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SL Green Realty Corp. (SLG)

Q4 2022 Earnings Call

CORPORATE PARTICIPANTS

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

Andrew W. Mathias
President & Director, SL Green Realty Corp.

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

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

OTHER PARTICIPANTS

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Thomas Catherwood
Analyst, BTIG LLC

John P. Kim
Analyst, BMO Capital Markets Corp.

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

Michael Lewis
Analyst, Truist Securities, Inc.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Steve Sakwa
Analyst, Evercore ISI

Camille Bonnel
Analyst, BofA Securities, Inc.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Peter Abramowitz
Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

Operator: Thank you, everybody, for joining us and welcome to SL Green Realty's Corporation Fourth Quarter 2022 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. You should not rely on forward-looking statements as predictions of future events, as actual results and events may differ from any forward-looking statements that management may make today. All forward-looking statements made by management on this call are based on their assumptions and beliefs as of today. Additional information regarding the risks, uncertainties and other factors that could cause such differences to appear are set forth in the risk factors and MD&A sections of the company's latest Form 10-K and other subsequent 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 Regulation G under the Securities Act. 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 both the company's website at www.slgreen.com by selecting the press release regarding the company's fourth quarter 2022 earnings and in our supplemental information included in our current report on Form 8-K relating to our company's fourth quarter 2022 earnings.

Before turning the call over to Marc Holliday, Chairman and Chief Executive Officer of SL Green Realty Corp., I ask that those of you participating in the Q&A portion of the call to please limit your questions to two per person. Thank you.

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

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Okay. Thank you and good afternoon, everyone. We appreciate you joining us today. Normally, our January earnings calls are brief, coming only seven weeks after our annual investor conference which we held back on December 5. We had a great conference on that day with attendance at capacity at One Vanderbilt, and we received a lot of positive feedback after the presentation.

Not surprisingly, during the conference, we set out for ourselves a characteristically robust agenda for 2023, which included business plan, aspirational goals. I think there are 18 or 20, some of which included 1.7 million square feet of leasing, over $2 billion of asset sales and joint ventures, significant debt reduction and completion of several important development projects that we expect to deliver timely and on or under budget this year.

Notable among them is One Madison Avenue, which we actually topped out ahead of schedule in just one week after our investor conference. So it was a pretty amazing day. There were over 700 people gathered to witness the event of the laying of the last piece of steel on this truly great project in the Midtown South submarket, marking a turning point for the project where we now see completion in sight.

And the timing of that topping out was truly perfect as it gave us the ability to stand on that 18,000-square-foot penthouse floor with 18-foot slab heights and unobstructed views of midtown and downtown. And standing there, you can truly understand why our new tenant that has just joined the roster of tenants to the One Madison Avenue rent roll is 777 Partners. They were attracted to the opportunity and we were able to lease it up over one year ahead of our underwriter, just stressing the importance of not only hitting underwritten economics but also exceeding the timing has a big positive effect on the project and we hope there's more to come.

This lease along with the others we announced last night underscores the early leasing achievements we had in January, which is typically a slow month but for us turned out to be a pretty good month and a good start to the year. Hopefully, it pretends of increased activity to come in 2023 after a long holiday break followed by the MLK holiday weekend we've seen a noticeable pick up in tour activity over the last 10 days and we received a round of fresh new proposals. So we're optimistic. We're getting stuff done and we're on plan most importantly. So on the heels of signing over 370,000 square feet of office leases since our investor conference at the beginning of December, we managed to assemble a pipeline of leases totaling 700,000 square feet where it stands today, 100,000 square feet of which we hope to sign over the next 60 days.

We'll be moving and hustling try and get that done. We're currently negotiating leases at 450 Park Avenue, 919 Third, 485 Lex, 1350 Avenue of the Americas, and another lease at One Madison. In addition, we are just beginning to market our redevelopment project for 245 Park Avenue. We spent quite a bit of time showing off that amazing redevelopment plan that we have for 245 Park and we are beginning to execute this year, and the early read from the 10-broker community is that this exciting and, I think, very elegant plan that we have for the asset is going to be very well received by the tenant market. And there seems to be much interest already that we're generating as we're beginning to take these meetings and we're also generating interest among foreign investors for JV investment.

Recall that identifying one or more JV partners for 245 Park is one of the several capital markets goals we have for the year. And for a little bit more color on that, I'm going to turn it over to Andrew Mathias.

