for us.

Ambika Goel - Citigroup

And is this specifically related to specific tenants or is it just generally looking at the market and saying, let's pull back on this development and this project?

Tom McGowan

Ambika, this is Tom. The answer to the question is when we see compression in rents and unstable conditions in specific markets, as John said, we have a very strong list of pipelines and we have

the ability to pull back when we need to, and this was simply a situation, it did not meet the risk parameters. We saw some compression inside the rents. And at that point, it was an easy decision for us, based upon the key parameters that we have established.

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