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Kite Realty Group Trust Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Jay Habermann with Goldman Sachs. Please proceed.

Jehan – J.M. Sloan

Hey, guys, it's Jehan [ph] here with J.M. Sloan [ph] as well. I know you've given us quite a bit of detail on your financing plans for the next one year or two years. And then just looking at the individual pieces of debt that you're currently in negotiations for extension options on what types of restrictions and covenants come with these – with exercising these extensions? You've specified that service coverage for Beacon Hill, but just curious as to which other pieces of debt might have similar restrictions at this point?

Daniel Sink

Yes, this is Dan. I think, when – overall, when we're negotiating these extension ops, I mean, the biggest is the debt service coverage ratio. Most banks want you to be anywhere between the range of 1.1 times to 1.25 times coverage. So that's primarily as you're going through this and you're executing the extensions and/or refinancing the debt. I think more than anything I know, as John mentioned, the loan-to-cost ratios that we have achieved on both the refinancing on Eddy Street and South Elgin, we feel comfortable with where we are in loan-to-cost ratios, et cetera with our projects. But the banks are focused, clearly, on debt service coverage ratios.

Jehan – J.M. Sloan

Okay. And then on the \$12 million construction loan that was closed on in the quarter when exactly was that negotiated? And I guess what are your thoughts on that LIBOR plus 180, 190 basis point REIT for construction funding still holding at current times?

Daniel Sink

As far as the loan and when it was negotiated, it was probably negotiated in the mid-to-late third quarter. I think as we look out today, the LIBOR plus 190 is somewhat difficult to achieve. I think it's – there's been a little bit of uptick. For instance, on Eddy Street Commons, we are – on the committed construction loan we have there, it's LIBOR plus 235. And I think right now the environment we've been seeing as far as on the mini perm loans that we've been closing on, the three year – three year to four year loans; it's more in the line of LIBOR plus 275. So I mean it's ranging for us right now. I

think the LIBOR plus 190 will be difficult to achieve on future construction loans, but I think we're still seeing rates that are sub 300.

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