S&P Capital IQ

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SL Green Realty Corp. NYSE:SLG

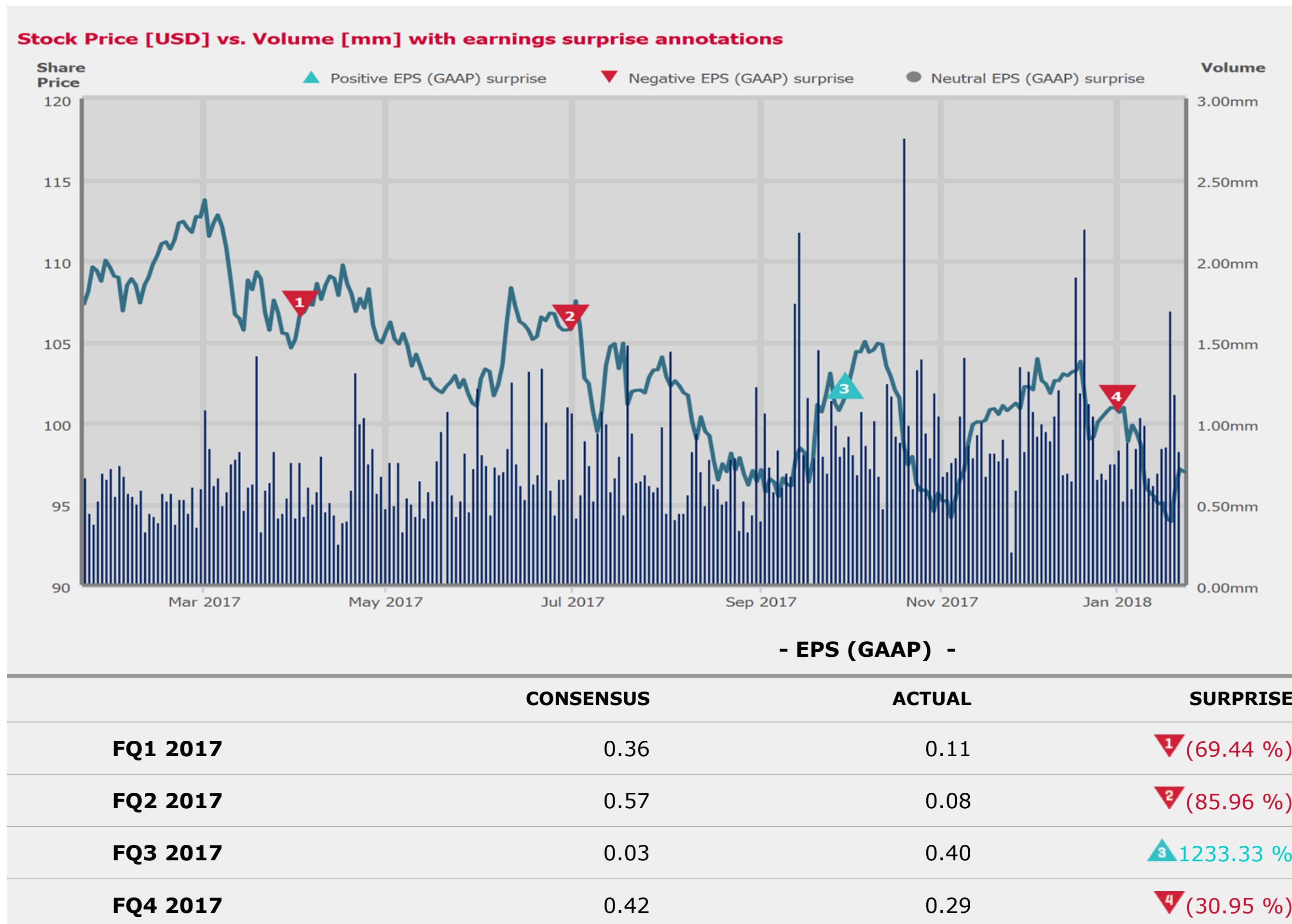
FQ1 2018 Earnings Call Transcripts

Thursday, April 19, 2018 6:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2018-			-FQ2 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.45	1.12	▲148.89	0.50	1.87	2.01
Revenue (mm)	295.93	241.77	▼(18.30 %)	295.26	1198.51	1216.56

Currency: USD
Consensus as of Apr-19-2018 11:55 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2017	0.36	0.11	▼(69.44 %)
FQ2 2017	0.57	0.08	▼(85.96 %)
FQ3 2017	0.03	0.40	▲1233.33 %
FQ4 2017	0.42	0.29	▼(30.95 %)

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Presentation

Operator

Thank you, everybody, for joining us, and welcome to SL Green Realty Corp.'s First Quarter 2018 Earnings Results Conference Call. This conference call is being recorded.

At this time, the company would like to remind listeners that during the call, management may make forward-looking statements. Actual results may differ from the forward-looking statements that management may make today. Additional information regarding the factors that could cause such differences appear in the MD&A section of the company's Form 10-K and other reports filed by the company with the Securities and Exchange Commission.