Andrew W. Mathias

President & Director, SL Green Realty Corp.

Thanks, Marc. There's still a standoff between buyers and sellers in the market, but we definitely see as financing hopefully returns and as 5- and 10-year fixed rate financing, the CMBS market reopens, which we and all the rest of our market participants here are anxiously awaiting, we think we'll see that standoff far a bit. We've been actively in discussions with investors from around the world. We were in the Middle East several months ago. We have a trip planned to Asia in March. The team was present at the CREFC conference in Miami earlier this month talking about the financing trends.

And we think there's still a lot of interest in prime New York City assets, particularly Park Avenue, which is no secret that it's the best submarket in New York City. And we think we'll have a lot of willing conversations this year from all different types of investors from around the world, talking about 245 and the other aggressive capital goals that we set out for us at the investor conference.

Great. So more to come on that throughout the first half of the year. We'll keep you guys updated as we pursue our various goals for recapitalizations, refinancings, joint venture sales. We are full guns blazing right now here at Green and working very hard and diligently to set the seeds so that by the middle of the year, we can hopefully start to achieve and knock off some of these goals and continue on a path to what we think will be a pivot year for us in 2023, coming out of the markets we've experienced over the past couple of years and hope to see some more positive news seeping into the market throughout the year.

I did want to leave, I'd say, the best for the end before opening up the call to questions. Yesterday, as I trust you may have heard or read, it marked an incredible milestone moment for East Midtown, New York City and Long

Island with the official opening of the long-awaited Grand Central Madison station right underneath Grand Central Terminal and One Vanderbilt, representing the culmination of the $11 billion East Side Access project.

It is a watershed moment. I think it's probably the most important and largest project the MTA has completed in many, many decades. And with its grand opening, you now have direct service from Long Island to Grand Central. It's finally become a reality after being, I think, in conception for 60 years and in development for 20. And it opens up a direct, seamless trip from Long Island, which has a 1.4 million person workforce that now can look to either Grand Central or Penn Station as its primary destination and choose its most efficient destination.

The MTA is estimating that 45%, nearly half of all Long Island railroad commuters, will – are expected and will eventually commute direct to Grand Central once full service is up and running this year, instead of what is currently all to Penn Station. And that translates into 160,000 people a day. And these commuters are essentially arriving literally right at our front door, where the majority of our portfolio is located.

I can't stress enough the importance of the projected 40 minutes per day or nearly 3.5 hours per week of saved commutation time that the business community puts a short, easy, safe, and pleasant commute as its top requirement now coming out of post-pandemic world, and as a tool for encouraging employees to work from office.

So, yesterday, we celebrated with the governor and the MTA Chair, Janno Lieber, the opening of this incredible terminal that spans over 700,000 square feet from, I'd say, approximately 42nd Street to 48th Street, on what must be one, two, three different levels, dedicated waiting areas, beautiful new retail stores that will be opening, and restaurants, and a host of other amenities. And it's all well done, well executed, well designed, well-conceived. And I would urge anybody that hasn't yet taken the time to swing by and check it out that they do so because it's pretty inspiring to see what can be done after all the time and after all the money is spent. You look at the permanent good that will come off it for the decades and perhaps centuries to come.

The terminal contains eight tracks and four platforms, which will be in service and enable Long Island railroad to increase its service from Long Island to Manhattan by nearly 50% of capacity, and One Vanderbilt and East Midtown rezoning was really a first step towards unlocking the pent-up demand for new and redeveloped office space in and around Grand Central. And now, Grand Central Madison will further transform and revitalize what I think is undisputably New York City's number one business district. And we're excited by it.

As shareholders or stakeholders are followers of the company, you should be excited by it too, in my opinion. And it's a great way to start the year.

So with that, we'll open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question or comment comes from the line of Alexander Goldfarb from Piper Sandler. Mr. Goldfarb, your line is now open.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Thanks. Good afternoon. And, obviously, it's great to see East Side Access finally opened. So, that's awesome to see. But just – clearly, that's a positive for the Grand Central Market and leasing, but bigger picture, especially since you guys put out your Investor Day, I think it was 1.7 million square feet target for this year. The tech layoffs have accelerated, granted it's a lot out West and not everything is New York, but it's still pressure. Obviously, Wall Street's had a tough year. We're reading all the headlines. So, the state of the leasing market, do you guys feel the same that you felt back in December? Is it slipping? Are there signs that tenants are taking even longer? Or, Marc, your comments about people resuming activity post MLK Day means that the leasing activity is sort of divorced from what we're reading in the broker reports and the headlines?

