03-Mar-2025

SL Green Realty Corp. (SLG)

Citi Global Property CEO Conference

CORPORATE PARTICIPANTS

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

OTHER PARTICIPANTS

Nick Joseph
Analyst, Citi

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Nick Joseph
Analyst, Citi

Welcome to Citi's 2025 Global Property CEO Conference. I'm Nick Joseph, here with Michael Griffin with Citi Research. Pleased to have with us SL Green and CEO Marc Holliday. This session is for Citi clients only and disclosures have been made available at the corporate access desk. [Operator Instructions]

Marc, we'll turn it over to you to introduce the company and team, provide any opening remarks. Tell the audience the top reasons that investors should buy your stock today and then we'll get into Q&A.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Okay. Thank you and good morning. Great to be here to speak to everyone as we kick off another Citi Conference. This is something that is very close to heart for many of us that have been doing it for I think decades now. It's also a very exciting moment for our company and our team because our portfolio is probably as good as it's ever been in terms of quality and tenancy. The balance sheet is extremely strong in terms of ample liquidity and maturity dates that are pushed out generally to 2027 and 2028 at the earliest. And the leasing market is, as I've said recently about as good as I've seen it in a long time. I mean like 10, 15 years. This is a – it's a very good leasing market. And I'll run through some of that. As in years past, I'll make some brief opening remarks and open it up for your questions. Do we have slides?

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.

Yeah. They're on the website.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Okay. Well, I'm going to go by what's on the website but no handouts?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Correct.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Okay. Let me go over the topics I need to [indiscernible] (00:01:44). Thank you. 10 topics that I'll encapsulate and hopefully under 10 minutes. This morning, we announced a major lease signing with Newmark Real Estate, consisting of a renewal and an expansion of their footprint of 125 Park Avenue. That brings our Manhattan office leases signed since our December investor conference to 544,000 square feet and puts us on track to well exceed 500,000 square feet of leasing for the first quarter of this year. Notwithstanding that the completed Newmark deal comes out of our pipeline, we still have a current pipeline of 975,000 square feet in amount that is actually higher than what it was on our earnings call in January, which had the Newmark deal in it. The demand side of the equation for Midtown Manhattan office continues to be strong. It's landlords are benefiting from a robust local economy, return-to-office pronouncements in diverse industries that are nearly all expanding their footprints in Manhattan right now.

On the next page, for those following on the webcast, you can see market improvements reflected in SL Green's tats. We're projecting year-end leased occupancy of 93.2%, economic occupancy of 92%. That's only a 1.2% differential. That's the lowest spread that's been between leased and economic for our 10-year average, which is 1.3%. Occupancy in our portfolio hit its lows in mid-2023 and has since rebounded almost 400 basis points in just a year-and-a-half. So that should say a lot about how quick this market can turn and our portfolio can turn when you got the right metrics in place.

Another important fact and I think more and more, this is the one that you'll hear me stressing throughout the year and it's very simple, it's lack of new supply. We're back to a moment in time where a lot of projects were paused during COVID. Even then, there weren't a lot of projects in the pipeline anyway. Remember, Manhattan is a 400-million square foot market. Even if we were only expanding inventory by 0.5% of the year, that'd be 2 million feet a year. In fact, over the next three years; 2025, 2026, 2027 and 2028, actually over the next let's call it four years, there's only 1.2 million square feet net that is expected to be contributed over four years. So that's not even 1% of the inventory that will be delivered. We have a chart online that shows 125 West 57th Street, The Rolex Building, and Mickey Rabina's project, the 520 Fifth Avenue, which has a little bit of net office exposure. And there's a little bit of a differential between JPMorgan delivery of 270 Park. But they're immediately taking the Bear Stearns building offline so that the net increment is only 670,000 feet. If you push that out to office deliveries for 2029 and beyond, although that's greater than four years from now, even then you're only getting an additional 6 million feet over another four years. So again, less than 0.5% on average, let's say 1% a year for sure. And it makes the set up for the next several years really strong.

In addition to the fact that there's no way to really activate new space quickly, you have to also take into account that there's millions of square feet rolling off the rolls due to conversion of office-to-residential. That's big topic number three I assess for today. I've got a chart in front of me that shows nearly 6.5 square feet of projects that are being taken off and this is near-term. We've seen numbers about...

Robert Schiffer

Executive Vice President-Development, SL Green Realty Corp.