Also, during today's conference call, the company may discuss non-GAAP financial measures as defined by SEC Regulation G. The GAAP financial measure, most directly comparable to each non-GAAP financial measure discussed and the reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, can be found on the company's website at www.slgreen.com, by selecting the press release regarding the company's first quarter 2018 earnings.

Before turning the call over to Marc Holliday, Chief Executive Officer, of SL Green Realty Corp., [Operator Instructions]

I will now turn the call over to Marc Holliday. Please go ahead, Marc.

Marc Holliday
CEO & Director

Okay. Thank you, everyone, for joining us for SL Green's First Quarter 2018 Earnings Call. As I believe was evident from our reported results last night, we are off to a very good start to the year. In many respects, our results were right in line with our expectations and guidance, but I think that the term in line belies the extraordinary requisite focus and effort necessary to produce these results.

47 leases signed in New York City in the suburbs, covering more than 530,000 square feet of rentable office space; 9 separate and discrete property sales and/or closings that we executed in the quarter, exceeding $1.5 billion of gross asset value; $225 million of new debt and preferred equity investments originated or acquired during the quarter at a retained yield of 8.6%; substantial construction and leasing progress at One Vanderbilt; and a continuation of our share repurchase program, totaling an additional 3.9 million shares acquired year-to-date. That's not a bad 3 months.

But as you know, these kinds of results are not uncommon for SL Green, and you should certainly expect to see more of the same throughout the remainder of the year as we continue to execute our strategy, centered around creating value through strategic repositioning and leasing of our extensive New York City portfolio and then monetizing gains in a tax-efficient manner for reinvestments into acquisitions, our development pipeline and, of course, our considerably underpriced stock. And further, we do all of this while attempting to maximize earnings, occupancy and liquidity while also keeping our liabilities predominantly fixed, long term and within prudent levels.

The strategy is pretty easy to articulate. However, the execution is akin to solving a Rubik's cube, quite difficult, but there are solutions and strategies to get us to our goals. And the good news is that this market environment generally continues to be a favorable one for enabling us to carry out our strategy. The local New York City economy keeps producing record office-using jobs, with growth revised up to 28,000 new office-using jobs in 2017 and projected to be another 20,000 jobs higher in 2018.

Wall Street profits were $24.5 billion last year, up 42% from 2016. And the big 5 banks have already reported that their first quarter 2018 earnings were up 18.5% year-over-year. These are just some of the positive economic forces that are underlying an all-time low unemployment rate in New York City of 4.2% and which are also causing wages to rise based on compensation data from the city, showing that comp is up in many sectors of the city.

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As a result, the vacancy levels actually decreased slightly in the first quarter for Midtown and Midtown South as 1 million square feet of space were net absorbed on over 6.2 million square feet of leasing activity in those markets, meaning new leasing activity, outpaced space returns and new additions to inventory in the first quarter. This level of activity is consistent with what we are experiencing in our own portfolio as we have leased approximately 415,000 square feet of space year-to-date, and our leasing pipeline stands at over 1.3 million square feet, the majority of which is represented by leases out for signature or in negotiation. This volume of leasing is very encouraging for this time of year, and the mark-to-market on these pipeline leases are within our guidance range.

The New York City investment sales market is also showing signs of strength, with over $12 billion of transactions in only the first quarter of the year. For those of you that listened in to our December Investor Conference, this sharp increase in activity should come as no surprise as we emphasized an upturn in the sales market that we saw developing in the fourth quarter that we projected would carry over into 2018, and it has.

Pricing has remained relatively stable for high-quality, well-located office assets. And the expectation is for this trend to continue in the near term as there is an abundance of domestic and foreign equity capital with acquisition objectives for 2018. The acquisitions are happening across the entire spectrum of product and submarkets, with a complete diversity of buyers other than many other REITs who continue to sit on the acquisition sidelines other than a limited number like ourselves and a couple of others. As long as this market exists, we will continue to be active participants both as a buyer and a seller, focusing on the net proceeds generated therefrom to fund all of our redeployment opportunities on a leverage-neutral basis.

Some of those reinvestment dollars are obviously being directed towards our transformational iconic One Vanderbilt development project, which continues to rise up from the ground, having now reached the 14th floor of steel. The project is ahead of schedule, under budget and continues to generate strong leasing interest that we are confident will enable us to meet or exceed our leasing goal for the year, which was set at around 37%.

We were obviously extremely pleased by JPMorgan's recent announcement to develop a 2.5 million square foot global headquarters building in East Midtown just blocks up the road from One Vanderbilt. We are proud to have helped pave the way for this important new development by taking a leadership role on the passage of Vanderbilt Corridor and East Midtown rezonings. And we look forward to more announcements like this in the East Midtown market over the years as the positive effects of these new developments presents tenants not only with an ability to locate in the best and most desirable submarket in New York City but also one in which we'll be able to deliver new construction.
So with that summary, I would like to open it up for questions, and we'll take them hopefully as they come. And look forward to the first one.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Emmanuel Korchman with Citi.

