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PS Business Parks, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jordan Sadler - KeyBanc Capital Markets.

Jordan Sadler - KeyBanc Capital Markets

Can you quickly clarify regarding the tenants you just went through? We're having some difficulty. Did you accrue rent for them in the fourth quarter?

Edward A. Stokx

We did accrue rent and rent was either paid or we had collateral that covered their rent in the fourth quarter.

Jordan Sadler - KeyBanc Capital Markets

So to the extent, I guess, for modeling purposes, if there were deterioration it's going to come out in 2Q and then 3Q and 4Q for the Northern California. And the Orange County guys, when would that deteriorate?

Edward A. Stokx

It's unknown at this point, Jordan. We're watching them and talking to them very closely and we'll see how long they're able to sustain their business. We're very concerned about them, though.

Jordan Sadler - KeyBanc Capital Markets

And then a question on markets. Obviously, a couple of them saw bigger decreases in occupancy sequentially and maybe you could give us a flavor - I don't know if that's a perfect picture of what's happening in your markets right now or what you're feeling in the portfolio - so maybe strongest versus weakest markets, your feeling?

Joseph D. Russell

I'll start, Jordan, and JP, if you want to add any color, feel free.

Again, what we're seeing across all markets is softness and I don't think that's any different than I'm sure you're hearing from everybody right now. The economic environment had a broad-based effect, again, around all of our market dynamics. And I would say that it's probably less noticeable

at this point probably in the D.C. market and in Texas, and then it might be more heavy in Southern California and maybe even to a lesser degree Northern California.

But, again, it's pressure that we're seeing. We're very focused on it. We, however, feel frankly pretty blessed by the fact that the markets that we have chosen to be in over time continue to give us lots of opportunities to go out and capture business. And even in an environment like this, we have been and continue to be able to go out and secure both new and renewed opportunities.

And unlike what downturns we've seen historically, most of our markets have very little competing production coming in, and even though there is negative market net absorption, as J.P. mentioned, it's something that we're able to battle against and we're doing that on a day in and day out basis.

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