20 to 25.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

...20 to 25 million square feet, but that's over five to seven years. This is 6.4 million feet like now. So there's a [ph] 1.5% (00:06:02) of the inventory that's already been taken out. More to come over the next four years. And you're going to see that really drive occupancy. So when you compare new additions over the next, between now and 2032 and you netted against these office-to-resi conversions, there's only 700,000 square feet of net new office space between now and 2032.

We were – a group of us were in Asia about two or three weeks ago. We take that trip I would say for almost two decades. We've spent in Asia fostering relationships, and these are deep, long-term relationships in all sorts of various markets over there. And SL Green, I'm happy to say was very well-received because of the way in which we came through COVID, the way we treated our counterparties on the debt and the equity side. And as a result, I think the SL Green brand is shining as bright as ever.

And some of the takeaways, I think New York City is probably the only major city in the US that these investors will consider for office investment. There's a widely held belief now that wasn't the case in 2023, a little bit in 2024 but now widely that New York City is rapidly recovering and outperforming all other US commercial markets. There is a focus on sponsorship quality, no new construction, irreplaceable locations. These people and investors tend to focus on quality, not absolute yield. They don't reach for yield on secondary product. They're looking for good core and core-plus yields on the best-of-the-best product and I think that's why it's such a good marriage between us and these – both debt and equity counterparties. I'll just skip to the end. One of the last significant takeaways was that a lot of the LPs have already taken whatever marks they were on their historical book not related to SL Green. And if they've had losses, they've realized those losses, they've reset and they're now ready to take advantage of this new market cycle. And I'm happy to say I think a lot of yield, you see it expressed throughout the year that they may take advantage of that in New York City with us.

There's new joint venture opportunities for these folks that we've shown throughout roadshows in Asia, in Europe, in Canada but also we're marketing domestically. Joint venture interests in 10 East 53rd Street, 100 Park Avenue and 500 Park Avenue. 500 Park is a new acquisition. 100 Park and 10 East are instances throughout COVID where we either bought out or have the option to buy out our partners, which gives us the opportunity to recap with new JV partners and those deals are going quite well I'm happy to say at this moment.

750 Third Avenue, just to come back to the theme of office-to-resi conversion, we've got two major construction projects right now, 245 Park. You've heard me speak about that. It's an over $2 billion investment. The buildings I think 94% leased and we've signed a lot of major new leases there. That building should be delivering, finished sometime in 2026. And 750 Third Avenue is one that Rob Schiffer to my left here, by the way Rob Schiffer I don't know, if everybody...

Robert Schiffer

Executive Vice President-Development, SL Green Realty Corp.

Nice to meet you all.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Yeah. He's new to the...

Robert Schiffer

Executive Vice President-Development, SL Green Realty Corp.

Citi Conference.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Citi Conference. Rob has been with me for 21 years and he's one of the EVPs in our firm and is, amongst other things, project managing One Madison Avenue and One Vanderbilt. He's also project managing 750 Third Avenue. He's the lead on that deal. And that deal should be a great blueprint I would say for the best-of-class office-to-resi conversion in Midtown Manhattan with an old, 1950s Emery Roth style building where we're going to make significant structural changes to the building to accommodate somewhere between 650 and 700 units and end up with a yield well north of 6.5% cash on cost.

Some renderings in the package, I won't bore you with at the moment. I've got about 30 seconds here if I want to stay on Citi's timeframe that they made sure I'd adhere to closely, the CMBS, oh! you want to pause it? There. Stop. Here we go. I've got time.

Robert Schiffer

Executive Vice President-Development, SL Green Realty Corp.

[indiscernible] (00:10:23)

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

CMBS market has come back very substantially. There were like no new commercial issuances in 2023. It's about $5 billion in 2024, already in 2025, right, it was at two months, $7 billion of issuances. Seagram's, 200 Park, 3 Bryant, 299 Park, Spiral and Rock Center, we can talk more about that in the Q&A session if you want. We closed our opportunistic debt fund. We had our first closing back in November. We expect the ultimate size to be over $1 billion. We have significant opportunity that far exceeds the $1 billion of discretionary capital. We're opening SUMMIT in Paris. That's another project that Rob is spearheading. He spent a lot of time on the road, not only in Paris but other major markets. Paris is going to be open in 2027. It's going to be unbelievably exciting. I think equally as successful as one Vanderbilt and we're going to get a casino in Times Square, Caesars Palace Time Square, I hope, bidding in June and hopefully awarded by the end of the year.

