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Pennsylvania Real Estate Investment Trust Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from Michael Bilerman – Citigroup.

[Quentin Valaley] – Citigroup

Hi, it's [Quentin Valaley] here, I'm with Michael, I guess you've spoken through how you are going to try and refinance your near-term maturity, including [Milan] in 2010, but I guess if we look at the group in total your leverage is quite high. I'm just wondering if you could talk through the strategy that you've been working on, in terms of trying to reduce that leverage ratio to try and help get these refinancings done.

Edward A. Glickman

At the moment, this is – at the moment we're tying to assure that we have enough liquidity to continue to work towards completion of the three or four major projects that we have that are in progress, being Cherry Hill, Plymouth, Voorhees, and the build out of the 801 Market space at The Gallery.

And so, to that end, in 2009 we're looking to the additional liquidity that will be set aside from the reduction of the dividends, any savings from G&A, and additional secured financings that we will put into place above the proceeds that are required to refinance existing maturities. It's our expectation that through those sources, including the liquidity and the existing line of credit, that we'll have enough funds to complete these projects and being them into fruition.

In 2010, once the majority of our capital expenditures are completed, assuming that the dividend level stays at the same rate, we'll start to generate additional liquidity that could either be put towards continued development, redevelopment projects, or reduction of outstanding liabilities. And again, we'll cross that bridge when we come to it.

But at the moment, we're focused on 2009 and discussing with our bank group the renewal of the existing line of credit.

Michael J. Bilerman – Citigroup

Won't you – Michael Bilerman speaking, won't you – you're going to go in excess of your covenant towards 70% on your leverage, there's got to be some deleveraging plan that you got to start putting into place this year and other forms of capital, because you can't get it in 2010 and have the $570 million between the credit line and the unsecured term loan come due, without any capital to replace it, let alone deleveraging the balance sheet.

So, I can understand you want to get enough capital to finish these projects, but there's got to be something on the other side of it to meaningfully reduce leverage.

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