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Kite Realty Group Trust Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

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

Sloan Bohlen – Goldman Sachs

Hi. Good afternoon, guys. First question for Tom and maybe Dan, just with regard to the shadow pipeline. Could you guys give us an expectation of what you're looking for in terms of CapEx for that pipeline over the course of the next year? I know you're going to be careful in doing starts, but I just wanted to get an idea of how much capital you're going to deploy.

Dan Sink

This is Dan. As far as the spend that we anticipate on the visible pipeline, I think right now, as John mentioned, our primary objective is to work on the lease-up and the third-party financing. So, our spend is going to be really relegated to the interest carry on these particular parcels as well as we move closer to starting construction, which we may be potentially looking at in the fourth quarter of this year. That's when some additional spend will occur. So, all in all though, we're looking to definitely have clear direction on the leasing front and the financing front prior to spending dollars other than the required dollars for interest carried.

Tom McGowan

Yes, this is Tom. The nice part about the pipeline at this point is the properties are fully entitled, so that spend is really behind it at this point. So we reached those metrics that Dan just talked about.

Sloan Bohlen – Goldman Sachs

Okay. I mean, are there certain projects in that pipeline that are – obviously, some are closer than others, but some of your competitors have gone through write-downs over the past quarter and they have taken their legs on a couple of the projects they've decided to cancel. Are there certain projects in that pipeline that you would look to do that in the near-term or how should we think about that?

John Kite

This is John. No, that's a completely different situation. What we're doing here is self-imposed raising of the bar in terms of the pre-leasing, Sloan. So it's a little different with us. If you go through the visible pipeline, you'll see that we have anchor commitments and which we've made clear. We have

anchor tenant commitments for all those projects. It's just that we are going to be very cautious around breaking ground on any of these. So we are significantly leased beyond the anchors as well. So, this is really a situation where if we wanted to, we could move forward. We don't want to in this environment without getting much further down the road on the small shops and the other junior box tenants beyond the anchors. So, these are all projects that are moving forward and I think that's why Dan said it's possible towards the end of the year that you would see us spend some money. But we're talking about very minimal spend here as it relates to total size of these projects because it's likely that if we position to start these, there would be a minimal amount of spend in the fourth quarter, and then construction loans would close more likely into the first quarter over the next year. So, it really is not – I think it's apples and oranges as to what you were talking about.

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