QUESTION AND ANSWER SECTION

Nick Joseph
Analyst, Citi

Q

That was a lot. So we'll circle back I think on a lot of those points. But I think one of the main things you said initially was the lack of new supply in New York. You touched on the resi conversions. Obviously, there is some level of obsolescence on the lower-end part of the market. But clearly it's a much improved leasing environment. Occupancy is moving up just very strong on that side. So, when would you expect and what do you need to see before supply really starts to return to the market just given the current environment?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Before supply, you mean new construction?

Nick Joseph
Analyst, Citi

Q

New construction.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

I mean project that is initiated today is five to seven years. So, that's why I gave two periods of time. There's now through 2028, which I would call the near-term, you got to be in process or don't even talk about it. And then there's the 2029 through 2032, which is if you sort of go now, you could be done by then kind of timeframes. Beyond 2032 could be anything. So I'm not really focused on that but that's eight years of a situation where we're going to have very little addition to inventory. And as I noted a lot of subtraction from inventory. It's not all secondary and tertiary properties. I mean some are. But some of these office-to-resi conversions are in competitive office buildings like a 750 Third, a lot on Third Avenue. That market's going to get tight quick on Third. And Rob, where else do you see it?

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

We're seeing it in Times Square. We're seeing it in Midtown South, where New York City is about to enter into ULURP with its MSMX rezoning of the former Garment District, allowing for high-residential density buildings which will enable buildings built in the 1920s and 1930s to convert to residential. And we're seeing an obviously continued building over 20-plus years downtown in the Financial District.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. I mean Pfizer headquarters on Second Avenue is being converted to I think like...

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

1,100.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.
A

...1,100 units. That was competitive office space. That's not a 1920s old, dilapidated building. That's serious office space. They went residential like 750 and like a bunch of others.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.
Q

Maybe just turning to the leasing front, Marc. I think you guys have obviously done very strong job over the past couple of years in terms of leasing and the demand that you've really seen, particularly the strength along the Park Avenue corridor. But as you kind of look ahead, are you seeing a spillover effect into maybe Third, Sixth Avenue, kind of those other submarkets as well as demand for maybe more, I'm not going to call them lower but more affordable price point buildings just given the tightness along Park Avenue?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.
A

Yeah. I want to remind everyone, One Vanderbilt has been out of our numbers for like years and One Madison wasn't a major contributor in 2024. So, almost all the leasing, we did last year, 3.6 million square feet, which was I think the second or third highest amount of leasing volume we ever had in the company in 26.5 years. We're in every other building besides One Vanderbilt and One Madison and you can characterize that portfolio however you want in terms of location, age, et cetera. It's a very high-quality. Midtown-centric portfolio but there were buildings that ran the gamut from 1920s to 1980s. And so even 1980s is a 45-year old building at this point.

So the narrative that you see in the papers that all the leasing is happening in the new Class A product, it's not accurate. It's just wrong. And it's always – the media just tends to be 6 to 12 months behind. So that might have been true back in 2023 and early 2024. That's not true of 2024. I'm just looking quickly right now. Matt handed me, this is just this year...

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.
A

No. This is our pipeline.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.
A

Oh! This is our pipeline. So yeah, this is our pipeline right now, 975,000 feet. I'm just going to read it. 420 Lex, 450 Park, 800 Third, 1356, 220 East 42nd, a bunch more at Graybar. So Graybar is on fire. I think it's over 90% leased right now. It's a great barometer of the health of the market. 810 Seventh Avenue, 919 Third, 1185 Sixth. That's called SL Green's portfolio and that's where all this leasing is taking place. And – so it is already spreading. It's not so much the exact address of like – it's just in that core Midtown East location. There's just winnowing availabilities, particularly blocks of space over 100,000 square feet. And as a result, you're seeing this kind of robust activity in our leasing, which is as good a proxy for Midtown as any.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.
Q

Okay. So maybe just following up on that. In terms of kind of a concessionary environment, ability to push rents, I know you highlighted a slide in your Investor Day presentation that once you get above 95% occupancy, you really start to see pricing power. So maybe give us a sense of the mark-to-market opportunity within the portfolio and kind of where concessions are at this point. Are you more able to push on face rents and keep concessions level? Are we seeing them decrease? Just some color there would be helpful?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. Well, it's building-by-building, space-by-space, I want to hit and start with that. We have over 30 million square feet of space. You have to have a leasing strategy for each one. Some of it highly desirable space, multiple bids in on space. And we can really push the concessions there. We tend, first, to try and trim in the free. And – I mean, on 15 months of free, if you can trim it in by two months, that's over a 10% improvement right there. And I'd say we're doing that in everywhere we can right now, trying to get back to what I would call one year free on a long-term lease, which would be more what I call a market standard.