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

A

Well, yeah, so [indiscernible] (00:14:42) unpack in that question. But let me start first with the reference to the tech layoffs. I think the notion of what you may have term sizable or significant layoffs, I'm not sure I would characterize it that way in terms of the ultimate impact and effect it will have in New York City. These are firms that had been on a – an insatiable growth stage for many years. Tech was probably the biggest grower in New York City over the past five or six years, and went from being a relatively small component of the market to being, I think, almost, Steve, like 25% of the market.

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

25%.

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

A

So, it's a click in...

Andrew W. Mathias
President & Director, SL Green Realty Corp.

A

[indiscernible] (00:15:38).

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

A

[indiscernible] (00:15:42).

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Sorry, I'll stop. I'll stop, guys. I'm in the office. You wanted us back in the office.

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

A

I was looking around the...

[indiscernible] (00:15:46)

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

A

...one of our guys.

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

No, you wanted us back in the office and this is what you get, typing on the speaker phone.

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

A

Yeah. Okay. Got it. So, there's been massive growth. Steve, correct me. They may be as much as 30% or 35% of the total market. Certainly, they were 30% or 35% of the incremental demand. And now, they're pausing and becoming a little bit more efficient as companies do with the peak of the cycle. And New York City, large employers are required to give warning notices, W-A-R-N. And even though there are these advertised or announced, I should say, announced layoffs from some of these firms, they represent a fairly modest amount of the overall scope of the companies. I think probably on average close to about 5%.

And many of the markets these companies are targeting for retention that I've heard, New York is always among that group of companies. I think there are other parts of the country that'll feel it more. The warn notices have not been that significant from the tech sector so far, which would have to reside and be received by the city. So there's no indication yet of any mass layoffs.

When you look at the job numbers for 2022, and these are the most current numbers we have through December, so pretty, pretty current. There were 209,000 jobs added in New York City year-over-year. And recall, 2021 was also a big job growth year. I'll see if I can get that number. That was 270,000 jobs. So, 270,000 in 2021; 209,000 in 2022; office-using jobs, 63,000 jobs added. That is the second most office-using job count ever added with the first one being back in 2021, 83,000. But in a normal year, the city grows by about 20,000, 25,000 office-using jobs, and last year was triple that number.

Now, the growth is decelerating as office-using jobs now have eclipsed pre-pandemic levels. I've mentioned that before that the office-using job count is about 106% of pre-pandemic and total jobs are about 90% of pre-pandemic. And the city's forecast for the year and we've always found the city's forecasts to be pretty spot on is only for very modest job losses in the first half of the year. I want to say somewhere in the order of 10,000 or 15,000 job losses in the first half of the year, with about 5,000 of that made back up in the second half of the year.

So, I think our approach in terms of what we're expecting and I'll let Steve speak a little bit more about what he's seeing in the real is that certain sectors are belt tightening, certain other sectors continue to expand. I think all businesses are still figuring their way as to how they're going to be navigating and – in dealing with work-from-office versus remote work and encouraging workers so that we get above this 50%, 60% utilization rate back to 70%, 80%, which would be, in our opinion, full utilization. But the market is not setting up to be in our mind any measure of a major pullback in jobs or economic activity based on what we see.

Steve, you want to address specifically some of Alex's...

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

Yeah, I mean, I'll...

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

A

... [ph] comments please (00:19:58).

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

... [indiscernible] (00:20:00). One is with regards to technology, guys. I think it's important to recall that it's not like in decades past where we had the tech wreck, where you had the dot-com boom, where all those businesses went bust. The guys that are – that have announced layoffs, these are mature technology businesses, so their businesses and the lease obligations that they have, those are secure rent payments. So they may not be adding bodies and they're driving – therefore driving additional leasing velocity, but it is still a very significant part of the overall New York City economy which is the most diversified business economy in the United States right now. It's not like the West Coast, which is a one-trick pony.

Secondly is that what we're seeing generally from a leasing velocity standpoint, we saw – you referenced some of the broker's reports that you read. If you really get granular on those reports, October and November were the weakest parts of the fourth quarter. December showed a notable amount of leasing increase. Even though the overall quarter was down, there was a – sort of a starting to repair itself in December. And as you see from the announcement that we made yesterday, we obviously had some significant transactions that we were working on that end up closing the first couple of weeks of January.

