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Home Properties, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question comes from the line of Rob Stevenson from Fox-Pitt Kelton. Please go ahead.

Rob Stevenson – Fox-Pitt Kelton

Good morning, guys. David, what does the 300 basis point increase on the line put your – where would that put your current rate at?

David Gardner

Well, today we are at 75 over LIBOR, and we're enjoying it – it's probably been hovering in December and January at that around, somewhere around 1%, slightly over 1%. So you're talking about at least probably 4%. But what I'm talking about all in, there is also upfront costs that you pay, that you amortize over the life of the loan. So if we are paying – if our spread today is 75 over, maybe including amortized cost, it's maybe 150 all in over. And we're looking at 300 more than that. So you're looking at maybe at 450 plus LIBOR. So easily I could see paying, if LIBOR even just goes up a little bit more, paying over 5% all in on the line of credit once it gets recast.

Rob Stevenson – Fox-Pitt Kelton

Okay. And what is the thought on additional debt repurchases in 2009? Is there a likelihood that you guys would sell some more assets and pay down some more debt at attractive prices?

David Gardner

You know, we certainly thought what we executed, it was a great transaction, terrific IRR, but there is always that the balance that we had to play off of and those notes are something that don't mature for almost another three years. It's November of 2011 that they mature. So, I'd be more interested in saving my dry powder for more current maturities in 2010. So, the likelihood of repurchasing anymore of those are pretty small.

Ed Pettinella

In the levels that we would discount them at if not?

David Gardner

Yes, I don't think we see the same – we've got almost a 25% discount. They are still trading at a decent discount, but not approaching that.

Rob Stevenson – Fox-Pitt Kelton

Okay. And then last question, where did bad debt for this portfolio peak out during the last recession, and what is your sort of expectations for that in 2009?

David Gardner

Yes. They peaked out – the highest it ever got was 95 basis points in one quarter in the recession. But as we've said, I think over a number of quarters now, we see a different phenomena here. It is not only the base rent we are collecting, it is also the utility, and that kind of exacerbated the bad debt percentage. So even though it did come down to 135, I think we are seeing it is probably going up slightly, maybe up to 140 to 150 bps or something like that.

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