TI is a little trickier because that's really hard cost and tenants do have to build out their space. And while the markets improving, costs are increasing. And so the 140 we maybe offering today on a brand new high-end lease is not the same as the 140 we might have offered three or four years ago just because the cost to build out. So, really just if you hold the line on TIs, it's a great benefit. As time marches on, if we can trim it in here and there so much the better. But I would think you'll see the improvement more in free rent. Well, first in face rent. I mean that's where you've seen our face rents going up and that's where you'll see it. First, face rent. Second, free rent. And then kind of lastly, TIs, it's not so much on new leases but on renewals. In a strong market renewals may be zero to pay in carpet. In a market like we've just come through, they were sort of in between that and a full TI, so you'll see it on the renewals. But new lease TIs I think we're [ph] stubborn (00:18:35).

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Maybe just switching over to kind of external growth opportunities in the transaction market. You guys announced 500 Park at the end of last year. You've got the Debt Opportunity Fund that you've already got a kind of anchor LP there. Maybe talk about the opportunity set, whether it's the acquisition market, DPE originations, the Opportunity Fund. I mean these seem like engines for external growth, not just for 2025 but beyond?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Well, look, I don't think anyone's been as acquisitive as us over the past few years. We did 245 Park's, 625 Mad, 450 Park, 500 Park. We had more in pipeline that we intend to do. Also I mentioned earlier that we recapitalized with some of our partners at 100 Park 10, East, and there was one other – anyway. There's others that we did. Two Herald, where – these are all new investment opportunities is the way we approach them. We have a pipeline of more. And we're looking at everything from redevelopment projects to trying to lock in one new, big development site, which we'd really like to get something on the books now for kind of an early 2030 delivery would be significant. There's a lot that we're negotiating on there in terms of different opportunities, not just one. So we'll zone in on one but there are several we're looking at. And there's just a significant amount of credit opportunity right now and you have to really sort of go where the market takes you. And right now, we're getting sort of outsized returns in the credit market. It's the old what I would call DPE program for SL Green, which has always been an extraordinary earnings provider for the company. We kind of stopped originations in 2020. And from 2020 to early 2024, did like no net new origin – well, no new originations intentionally. And then in 2024 turned that spigot back on and then raised the debt fund. And I think our goal is to put out well over $1 billion in the next 24 months. So it's all – it's just everything in New York is being evaluated. There's no one theme to the investment thesis. But we hope to do a significant number of transaction in 2025.

Nick Joseph
Analyst, Citi

Q

How much does the return on the CMBS market compete with that line of business?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

It's not enough yet where I'd say it's competing significantly. You need to see originations, multiples of where it is today. And within those deals, there's still a home for our type of credit in the subordinate tranches of those bonds and/or mezzanine behind the bonds. So, all the DPE we've done over the years have always been behind a robust CMBS market, more robust than it is today. So I don't think – it's not competing out. It's...

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

Beneficial.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. It's beneficial because it's kind of allowing transactions to occur. We need to put our piece of capital into deals that are being recapitalized. We're not always solving the whole capital stack. We need other lenders to be there. So it's probably net beneficial. I agree with Rob. And it's something that has been a part of our business for 26 years.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Maybe to expand on that a little bit. Do you think there are more opportunities on the debt side relative to acquisitions and the equity component or is kind of – is the pipeline more a mix of both debt and equity up?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Pipeline is a mix, but it's weighted towards debt and credit in terms of dollars invested, it's weighted towards credit. But – I mean if you do certainly numbers of deals, you do one or two big transactions a year. That's more than most of the market on the equity side. And then there's just an enormous pipeline of credit opportunities that we're hoping to close on into the fund and deploy, at least half of the fund, if not more, this year.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

We got a couple questions in here from live QA. I'll read off the first one. You kind of touched on it briefly about the casino process but can you just remind us what the timeline is? And if a development were to get awarded, how long it would take from award to ultimately construction [ph] yield (00:23:13)?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. I can talk about timeline. I can't get into what the bid is going to talk about with respect to other aspects of the deal that you mentioned in terms of open date and stuff like that. It's not something we can talk about. It's also not competitively smart to talk about that. So I'll just stick to the timeline.