Emmanuel Korchman
Citigroup Inc, Research Division

Marc, you spent some time talking about the buyback program and opportunities to sell assets. As we get closer to sort of your allotted goal of $1.5 billion, how do you think about that program? Are you thinking about reupping the program? And then sort of as we think about what you've got left to sell, do capital gains taxes and sort of other limiters start to play in as well as leverage when you think about buying back more stock?

Marc Holliday
CEO & Director

Well, Manny, I think the way I would respond to that, and we've talked about this a bit in the past, as long as these dynamics continue, which is a very high and robust -- a solid and robust market for asset sales, which we have right now, good pricing on a cap rate per foot IRR basis, and this kind of enormous dislocation of stock price to underlying stock value, then yes, I think we would look to continue the program certainly to fill out our allotment of $1.5 billion. And then going beyond is a topic we'll be discussing with the board probably in the next few months towards an additional allocation, assuming all of those dynamics stay the same. The second part of your question, which relates to the ability to execute that program via continuation of sales, and the answer there is yes. We have formulated strategies beyond $1.5 billion in 2018 and '19. And the ability is certainly there to go beyond in ways that would be very efficient for the company, earnings efficient, tax efficient, and also obviously taking advantage of the big discount in stock price. So that's the way we think about it currently. And with these current market dynamics, we'll continue.

Emmanuel Korchman
Citigroup Inc, Research Division

And then a second one for me. Another REIT recently disclosed that one of their large projects ran into some cost overrun issues with one of their contractors. And in the past, you've spoken about GMP contracts protecting you, but in this case, it sounds like that might not be the case for this other developer. How do you think about sort of those contracts in a project the scale of One Vanderbilt and exposure for SL Green?

Marc Holliday
CEO & Director

Well, I'm happy to report Ed Piccinich has joined us today for the call. You all know Ed. Ed is spearheading and overseeing the construction of One Vanderbilt. I think he's best to address the issue of risk and cost containment on the project.

Edward V. Piccinich
Chief Operating Officer

So I think some of the information that you see flowing today with respect to LF Driscoll versus AECOM Tishman, I think we're comparing apples to oranges. We have one of the premier contractors -- I think I would go as far as saying the best on the planet, alongside with our developer. Tishman has built 90% of New York City's super tall structures, whereas LF Driscoll, the last time I looked, they have done one in Philadelphia. They may be on their second. So I think when you look at our project as a whole, there's enough sharpshooters on this project with respect to every aspect of the business. We have 94% of the trades have been awarded. It's below budget, as Marc mentioned early on in his commentary. The steel packet, which is a major purchased item, is completed, 90% fabricated. I don't know all the details on

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the LF Driscoll, but like I said, Tishman has done every premier building that you can think of here in New York City. So we feel very comfortable that we have all these major packages bought out. And in addition to that, Tishman also has a [sub drive] policy in place, covering anything below $30 million where we, as owner for the major trades, are bonded and, as the obligee, have direct rights to the surety. So I'm happy to reinforce what Marc mentioned early on in his commentary that we're in good shape, and we continue to remain very optimistic and confident that we're not going to hit any of those type of speed bumps.

Emmanuel Korchman
Citigroup Inc, Research Division

And to ask a quick follow-up. What -- just can you comment just quickly on what's happening with construction costs in New York City more generally?

Marc Holliday
CEO & Director

It's -- I mean, more generally, I'd say they're up no more or less than we've been seeing traditionally over the past few years. It obviously doesn't affect One Vanderbilt because as Ed just said, the project is bought. But as it relates to interiors and other work we do, the labor rates have -- are subject to binding arbitration, and they have their increases in them. And -- but short of that, I would say we see construction cost levels rising consistent with levels they have in previous years.

Operator

[Operator Instructions] Our next question comes from the line of John Kim with BMO Capital Markets.

John P. Kim
BMO Capital Markets Equity Research

It looks like you already have exceeded your 2018 goal of selling $600 million in assets. And I'm wondering if you have an updated figure as far as the positions for the year.

Marc Holliday
CEO & Director

We may have one on the next call. Right now, we don't. I would simply say that we expect to exceed those amounts with some transactions, hopefully transactions between now and the end of June. And I think at that point, we'll have better visibility to give you a better update on what that number is. But suffice it to say, we expect to go beyond the $600 million.

John P. Kim
BMO Capital Markets Equity Research

And can you just comment generally on the increased sales activity in Manhattan year-to-date? Is it sellers more willing to lower the price to meet the market or buyers looking to acquire while rates still remain relatively low? Or can you just provide some comments around why the pickup in volume?

Andrew W. Mathias
President & Director

It's Andrew. I think we've seen pricing has not eroded really much at all. We've just seen an enormous influx of capital, both foreign and domestic, which I think we foreshadowed, as Marc said, in December. The Chinese capital took a step back, and it took 6 months or so for the market to gather itself. But I think what we started to see happening in Q4 and saw really happen full throttle in Q1 was alternative sources of capital step in and fill the void that was left by Chinese capital taking a step back.

Operator

Our next question comes from the line of Craig Mailman with KeyBanc Capital Markets.

Jordan Sadler
KeyBanc Capital Markets Inc., Research Division

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It's Jordan Sadler here with Craig. We wanted to touch base on the activity at One Vanderbilt. The last call, I think you talked about trading proposals with 4 tenants. And I was curious if we could get an update there.