And as Marc references earlier, even with all of that early day success on leasing of over 340,000 square feet in the first couple of weeks, we still have a very robust pipeline. We've got 700,000 square feet. In that are several technology businesses but also, like we saw all of last year, heavily weighted towards the fire sector. So between fire, tech and legal, those continue to be the big drivers.

And I'll make last point, which is we continue to see sort of that smaller part of the market still coming back to life. We've got nine leases out at the Graybar Building, which has always been a good barometer for me to show where the small space market is. And that's an important part of the overall leasing success for the year.

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

A

All right. So...

Alexander Goldfarb
Analyst, Piper Sandler & Co.

Q

Okay.

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

So that was the entire market recap right there and...

Alexander Goldfarb
Analyst, Piper Sandler & Co.
Q

Okay.

[indiscernible] (00:22:27)

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

...two questions, Alex. We're going to have to – If we're going to have...

Alexander Goldfarb
Analyst, Piper Sandler & Co.
Q

Sounds good. Sounds good.

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

...going, we're going to move on. But thanks for the question. Hopefully, that addresses some of the issues you inquired about.

Operator: Thank you. Our next question or comment comes from the line of Tom Catherwood from BTIG. Mr. Catherwood, your line is open.

Thomas Catherwood
Analyst, BTIG LLC
Q

Excellent. Thanks, everyone. Maybe just sticking with leasing for a bit, Steve, you mentioned the broker reports and pick up in December. But the broker reports also noted what seemed to be a re-acceleration in tenant concessions. But I know that can be swayed by a handful of leases, especially when overall volume is down. So what are you seeing on the ground as far as concession trends, and how are those trends impacting your portfolio specifically?

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.
A

You know what, I don't really see it. I mean, it's – I think it's been fairly stable throughout all of last year. I think it depends on the where the leases are being signed. There's no doubt about it when you have two-thirds of the leasing activity being done in the Class A market. So it's the highest part of the rent spectrum. And therefore, you would expect also has the greatest amount of concession to support those high rents, that it starts to skew the statistics because when you get so many triple digit rents, you expect a bigger concession package vis-à-vis deals in the $60 rents.

If you took the 340,000 square feet that we signed in the first several weeks of January, you know, weighted average, we had $43 a foot in TI and five months of free rent. Now, granted some of those are renewals that are five-year deals and in a combination of that with some other deals that are 10- or 15-year deals. But I think that number would have been pretty much in line with the kind of concessions that we would have reported all of last year. So I don't – I really don't sense that there's a movement that's negative.

Thomas Catherwood
Analyst, BTIG LLC

Q

Appreciate that color. And then maybe, Steve or Marc, I can't remember who touched on this last quarter, but for 245 Park, you had over – just over 1 million square feet of leases that expired in 4Q. But as you mentioned in 3Q, the majority of those had sublet tenants already in place. So it looks that the actual roll down was just a hair over 130,000 square feet for the quarter. Are those tenants that stayed are they all now direct with you? And if so, what is the magnitude of the rent and expense reset going forward?

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

Well, there's a couple of different moving parts there. I think what we had probably referred to as we had the – a pretty large lease with Major League Baseball that was – where they had moved out of the building several years ago, relocated over the Sixth Avenue. And then they had backfilled or we had backfilled a majority of that six floors, seven floors, whatever they had, with some short term – some were long term, but most of them were short-term direct deals. So those leases will burn off in the next year or three.

And with regards to your – the rent reset, I don't know, maybe you can weigh in on that [indiscernible] (00:26:09).

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

A

No, I mean, that the – Steve made the point on the rents. The rents that were – that we took on the shorter duration deals, they're not really market rents. So we'll be resetting those rents to market as we re-tenant the space. So kind of temporary tenants, so to speak.

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

But I will use this opportunity just to sort of reinforce what Marc had said earlier. We're out there in a big way now with a very well-established development plan and a very strong marketing presentation for the building, and that is already paying dividends as we are already receiving proposals that we think have a very credible chance of converting over to leases of significant size.

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

A

[indiscernible] (00:26:51) how much space is going to be marketed and what that [indiscernible] (00:26:55).

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

Well, we have between now, over the next 30 months, 36 months, about 800,000 square feet in the building that rolls. The majority of that space is in the mid to top portions of the building. Rents in the building are, call it, roughly $110 to $140 a foot. And the proposals that we have received and the conversations that we're entertaining with tenants, those rents are in – those tenant expectations are in line with our underwritten rents.