This is a process that began over three years ago. It's gotten pushed out, which is the unfortunate part. However, it does appear through the statements that the Governor has made during her January budget process that she intends to stick to a timeline that focuses around the Gaming Commission, New York State Gaming Commission, who's – the agency that's running this process on behalf of the state. They're going to call for bids June 27. That's the date. That seems to be adhered to at the moment. Recall, there's two sets of processes. There's a local process where you need a majority, in our case, of six elected officials to support the deal, which is essentially considered indicia of local acceptance of the deal. That's in lieu of a specific ULURP and that process was sanctioned by City Council I think last year. We're very optimistic about that process. We feel we have a lot of support in the community, amongst businesses, labor unions, non-profits, all who are part of our bid in a very significant way. We have over 250...

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.
A

[indiscernible] (00:24:50)

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.
A

Over 250 people that are part of the Times Square coalition. I know you can't see it but like these are them. These are people who have signed letters, specifically supporting Caesars Palace Times Square. And that just shows you how big the halo effect would be if we were able to bring this very high-end casino gaming, entertainment and hotel facility into Times Square, which has been starved for new investment for years and years and years. Times Square needs something really to latch on to create the spark to really accelerate a recovery that's been faster in other parts of the Manhattan market than in Times Square. And to broaden out and diversify what Times Square is about, bring it back to where it was I would say 10, 15 years ago when it was a really strong market both for commercial office and retail and restaurants and hotels, et cetera, it's not that today but it can be very easily with this project.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.
Q

And one other came in. This is more on the leasing front. But for your tenants that are renewing right now, are they generally taking more space or are they taking less space or are they taking the same amount?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.
A

Yeah. I've said the expansions outweigh the contractions, like 4 or 5:1. It's very rare in today's market that we have a tenant shrinking in space. That's not to say 900 tenants. So I'm sure there was some that when the lease comes time we'll seek to rightsize their space, but vastly more are expanding. Newmark is a great example of one we just did. Recall in January. I told you about two others; Ares expanded, IBM expanded. I don't know, Bloomberg, that was winter, it was December I think. That was a major renewal and expansion, a total of over 900,000 feet. I could go on and on.

But I would say that, by far, the most prevalent theme of the leasing is renewal or renew and expand and very few contractions. Like I couldn't think of a contraction right now that has happened in the past 90 days, although I'm sure there had been some. Just nothing notable in my mind right now.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.
Q

Maybe next we can turn to the balance sheet. Obviously, you guys have been successful in modifying or extending some of these debt maturities. And Matt, I know you haven't talked yet, so this would be good for you. Just – can you give us a sense of any conversations you're having with lenders? It seems like you've been able to have some leverage in these refinancing negotiations. But give us a sense of how that is sort of trending? And would you expect kind of similar outcomes for 2025 on the modifications and restructurings relative to 2024?

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.

A

Yeah. We had a very successful 2024 getting that $5 billion, that ambitious $5 billion plan done, a little over $5 billion, pushed out somewhere between two and four years with $40 million total of paydown and no change in rate or spread. I think that's pretty good hitting. The markets have only improved since we accomplished that $5 billion goal last year. We have limited maturities over the next 24 months.

The largest of those is at Eleven Madison, which we've been working on since late last year. And interestingly, over the last 90 days, our opportunities to address that maturity have expanded. What would have maybe been akin to a similar execution to what we did with the $5 billion in 2024 now has other opportunities. We talked about the improving CMBS market. So there's opportunities that are much more voluminous now and now we get to pick a path as opposed to just going down the path of extend, paydown, no changing rates. So we'll see how that plays out. But, yeah, I feel very good with where we are with the balance sheet, with no maturities. A bunch of liquidity because as Marc said earlier, we have a huge opportunity set in front of us. We are completely offensive posture. Defensive posture is behind us. And makes life a lot more exciting to have a balance sheet to be able to be opportunistic.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

And then just on the debt on 500 Park, I feel like that was the first new debt origination in quite some time we've seen in the office sector. Is that a indication that lenders are more willing to lend on New York commercial real estate, or does it really have to do more with the relationships you have with your lending partners and kind of Green's standing in the market?

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.