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

This is Steve. So we're tremendously active. We're trading proposals with 7 different tenants for sizes that range between 1 to 4 floors each. We're in advanced discussions with a couple of them. And by comparison to a year ago, we are extraordinarily busy and getting a very, very strong reception from both the brokerage and the tenant community. And as the building comes out of the ground, as people start to realize how, in fact, it's changing the neighborhood and they can start to imagine themselves in this space, it's really brought an increased enthusiasm for the building.

Jordan Sadler
KeyBanc Capital Markets Inc., Research Division

And maybe coupled with that, I'm curious about the mix of tenancy that you're seeing there. But just maybe more broadly, Steve, what are we seeing in the marketplace? I think there had been some optimism. I know we had some, late last year and early in this year, regarding financial services maybe coming back and being a bit stronger obviously. But what are you seeing so far this year for the rest of the year for the mix?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

Well, with One -- yes, so with One Vanderbilt in particular, we're seeing the tenants that we would have expected. So financial services, a little bit of legal, as evidenced by the recent signing of agreement with Traurig, but heavily weighted towards financial services. But when you look across the market more broadly, there's a pretty broad range of industries that are out there, Grand Central Terminal. Midtown in particular versus a year ago is extremely active. Leasing in Midtown is up 25% over this time last year, whereas a lot of the leasing last year was done over Hudson Yards and Manhattan West. All of the activity has shifted back into the core of Midtown. Grand Central in particular is extremely busy, one of the strongest quarters in the last 4 years. And the tenant mix, if you look about -- at what we've signed, which has been a lot of legal, financial and professional services businesses, legal in particular and financial sort of really leading the way is a very good reflection of the overall market. The tenants that are in the market or leases that were signed year-to-date have been 37% finance and 25% legal. So -- and there's a lot of strong demand, particularly, as I said, back in the Midtown market.

Operator

Our next question comes from the line of Alexander Goldfarb with Sandler O'Neill.

Alexander David Goldfarb
Sandler O'Neill + Partners, L.P., Research Division

Maybe, Steve, just continue with One Vanderbilt. Can you just comment Jamie's decision over to rebuild 270 Park? Has that brought a lot more interest of people to look at One Vanderbilt? Or in your view, the fact that steel is coming out of the ground has been the main draw and that tenants aren't really thinking about the impact of JPMorgan rebuilding next door?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

I think the decision by JPMorgan is a huge compliment to One Vanderbilt. It's a huge endorsement of Midtown/Grand Central in particular. I think that just the visual side of those 2 buildings next to one another changes the whole dynamic and people's mood and enthusiasm for the Grand Central market. And I could tell you the commentary from both tenants looking at One Vanderbilt and broader looking at the Midtown market is nothing but a big applause.

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Alexander David Goldfarb
Sandler O'Neill + Partners, L.P., Research Division

Okay. And then the second question is on the DPE book with all the commentary on a flattening yield curve. How is it -- how does the flattening yield curve affect your guy's ability on the DPE book? If you could just comment.

Marc Holliday
CEO & Director

Well, let's parse through them a couple of pieces. The -- as floating rates have increased, albeit percentage-wise a lot, but whole index, not that much. I think it's around 2% now LIBOR. Floating rate still continues to be a very attractive option for the kind of transitional borrower base that we have. And it still competes sort of on target with fixed rates, with all-in rates maybe close to -- on a mortgage basis, in the 4s, right?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

Yes.

Andrew W. Mathias
President & Director

4.5%.

Marc Holliday
CEO & Director

4.5%, whether it's floating or fixed. But the issue isn't always just rate. I would say the vast majority of what we do, maybe 80%, 85%, 90% of what we do, are transitional projects, which is big value creation being taking place in years 1 to 3, construction, lease-up, redevelopment, repositioning, assemblage, bridge loans. So very few of those kind of borrowers would want to encumber those projects with long-term fixed-rate debt even as the floating-rate equivalent becomes somewhat on par with the fixed rate. I don't -- and David Schonbraun, he can speak to that as well. I don't think we've seen a migration towards fixed as the yield curve has flattened. And in fact, I think our origination pipeline and origination to date has been kind of on par with prior years. There's an intentional effort, as you know, to bring down those balances somewhat as we're bringing down the balance sheet, if you will, through the share repurchase program and as we're orienting more money into the share repurchases. And fortunately, we have such good earnings momentum that we are able to do just that, and yet do it while maintaining our FFO outlook. So David, any additional thoughts on that?

David Schonbraun
Co-Chief Investment Officer

Yes. I think to take advantage of the fixed rate market, you have to really have a product that's well leased and put away where a lot of the loans we're doing are more transitional. So the yield curve is a little less impactful. If anything, rising LIBOR enables us to get a little more yield and kind of keep yield spreads compressed a little bit. But in terms of people going fixed versus floating, that decision is really still being made based on kind of what's going on at the asset level in terms of income stability and kind of lease duration.

Alexander David Goldfarb
Sandler O'Neill + Partners, L.P., Research Division

Okay. So you're widening your spread?