Thomas Catherwood
Analyst, BTIG LLC

Q

Got it. Appreciate the answers. Thanks, everyone.

[indiscernible] (00:27:37)

Operator: Thank you. Our next question or comment comes from the line of John Kim from BMO Capital Markets. Mr. Kim, your line is now open.

John P. Kim
Analyst, BMO Capital Markets Corp.

Q

On the CBS renewal, it looks like they downsized by about 40% in the space that they had. And if that's the case, it's quite different from the Fox and News Corp renewals which I think was all the space that they had at [ph] 1211 Avenue of the Americas (00:28:01). Is your anticipation that CBS is taking space elsewhere in New York, or are they just truly downsizing their space requirements?

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

No, it was just downsized. The majority of the people that are there are sort of an independent group of operating units, separate distinct from the groups that are over at 1515 Broadway where they occupy the entire building. So, no, I think – I don't – our conversations with them have not suggested that they're on an active program to downsize as we sit here today. But just like a lot of these big firms, they're all trying to figure out their long-term plan as a result of hybrid work environment and work from home and things like that even though they're a big advocate of bringing everybody back to the office.

John P. Kim
Analyst, BMO Capital Markets Corp.

Q

Okay. And then on page 39 of your supp, there was a noticeable change in your mark-to-market or the implied mark-to-market of the leases expiring in 2023 versus the asking rent and it turned positive on your wholly-owned assets. Last quarter, it was negative. It looks like it's the same amount of square feet or pretty similar. I'm wondering what that change was to get to that positive mark-to-market.

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

A

That's actually a function – John, it's Matt. That's actually a function of the leases we were just talking about at 245 Park where the large tenants' rent rolled off, so say, MLB's rent rolled off, which was a market rent and it rolls down to what the rent that the old subtenant current short-term direct tenant is paying. And then those short-term new small direct tenants rents will flow through the expiration years in whatever year those leases expire. And the mark-to-market is based on those lower rents as compared to the previous market rents. None of the change is a result of our view of a change in market rents. It's simply a function of a change in the starting rent that it's based on.

John P. Kim
Analyst, BMO Capital Markets Corp.

Q

How inspiring. Okay. Thanks a lot.

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

A

Yeah.

Operator: Thank you. Our next question or comment comes from the line of Michael Lewis from Truist. Mr. Lewis, your line is now open. Oops! I am sorry. Our next question is from Mr. Michael Griffin from Citi. Mr. Griffin, your line is open.

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

Q

Great. Thanks. Marc, in your conversations with business leaders, I'm just curious, you talk about getting that utilization rates back to that 70% to 80%. But I think the worry is you're always stuck in this kind of impaired level of call the low to mid-50s. I guess, as we look forward to the balance of this year, I mean, how confident are you that these firms can get their people back in? And is it possible to get back to that previous high watermark?

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

A

Well, I think there's a lot of confidence around three or four days a week. I think the bigger question is, is Friday becoming more and more like a remote workday for not many, but not all firms, and that doesn't really impact the space decision, that's just more of a business philosophy decision and people aren't going to, I don't think, take more or less space based on how they gear their Fridays. I mean, we look at Friday it's like an equally productive day than rest of the week. I think a lot of firms do but I think that's the one areas to me I'm not so sure about. But I think for the balance of the week, we just feel like every week there's more and more energy emphasis, lobbies more crowded, trains are more crowded, streets are more crowded. Our retailers, small and big, are reporting better results.

So, it feels like that as I think the job market normalizes, it was very, very tight market for the last several years. I think that's going to start to reverse itself, although inflation is still – wage inflation still stubbornly higher than where, I think, where the Fed would like to see it. But I do think that'll moderate. I think that'll be this year. I think we'll get incrementally more gains whether we get all the way back to pre-pandemic or not, don't know, but I also don't think that's a determinant of the ultimate space occupied. I think that's just going to be business by business, how they evaluate competitive factors about how they can optimize their work plans with what type of hybrid work model.

But we find more and more the meetings are live, doing very little Zoom these days relative to certainly the past couple of years. It's just part of it's the numbers, part of it's anecdotal, and part of it's speaking to [indiscernible] (00:33:31). I'd say across the board every leader says they want to be on a three- to four-day, in-the-office workweek for the majority of their companies. And I think Friday will sort of just be a case by case.

