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Developers Diversified Realty Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Your first question comes from Ambika Goel - Citi.

Ambika Goel - Citi

Can you comment on the level of transaction volume that's embedded in 2008 guidance? Is it specific deals that you have already set up that you expect to occur? Given that the level of transaction activity in 2007 was quite high, I just wanted to see what got you comfortable with 2008 levels.

David J. Oakes

We expect, at this point, the transaction volume in 2008 to be lower than the record volume in 2007. We've budgeted some expected asset sales, continuing to recycle capital and work on the assets that Dan mentioned specifically that came out of the portfolio reviews that might be good candidates for sale and do not have acquisitions identified at this point. So our budget currently is to be a net seller of real estate for 2008.

Ambika Goel - Citi

Specifically focusing on the gains, do you have deals in place that make you comfortable with transactional profits to be in line with the previous year?

David J. Oakes

We are comfortable with our guidance that transactional gains would be consistent with or somewhat lower than the level of 2007 that support the range that Scott provided.

Scott A. Wolstein

Ambika, most of that is merchant building gains based on actual development completions that already exist, which will probably be conveyed into joint ventures with financial partners, as we've done in past years. So yes, we've identified actual properties, the yields on those properties are already in place. We pretty much know what the cap rates would be on any sale or contribution to a joint venture.

Operator

Your next question comes from Jay Habermann - Goldman Sachs.

Jay Habermann - Goldman Sachs

Good morning, everyone. On the '08 guidance, calling for 5%, 6% growth year over year which again looks reasonable, but a bit of a deceleration. Can you just comment to what degree being a net seller next year, what sort of dilution you're expecting there? To what degree will you be a net seller in 2008?

David J. Oakes

Right now, for the budget we are expecting to be a net seller of several hundred million dollars of real estate in 2008.

Jay Habermann - Goldman Sachs

Can you just characterize the pipeline of acquisitions that you're actually looking at today?

David J. Oakes

I would say despite the slowdown a few months ago, there continues to be a healthy amount of products on the market and we continue to evaluate a very large number of acquisition opportunities across the spectrum of retail that are available today.

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