Marc Holliday
CEO & Director

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Widening spread. Widening the spread on LIBOR? No. The extra yield kickup for us comes if we are using existing liquidity to fund LIBOR-based loans that have a higher LIBOR. That's definitionally more profitable for us. But that doesn't necessarily mean widening spread. I think what you saw is, at least on an all-in rate basis, we're still right around that 9%, which is very strong for this market, this environment. And there's still very low historical levels of interest rates.

Operator

Our next question comes from the line of Nick Yulico with UBS.

Nicholas Yulico
UBS Investment Bank, Research Division

Steve, just coming back to the New York market, how much of the demand, when you're talking to the tenants, is actually lease expiration driven versus firms looking to expand?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

Well, I don't know that I can really answer that. I can tell you that of the leases that we've signed year-to-date and we had a good 30% of those had a growth component to them. So if you use our portfolio as a barometer, and the leasing that we've done to date, we've had a very good first quarter, that's probably a good indicator that there's a lot of growth out in the marketplace when you say that 30% of the square footage that we've leased to date had a growth component from the tenants leasing versus what they were leaving behind.

Nicholas Yulico
UBS Investment Bank, Research Division

And I guess just one other question on the big picture standpoint, right. If you think about the development you're doing, if you think about the Midtown, upzoning potential of other sites, I mean, doesn't this make the market more expensive from a rental standpoint? And how does that play out over the long run? Is that sustainable?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

The prospect of -- this prospect of new development raises the rents, is that what you're asking?

Nicholas Yulico
UBS Investment Bank, Research Division

Yes. And any idea that if you have more firms, call it JPMorgan, right, and build a bigger -- right, and you have bigger projects, more expensive projects in Midtown can only mean that's higher rents? Is that -- understanding you need to modernize the stock in New York City, but is that sustainable from a cost standpoint?

Marc Holliday
CEO & Director

I think that the duration over which that might happen is so long as to be non-consequential to us right now. This is a 240 million square foot Midtown market. So any new development on the order of a couple of million feet -- and remember, this is between us and the JPMorgan building, let's call it 4 million feet or so of new space being delivered over the next 5 to 6 years, it's -- this is what I've tried to express in other forums, this concept of just how vast and deep this inventory is in New York City and Midtown in particular, 240 million feet, and how the new development that gets so much of the attention and focus, when you annualize the new inventory over the period of years to deliver it, it winds up being much less than even 1% of the inventory per annum. Less that, I think I showed in December it was close to 67 basis points per annum. Now in that time, some projects will have delivered, and then new ones will have come on 5 years from now. So I think that number is still roughly accurate. But it's a drop in the ocean.

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So in terms of the affordable rent market, which is really our market here in not just Grand Central but in New York City, I mean, we own 28 million square feet, that affordable rent market is where we play. And I don't think the marginal projects that you're seeing are going to dramatically affect those rents. I mean, yes, there will be a tightening as the attraction of a particular submarket increases, but I think that is much about us redeveloping projects and bringing our buildings up to Class A+ standards, whether or not it's new development to drive rents up $10, $15 a foot, which is what we do routinely. But I can't say that any 1 or 2 developments in Midtown will greatly influence that rental metric.

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

Well, the only thing I'll add to that -- I will add to it, though, is that with new construction comes an enthusiasm by other owners to renovate their buildings. And that's what help keeps our Midtown market and overall market very healthy and what -- versus the core of the East Side rezone and why we need it to happen.

Operator

Our next question comes from the line of Jamie Feldman with Bank of America Merrill Lynch.

James Colin Feldman
BofA Merrill Lynch, Research Division

I was hoping you could talk about the trend in concessions and free rent. Just I know you provide in the supplemental commenced leases, but what you recorded in FFO for the quarter is current. So maybe just talk about, is it consistent with maybe what's recorded in that commenced leases and what's the trend overall right now?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

Well, as we said in the prior call, there's no doubt that concessions on the TI side, less than the free rent, but on the TI side, over the past couple of years, have risen. Our average for leases that were signed in the first quarter were up higher than typical, but in reality, that was skewed by 3 individual leases. Of the 3 -- of the 28 leases that we've signed, if we pulled those 3 leases out, our average TI would have been less than $42 a square foot, and our free rent would have been less than 3.5 months of free rent. So there's -- I think it's important that when we talk about TI across the portfolio, it gets skewed depending on how many deals we do where it's raw space versus new deals and renewal deals and versus spaces where we're retrofitting. And that's where, in any one particular moment in time, you see the numbers kind of move about. Broadly speaking, TI, I think, for the past 6 or 9 months, I think generally has flattened out in the market for a new building -- or I'm sorry, new space on raw deals. And free rent, I think, has been sort of flatlined for the past 12 months.

James Colin Feldman
BofA Merrill Lynch, Research Division

Okay. And any latest thoughts on the observatory plans at One Vanderbilt?