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

Q

Great. Thanks. And then, Matt, on the debt maturities, I noticed that some on the unconsolidated joint ventures were past their due date. I think you did a good job at the Investor Day kind of laying out that some of those might be outside of Green's control. But do you have any sense on a potential resolution or how these things ultimately get worked out?

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

A

Yeah. You're talking about 1552 Broadway and...

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

Q

Right.

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

A

... [indiscernible] (00:34:10) Street. Yeah. You're right. I mean we don't unilaterally control those things. We get out of our – ahead of our maturities, the wholly-owned ones and the ones that we control well ahead of maturity. We are in active discussions with the borrowers on likely some form of extension. We did short-term extensions to get pushed – the maturity dates pushed out 30, 60, 90 days just as a path to getting to something longer duration done and that's in process.

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

A

Yeah. I think lenders...

[indiscernible] (00:34:41)

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

A

...are going to have to work with borrowers at this time. So, it's somewhat in our partner's hands and it's somewhat in the lender's hands.

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

Q

No. That's great color. That's it for me. Thanks for the time.

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

A

Thanks.

Operator: Thank you. Our next question now comes from the line of Mr. Michael Lewis from Truist. Mr. Lewis, your line is now open.

Michael Lewis
Analyst, Truist Securities, Inc.

Q

[indiscernible] (00:35:07) to LIRR yesterday when I was on my way to my Metro North train. I was actually kind of shocked. So you beat me to it because I was going to ask about that, I guess, I never thought it would open either. So congratulations on that. But my first question, I wanted to ask about an update on the properties you're looking to sell this year. So, Andrew mentioned a standoff in the market and he gave some color. But maybe you could just add to that. Is it a question of waiting on financing market? Are there very different opinions of price?

And then also, have you given any guidance in terms of expected transaction timing, particularly for the interest in 245 Park and One Vanderbilt?

Andrew W. Mathias
President & Director, SL Green Realty Corp.
A

No change in guidance on timing from December. I think just looking at the curve, you have short rates at 4.5 and long rates of 3.5. So, naturally buyers want to borrow long and the providers of long debt right now are being very cautious about the deals that they choose. And bond buyers are sort of slowly coming back to the CMBS market. So I think when you see that long market materialize and start to get more liquid, on the debt side, you'll see buyers re-emerge for assets. It's not – it's less a matter of – there's a big gap and the price people pay because sellers aren't really entertaining offers until they know they can get realistic. And they don't want to sell at a time when there's a real lack of financing available. So I think you're just going to have to see the long financing come back and then we'll see where the market settles.

Michael Lewis
Analyst, Truist Securities, Inc.
Q

Okay. Great. And then second for me, a question about the financial leverage and how you're looking at that. You fixed a lot of your debt now. But I'm wondering if that makes it – does it become less of a priority to kind of delever to the extent you want to? And does it change at all how you consider other uses for disposition proceeds relative to stock buybacks or other investments or other uses?

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

For 2023, the answer simply is no. The fixing of debt was something that we very carefully choreographed the middle to later half of last year, and the timing of the debt that we fixed coincides with our expected timing of asset sales dispositions that – and other funding sources that allow that debt to get repaid.

So what we laid out in December was a plan to reduce that by $2.4 billion to $2.5 billion through dispositions in excess of $2 billion and other sources of capital, like the funding from our partners at One Madison. To the extent any of that debt that we are repaying is floating and we have swap to fix. We put swaps in place that coincide with our expected repayment timing. So it all lines up, the fixing of the debt and the repayment schedule, with what we said in December.

Michael Lewis
Analyst, Truist Securities, Inc.
Q

Okay. Got it. Thank you.

Operator: Thank you. Our next question or comment comes from the line of Anthony Paolone from JPMorgan. Mr. Paolone, your line is now open.

Anthony Paolone
Analyst, JPMorgan Securities LLC
Q

Hi. Thank you. Can you hear me?

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

Yes.

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

A

We can.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Oh, great. Thanks. So first question, I guess, for Marc or Andrew on the third-party capital side. Can you give us a sense as to what type of return you're pitching prospective investors on 245 Park and just a general sense as to maybe what kind of return that, that market requires right now for a New York City office project?

