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Apartment Investment & Management Co. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from Jay Haberman – Goldman Sachs.

Jay Haberman – Goldman Sachs

You know, Terry, you mentioned the significant difference between the private markets values of your assets and the stock price. Can you just expand a bit more on just how aggressive you intend to be say over the next six to 1 2 months, whether it's selling assets, paying down debt or selling assets, buying back stock?

Terry Considine

Jay, you're exactly right. We see a significant difference between the private market values and the public market values. And David is perhaps the nation's leading expert on that, given the scale of his activities with the help of Lance and [Harold]. We are looking at how best to take advantage of that arbitrage. There are certain constraints in tax rules, there are certain constraints in some of the debt instruments, but there's the opportunity for continued property sales which we will evaluate to see how best to fund our activities going forward.

I think the first point I would make is that we are going to pre-fund our 2011 maturity of term debt and take that element of risk in the future completely off the table. And second we're going to fund appropriate cash reserves to be ready for whatever downturn might lie ahead for the apartment business. Thereafter we'll see what's the best use of funds.

Jay Haberman – Goldman Sachs

Can you just remind us in terms of the incremental assets sales from here I know you've talked about a $3 billion plus number, is that still reasonable? Or has that shrunk since then?

Terry Considine

David.

David Robertson

Yes, I mean it is still reasonable. We have about 20% of our gross asset value continues to be located in non-target, we're 15% non-target market and as we mentioned there are some locations within our target markets that we plan to sell over time. So we would expect to over time sell another $2 to $3 billion in assets.

Jay Haberman – Goldman Sachs

You mentioned promotes, David, being lower next year. Is that a function of the rise in cap rates or what's really driving that? Is that simply you're not hitting the hurdle rates on these assets that are being sold?

David Robertson

It's a function of two things, one the mix of sales that have promotes versus those that do not have promotes. As you know we earn a number of different fees when it comes to transactions. We earn disposition fees, other types of general partner fees, and then of course promotes. So the level of activity drives that number. But as it relates to promotes, certain of the assets have very large promotes. We've sold a lot of those this year. We expect to have more in the future but not at the same level, at least in the next few years.

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