Marc Holliday
CEO & Director

There's -- we've got a lot under design development right now, a lot of exciting things that I think we'll probably be in a better position to roll out towards the end of this year, maybe in our December Investor Conference, you never know. But the answer is very excited, putting together a team to make it not just a visual experience but sort of a complete experience by integrating technology and content and food and viewing and social media and everything to make it something very special. So it is taking -- it's getting a lot of attention. We've got a very good team working on it that maybe we'll be able to introduce later on this year. And we have -- are now beginning now that we've completed the physical envelope of what that space will look like, beginning the actual interior design of the observatory, and we'll have some great images to share with you soon. But I'd say just a touch premature at the moment.

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Operator

Our next question comes from the line of Anthony Paolone with JPMorgan.

Anthony Paolone
JP Morgan Chase & Co, Research Division

Maybe for Steve Durels. Can you talk about what you're seeing either in the market or across your desk in terms of co-working as a percentage of the demand and how you're thinking about that world right now?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

We get inquiries with co-working businesses all the time. It's clearly an expanding footprint in the market. Everybody's got sort of the -- watches the we work, but there's a lot of other businesses out there in that same industry type. And we really don't have a lot of exposure to the industry within our portfolio. We've done some deals with -- we're working with others over the years, but none of the deals that are in our pipeline are co-working business.

Anthony Paolone
JP Morgan Chase & Co, Research Division

Okay. And then second question. You talked about just strength in the private market for deals and starting the year off pretty strong. I guess we're going to see 245 maybe trade and untraded last year. Any sense as to whether you think that's up, down or sideways versus the pricing a year ago as an indicator of the market?

Marc Holliday
CEO & Director

Well, I think we can't really comment. That deal's in the market and...

Andrew W. Mathias
President & Director

We're a lender.

Marc Holliday
CEO & Director

We're also a lender there. So I don't think it would -- we should be pining on value. I would say that I think, as I stated back at the time, I think 245's a very good asset. It's an asset we went hard to acquire at that point in time. And then we subsequently made a sizable investment in the capital stack, which we think has worked out quite well. It's obviously just a beneficiary by everything that Steve just talked about in what's going on over in East Midtown and being directly -- diagonally across from the new JPM headquarters. I think that, that entire stretch of park, which includes our building at 280, JPMorgans' new building and 245 and others, what Levinson and Lapidus were doing at 425 Park, I mean, it's just -- it's solidifying great value in that area and the rents we achieve and we see others achieve for their buildings in that market are well into the triple digits. So I would think the value is generally, year-over-year for product like that, is fairly stable.

Operator

Our next question comes from the line of John Guinee with Stifel.

John William Guinee
Stifel, Nicolaus & Company, Incorporated, Research Division

Just a few really quick questions for very quick answers. First, Marc, promise me that JPMorgan is not putting an observatory at the top of their building.

Marc Holliday

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CEO & Director

That would be the irony of ironies, but I doubt they will.

John William Guinee
Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. Second, some uninspiring suburban office sale numbers that are what they are, but they are under $100 a foot. If Stamford, the Landmark Square deal is to sell this year, is it going to be that same sort of number? Or will it be a multiple of $100 a foot? And then, three, for Steve, just -- and if you've answered this question, I just sort of missed it, just very quick numbers. If you take comparing Hudson Yards, 399 Park, One Vanderbilt, and you say turnkey TI package or whatever the package is, similar floor level, what's the rent differential? Is One Vandy $20 more or $50 more than Hudson Yards? And is One Vandy $30 more or $40 more than 399 Park?

John Barnes

John, this is John. On the suburban side, with respect to Stamford, those are downtown assets. So we sold Stamford Towers last year. It was close to $300 a foot. The rents are higher, the buildings are better, the vacancy is significantly less. So I do expect it to be significantly higher than what we're able to achieve in Rye Brook and in Valhalla.

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

And then with regards to the -- and then with regards to your leasing question, it's a little bit of an apples-and-oranges scenario that you've posed because there's a dynamic in the market where new construction on TI actually doesn't carry as much in the concession package as does older-generation buildings like the 399 Park Avenue. So I would guess that the TIs at 399 Park are $100-plus TIs. In new construction, Hudson Yards and One Vanderbilt, typically, we've been closer to anywhere in the $85 to $95 price range of TIs. And then on a rent basis, Hudson Yards, the latest generation of leasing over there has all been triple digit. And what's left to lease, whether it's at The Spiral or the balance of what's available at 55 Hudson Yards are all going to be $100, $105, $120. And the rents have gone up to $130 a square foot, depending on which building and where it is in the cycle. So if you compare that against, say, One Vanderbilt, you'd really -- I'd really have to answer the question about where you are in the building, at the bottom of the building, at the top of the building, are you the first tenant in or the last, but also wildly different product. One Vanderbilt is a high-quality, best-of-class location, best-of-class infrastructure, and you get a lot more for your money.

Operator

[Operator Instructions] Our next question comes from the line of Michael Lewis with SunTrust.

Michael Robert Lewis
SunTrust Robinson Humphrey, Inc., Research Division

At the bottom of Page 32 in the supplemental, you give the cost breakdown for One Vanderbilt. And I think everybody on the call knows a lot about the rent expectations and returns and so forth. At the top of that page, there's several development and redevelopment projects listed. Maybe some of these are overlapped with the growth portfolio you laid out in December, but I'm just curious if you could comment on the costs maybe to those projects, the return, kind of the potential NOI that's kind of lying dormant there that maybe you're not getting credit for in the stock price.