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

A

Sure, Tony. I mean, that's a unique asset because we have fixed rate financing there that's very much in the money, if you will, very attractive fixed rate financing. And we're expecting a range of returns there in the low-teens type levered IRRs. And I think that, that type of return is a very attractive relative return for an asset of that quality without – with in place, financing in place. Yeah, that's part of the reason we're confident. We got a good buy on the resolution, if you will. We took it over at an attractive price, and we're confident we'll be able to find partners to come into the equity there with us.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Got it. Okay. And then just one quick one, I guess, for Matt. On One Vanderbilt, can you give us the fourth quarter cash and GAAP NOI contributions, try to think about where that was relative to the kind of stabilized level you're getting to?

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

A

Sure. For – spare me one second. Like when you ask detailed questions, Tony, it makes me look for stuff quickly. GAAP, our share about $27 million. Cash, $16 million. That's our share fourth quarter.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Great. Thank you.

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

A

Yeah.

Operator: Thank you. Our next question or comment comes from the line of Ronald Kamdem from Morgan Stanley. Mr. Kamdem, your line is now open.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Hey, just going back to the transaction markets. Number one, just on One Vande, just any update there on the 10% JV prospects as well as sort of a $2 billion-plus plan for this year. Just what's being marketed, what the interest like. Any color there would be helpful.

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

A

One Vanderbilt, no update from December. It's still a goal of this year to get that interest sold and we're hopeful to make it happen. The second part of the question, I did not hear. Can you repeat the second question?

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Yeah, just the $2 billion of dispositions for this year. I think some had already been marketed or in the process of being marketed, just where are we in that process? What kind of interest are you seeing there?

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

A

No. The biggest component of that is 245, which I think we've recovered at length so far.

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

A

Seven days in the market...

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

A

Seven days in the market.

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

A

...so we're getting [indiscernible] (00:41:35).

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

A

121 Green went to contract. We announced that in the release last night. That's a component of it and we have a couple more assets that are out to market or will be shortly. So I think as Andrew said in his commentary earlier, we're trying to make a lot of headway on that plan in the first half of the year and we're doing a admirable job on plan with that strategy.

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

A

Yeah, I would just – there was some comment about – has been in the – I mean, has been in the market. This is – these are all pretty fresh initiatives.

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

A

Yeah.

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

A

Some of which we haven't begun yet. I mean, we give a plan in December that covers a 12.5-month period. There were certain disposition plans that we'll be bringing to market spring and by summer. There are some, as Andrew mentioned, we're currently underway with. All of which are pretty fresh, all of which we've reiterated a couple of times on the call where we're standing by the guidance and it's not an easy market. It's never an easy market, easier to buy than sell, but we're pretty good sellers. I think we've demonstrated over 25 years as a public company the ability to monetize more assets than certainly anybody else in our market here in New York, and I think quite a bit even measured on a larger basis.

So, we own and we have ownership interest currently, and I think about 46 million square feet. We've owned and monetized interest since day one on 124 million square feet. So we've monetized to repatriate far more than we have today. We have a business plan on these. I think it's about five assets for sale or JV. We feel pretty good about it. Anyhow, market's maybe not as good as it was, but it's – we wouldn't characterize it as a bad market either. There's pockets of equity. There's opportunities for debt. We're marketing very, very good positions. We think we'll get good pricing. And that's where we are now and there'll be more updates to come as I mentioned in the opener of my narrative by roughly mid-year.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Great. And then just my second one was just earlier the month, New York Gaming Board released the request for applications. There was no artificial deadlines. I think those are the first round of questions due February 3. Just sort of wondering from that release, are you – do you plan on asking questions? Was there anything surprising, not surprising? Just what the update on the plan for the casino. Thanks.

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

A

Well, I mean, we are – we've got a robust team and growing daily on this – for this casino project. Both our investor team, strategic team, our grassroots supporters, coalition members, we're all over this thing. I mean, we're – this is a real priority for us. We're leaning into it very hard. We put our best foot forward here to make it happen because we feel it's great for Times Square. We feel it's great for New York City, in Manhattan. We think it's good for this company. We think it's good for the state.

And gaming, when executed at a high level, a targeted boutique level, where it's really an integration of gaming, entertainment, hospitality, live entertainment, and not solely focused around the casino element itself. I think it's something that when it's done that way, it's incredibly good for the immediately surrounding areas. There's a big halo effect that can come for it if the facility is built as an integration to its neighborhood and not as kind of like a moated destination where people go and they don't leave until they've done.

So, we have a project that's the exact opposite of that. It's something that really is a bid on behalf of all Times Square businesses in an area that I think hasn't fully recovered from pandemic. They can use the help even though every day it's just getting better and better would be a significant investment of capital in a part of town that is one of New York City's treasures.