A

It's a little of both. I mean for sure there is no red line, hard red line on office anymore. There are definitely lenders that are out there, scoping for new product, bank balance sheet lenders. It's still a limited number and it's a slower process. But as we all know, banks tend to be, call it, 12 to 18 months behind the curve. They try to be conservative but they may miss it. But now you are starting to see, case in point, 500 while relatively small and still shorter duration, we're not seeing a lot of 10-year paper but five-year can get done. I think that will continue to grow over the course of the year. Sponsorship, quality asset clearly carry the day and the relationships don't hurt either. But the benefit that we have by posting the results we have is we will get an audience with lenders now for sure on financing.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

I know we haven't touched on it much yet, but just the opportunity set within SUMMIT. Obviously, you have announced the Paris expansion at your Investor Day in December. Haven't given too many details about it, but it seems like there is this idea of international expansion that can benefit the Green enterprise. So I guess, number one, your outlook for SUMMIT and New York this year, whether or not a stronger dollar or potential changes in immigration could impact demand. And then two, just that opportunity in Paris and potentially beyond.

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

Just to address that last point. I mean the city of New York is forecasting tourism in 2025 to achieve a level that's never been achieved before. Close to 70 million people. In Paris, we executed a long-term lease. We have the ability to have a 49-year duration at that location. The building is Tour Triangle. It's in the 15th arrondissement. It is next to the Paris Convention facility, which garners enormous audiences quite often and we're incredibly excited about that opportunity. It should open in Q1 2027. Of course, we're not in control development of the building or a tenant, so we can only project out with information that we have from the developer of that building. We've got a pipeline behind Paris of four to five cities that we're working on and we continue to be hopeful that we'll be able to announce two new locations this year in 2025.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

So, Rob, just – I mean structurally how are we expanding outside of – you have One Vanderbilt that's completely different. What's our sort of basic model for the global expansion?

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.

A

Mike, you don't mind if Marc asks questions too?

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Well. I actually...

Matthew J. DiLiberto
Chief Financial Officer, SL Green Realty Corp.

A

[indiscernible] (00:32:20)

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

I'm actually not sure. And I kind of want to know.

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

Well, we're going to replicate the organizational structure that we built here in New York in each city and each city will have a General Manager, that General Manager will report to the General Manager of SUMMIT One Vanderbilt, a gentleman named Michael Williams, who's our General Manager and Managing Director of SUMMIT. And so we would look to build a team and we've commenced that process in Paris. We're in the process of hiring our General Manager and then that General Manager would build out his or her team. And Kenzo of course is a part of the Summit Entertainment Venture (sic) [Ventures] (00:32:56) joint venture. Kenzo was the artist behind Air. Air is kind of his 0ignature feature of SUMMIT and what has made it so successful. It's a journey. It's an emotional journey. And obviously the public has responded extremely well to it.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

We've got a couple of minutes here before the rapid fire but just one more question came in on live Q&A. What is the transaction velocity for the New York office market looking like and has it accelerated similar to what you've seen on the leasing front?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. There's -I wouldn't say it's on the same trajectory. I think it will lag just a touch, because it's driven by both leasing and capital. And the lending market is coming back but it's lagging where the supply and demand market is, which is also not unexpected. And so I think you'll see that transaction volume build into the second-half of this year. But there are a lot of deals in the market. Rob, I don't know if you have any ones that are out there that are known we can chat about or...?

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

[indiscernible] (00:33:58)

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. A lot of the deals are still not like a typical marketed deal because a lot of them have a third leg at the table. And that's the lender because a lot of these buildings are still – just because of interest rates, not because of anything market-driven, a little bit pressured, because deals that worked in a 25 basis points over don't work as well at a 4.25% quarter SOFR. So, they tend to be a little bit more off-market. They tend to be seller, buyer, lender-driven. You have...

Robert Schiffer
Executive Vice President-Development, SL Green Realty Corp.

A

Relationships.

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

...and relationship-driven more than first round, second round market bid process. But there is a pretty significant amount of flow if you compared it to two years ago, there was like nothing. And I think it will build. But that will depend less on both. That will follow the leasing trajectory. It will follow the lending volumes.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

Real quick two rapid fires. What is your expectation for net effective rent growth for the office sector overall in 2026?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

2026. Nice. Up 10%.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

Q

And will there be more, fewer or the same number of publicly traded office REITs one year from now?

Marc Holliday
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

One less.

[Abrupt End]