Marc Holliday
CEO & Director

Well, we -- what do we have on the page, Matt?

Matthew J. DiLiberto
CFO & Principal Accounting Officer

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So Mike, it's Matt. So there's a bunch of stuff up there. We've talked about the most material development projects that are happening, much smaller in scale than One Vanderbilt that sit up there. And obviously, as these progress forward, we'll provide more detail. If we haven't done so already, that's because we're not in a position to at this point. 5-7 Dey, which is 185 Broadway, that's a big project downtown that we're working through. And 609 Fifth has now gone into that portfolio because we vacated the property, and that's slated for redevelopment. The other stuff in there, largely development has been completed, and it's just in lease-up, at which point it comes out; or small like Tower 46 and 719 Seventh, those are coming out. There is nothing other than those 2 projects I just outlined that are really of a material nature in there. And we'll come out with more detail on costs and returns and things like that when the time is appropriate.

Michael Robert Lewis
SunTrust Robinson Humphrey, Inc., Research Division

Okay, great. And a question I get a lot that I want to post to you guys, you're obviously buying back a lot of shares, and you see value at a big discount to NAV. The question that I get is then about the insider interest in the stock. And obviously, Andrew owns a lot, and then after that, maybe not quite as much. And so you obviously have the high confidence to go out and repurchase these shares. So I was just wondering if you could comment at all on kind of -- I guess maybe it's a personal question, your own kind of personal interest in the stock at these levels.

Marc Holliday
CEO & Director

I could answer that. Andrew spends less money than I do. So he has widely...

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

But we're all exclusively...

Marc Holliday
CEO & Director

I think widely has a massive stockholding and...

Andrew W. Mathias
President & Director

I'm a believer in the NAV.

Marc Holliday
CEO & Director

I think we're -- how about this? If you take your top 2 or 3 holders, I would hazard to say that it comprises anywhere, at least for me and Andrew, between 80% to 90% of our entire net worths in that range. So I'd say that's real belief. I don't think we have any other institutional shareholders who put 80% or 90% of their fund holdings in our stock, although I wish they would, and I would encourage them to. But we're all completely wed to the stock. Our compensation these days is pretty much paid almost entirely in equity with vesting periods and no-sale periods. And all the things that have created strong alignment, we actually held our stock even before those requirements. So it's not that those requirements are absolutely necessary. The way we look at things, we love holding this currency. We take, as I said, almost all of our compensation in that currency. And it's quite a meaningful part of our net worths. So creating value in the stock as we do, not just in repurchasing but also in developing acquisition, everything else we do, is felt throughout this company. People have options. People have stock. People have performance plans, incentives. And for 17 out of 20 years roughly, that's been a great incentive and form of wealth creation. And we are going to do everything possible to get it back in line with that prior performance for the benefit of all of us and therefore all of our shareholders.

Operator

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Our next question comes from the line of Vikram Malhotra with Morgan Stanley.

Vikram Malhotra
Morgan Stanley, Research Division

Matt, could you maybe give us a sense of the trajectory of same-store NOI growth? Relative to your midpoint of 6.5% to where 1Q came in, it would suggest accelerating trajectory, but anything we should be aware of in any of the next 3 quarters?

Matthew J. DiLiberto
CFO & Principal Accounting Officer

Yes. The expectations were to accelerate through the year because occupancy picks up throughout the course of the year. And if you look back at last year, obviously, the first half of the year is a good benchmark to grow off of because we're starting to run into clearly second quarter, big vacancies at 1515 and 45 as done in 220 where tenants were rolling out those spaces. Our leased are being leased back up. And so over the balance of the year, same-store NOI picks up pretty significantly, and that's why our goal was 6% to 7%.

Vikram Malhotra
Morgan Stanley, Research Division

Okay. And then just 2 specific street retail questions. Any update on 719 in terms of getting a tenant? And then there have been some reports on McDonald's in Times Square relocating or possibly relocating. Any thoughts there?

Andrew W. Mathias
President & Director

The first part of the question, 719, no update there. Continued lots of tours, lots of tenants kicking tires. There's been activity in Times Square, but no updates to share on the call. The second part of the question was?

Vikram Malhotra
Morgan Stanley, Research Division

On 1552 McDonald's.

Andrew W. Mathias
President & Director

McDonald's, we have lease term left there with them. We've been working to get them relocated from the property to unlock a lot of space around it. And that -- the lease that you saw announced was sort of the culmination of a 4- to 5-year effort to get them to relocate and free up some space at 1552. So that's a very positive development for that asset.

Vikram Malhotra
Morgan Stanley, Research Division

And how much term is left?

Andrew W. Mathias
President & Director

Do we have left?

Vikram Malhotra
Morgan Stanley, Research Division

Yes.

Andrew W. Mathias

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President & Director

We probably have 5 to 6 years left with them.

Operator

Our next question comes from the line of Vincent Chao with Deutsche Bank.

