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Macerich Co. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your question comes from Michael Mueller – JP Morgan.

Michael Mueller – JP Morgan

A couple of things here, first of all, the \$20 million gain on debt extinguishment that's in guidance, I'm assuming that relates and it converts, is that correct?

Tom O'Hern

Yes, it does, Michael.

Michael Mueller – JP Morgan

And, that's done already?

Tom O'Hern

No. But we're in constant contact with the holders and it's something we feel is very achievable.

Michael Mueller – JP Morgan

Secondly, I guess on the prior call, the guidance for the Mervyns it was about \$0.10 now it's \$0.25. Is there anything else that's in there because you mentioned that you had two-thirds of the locations leased before and now that's down to about a half? So am I looking at that correctly where it's the \$0.15 difference on that extra portion of the box coming off?

Tom O'Hern

It's a combination of that and then picking up the extra operating expenses on the vacant stores that we're not receiving, as well as third-party rent expenses on the vacant stores that we are currently paying out, and then factoring in the final ramp that was received from Kohl's and Forever 21 on the new leases. So it's a combination of all three of those.

Michael Mueller – JP Morgan

Okay. Can you give us some sort of sense as to how much NOI, what the NOI trend has been, for example for Q3, how much of it was booked, how much of the drop off that we saw in Q4, and how much subsequent drop off there will be in Q1 going forward to get to that \$0.25?

Tom O'Hern

Well, Mervyns was in place through year-end. Those leases were rejected, I believe, at the very end of December, so Mervyns was in place and paying rent in all locations through year-end, so really the drop off starts 1/1/09. So that \$0.25 would be ratable through the year.

Michael Mueller – JP Morgan

Okay. So that's \$22 million of NOI that comes out effectively?

Tom O'Hern

Right. And, again, that assumes that we do nothing with those locations, so if my colleague here to my left, Tony Grossi, and his group does their job, we'll do better than that.

Michael Mueller – JP Morgan

You brought up Tony. Can you provide any collar? You talked about the Q4 leasing spreads being 23%. What are you seeing in early '09?

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