Vincent Chao
Deutsche Bank AG, Research Division

I think most of my questions have been answered, but just maybe a quick one on the investment markets and the pickup here in the first quarter. Past couple of calls, you've talked about sort of the ownership structure and how that's a limiting factor in the volumes. I was just curious if the increase in activity here in the quarter, do you think that'll get more sellers into the market and that sustains this volume pickup? Or could this be sort of a catch-up for a couple of months of limited activity?

Andrew W. Mathias
President & Director

We see consistent activity out there right now through the second quarter. There's a lot -- we've announced a lot of activity in the last couple of weeks, and there's a lot of other deals in the market that are getting significant interest. So I wouldn't expect to see any tail-off in activity in the second quarter in terms of visibility for the second half of the year. We'll have more on that, I would say, in the next quarterly call.

Operator

Our next question comes from the line of Steve Sakwa with Evercore ISI.

Stephen Thomas Sakwa
Evercore ISI, Research Division

I guess I just was hoping Steve could give a little bit more color on the 1.3 million square foot pipeline. How much of that is sort of new deals? How much of that is just kind of renewals of '18 and maybe pull forward of 2019 and 2020 renewals?

Steven M. Durels
Executive Vice President and Director of Leasing & Real Property

Well, of the leases that are out, there's 31 separate transactions and then the balance of it, which is pure term sheet, which we think has a high probability of converting to leases, that's 25 different transactions. The majority of the deals are either filling vacancy or current near-term renewals. There's 1 or 2 deals that are sort of much more long-dated early renewals, but not a big part of the pipeline right now.

Stephen Thomas Sakwa
Evercore ISI, Research Division

Okay. And then I guess maybe on the DPE book, I'm just curious if Marc or Andrew could just maybe touch on kind of what you're seeing today in the marketplace. Kind of the risk-reward profile of deals today that are coming through kind of the volume, how do you sort of feel about the activity level that's crossing your desk?

Andrew W. Mathias
President & Director

I'll have David answer the question just because he's here.

David Schonbraun
Co-Chief Investment Officer

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Sure. It's David. I think the markets continue to be very competitive. I'm not sure their risk profile has gone up a lot. I think spreads have compressed, so I think we're just having to be much better with structuring and syndicating and using kind of our rebuilt facilities to get the yields that we want. But I don't think kind of the transactions in the market have changed that much per se. So I don't think there's a lot more risk. It's just there's a lot more capital that we're having to work a little harder to get the deals done at the yields that we want them as spreads compress.

Operator

Our next question comes from the line of Jed Reagan with Green Street Advisors.

Joseph Edward Reagan
Green Street Advisors, LLC, Research Division

Just thinking about the next chapters of Midtown East rezoning, are there specific SL Green assets that you're studying as good candidates for potential rezoning and redevelopment? And I guess just generally, how hopeful are you guys of taking advantage of that rezoning again in the near future?

Andrew W. Mathias
President & Director

Well, one -- we're 96% occupied. So one of the challenges is our properties are well leased. So it's a good and bad thing. We definitely own a lot of properties obviously in the areas that were identified, but I would say none of them are sort of near-term candidates for demolition and rebuild. So One Vanderbilt is our focus now, and I think over the long term, it could definitely -- as rents continue to appreciate in the city, there could definitely be more opportunities within the Midtown portfolio. But right now, it would be hard to identify to you a specific candidate sort of that's actionable in the next 3 to 5 years.

Joseph Edward Reagan
Green Street Advisors, LLC, Research Division

Sure, that make sense. And then there's been articles floating around suggesting a pullback in EB-5 funding availability from Chinese investors. Does that line up with what you're seeing on the ground? And could that have an impact on the goal of getting over $200 million in EB-5 funding for One Vanderbilt this year?

Marc Holliday
CEO & Director

Yes. We're not on the ground per se. So I can't give you that color. I mean, we hear what I think a lot of people are hearing, which is that given the constraint on the capacity, that probably 10,000 leases a year, so it's very small, and it's created some significant backlog in the highest-producing countries like China and elsewhere where the backlog can be 10 years plus. So that the ability to raise large amounts, $200 million, $250 million plus, becomes more challenged and lengthy. And for us, we have a fully capitalized deal, so it's a way of improving the returns really, improving the IRR. And we're still looking at that. But in addition to EB-5, which maybe would become a smaller component of the raise, we're also looking at other kind of interesting longer-term financing strategies that can get us some incremental proceeds at very low cost, which, like EB-5 but not EB-5. And that's something that Rob Schiffer and others are working on pretty intensively. So I would look at the capital raise effort not specific to EB-5 as we laid out in December, but more generically capital-raising efforts that we're going to be working on and hopefully be able to come up with something that is accretive and is additive to our cost of capital as well as our partner by year-end.

Operator

I'm showing no further questions in queue at this time. I'd like to turn the call back to Mr. Holliday for any closing remarks.

Marc Holliday
CEO & Director

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Okay. There's really nothing further. That was -- it was a great quarter. We look forward to speaking with everyone in 3 months. And I think we'll have hopefully some more good news to report like we just did. Thanks.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program, and you may now disconnect. Everyone, have a great day.

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