Times Square is the crossroads of the world. It does have 60 million tourists and visitors a year. It has 350,000 or 360,000 people a day coursing through it, both visitors and locals. And it should be as great a calling card to the city as all other parts. And we think this project will help continue to direct it in that direction. And we're going through the RFA and there's no surprises to-date. We're going to be responsive. We're going to be competitive. And hopefully at the end we'll be victorious.

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Thank you.

Operator: Thank you. Our next question or comment comes from the line of Steve Sakwa from Evercore ISI. Your line is open.

Steve Sakwa
Analyst, Evercore ISI

Q

...questions have been asked. I just had one quick question on the ground lease at 625 Madison. I know the kind of reset date came and went. And I'm just wondering if you could provide any update on the timing or how those conversations are going.

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

A

We're currently in an arbitration process to determine that rent as leaseholder. And with respect to the rest, unfortunately, as we've said on prior calls, there's a lot of controversy and litigation surrounding that asset, and we're not really able to comment further.

Steve Sakwa
Analyst, Evercore ISI

Q

Okay. I can appreciate you can't give a lot of detail, but, I guess, would it be your expectation that, that gets resolved sometime in 2023, or is it too difficult to even handicap that kind of timing?

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

A

We would expect the rent on the leasehold to be resolved in 2023. Yes.

Steve Sakwa
Analyst, Evercore ISI

Q

Okay. Great. Thanks. That's it for me.

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

A

Thanks.

Operator: Thank you. Our next question or comment comes from the line of Camille Bonnel from Bank of America. Ms. Bonnel, your line is now open.

Camille Bonnel
Analyst, BofA Securities, Inc.

Q

Just a follow-up on the capital structure and strategy behind it. Do you see any difference in the longer term leverage levels between your consolidated and JV portfolios?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

So our view of leverage is, first, one of LTV net debt to EBITDA because that's how real estate leverage is measured. And we look at it, obviously, at a corporate level rolled up combined basis and are comfortable where we are. We're a little higher than typical right now because of some asset acquisitions we did, and so that's part of the reason we're targeting debt repayment over the course of this year. But where we were prior to that and where we'll be at the end of this year based on the plan we have in place, we are completely comfortable with.

As it relates to consolidated, unconsolidated, we tend to have as we move more into this asset management model, more unconsolidated JVs than we have in the past, I'm sure it'll continue to move that way. That leverage level will be taken on a case-by-case basis based on the asset that the JV invests in and then rolled up through the company to make sure that we maintain a prudent amount of leverage as a company. So where it sits is not necessarily something we're as focused on as the overall leverage profile.

Camille Bonnel

Analyst, BofA Securities, Inc.

Q

Okay. And just taking another angle on the transaction market, more of our conversations with brokers seem to indicate that we won't see pricing discovery over the next 12 months. Can you update us on how you think about this in the context of opportunistic investments and how much of your pipeline is based on distressed opportunities?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

A

Well, we hope to have price discovery on five of our assets certainly within 12 months. So that doesn't dictate the market, but certainly is sufficient for us. I mean, we definitely pride ourselves on having a good pulse on where pricing is. I would not call this a market where pricing is undiscoverable. I mean, we've seen those markets. I don't think that's this market. This market, I think there will be trades done this year. Certainly, we anticipate doing trades. You have to have – bring a realism to the table as to current values. And I think we're good about that because we constantly are refreshing our internal NAVs throughout the year, asset by asset, lease by lease. And making adjustments for market factors like growth and cap rates and required returns, etcetera.

So, I think there will be – it's like a tale of two cities. There'll be a normalized market for better sponsors and better assets like we have, which I think have largely retained their values and I think for which there will be a market. And then, there's going to be properties that either have less solid sponsorship or capital stacks that are far too overleveraged or sponsorship that doesn't have the liquidity and capacity to muscle through redeveloping or amenitizing or re-tenanting their buildings. And those properties will fall into an opportunistic bucket that in the second half of this year, I would think you might see us start to poke our heads up again. I did mention that in December that we definitely have our own capital resources. We have access to third-party capital resources that could make us acquisitive or re-entering the investment market opportunistically, probably in the second half of this year.

And there'll be some opportunities, but for all that people anticipate in terms of what kind of distress there might be in the market or otherwise like that, it rarely evidences itself these days in New York City, and specifically in Manhattan, because, again, you've got like the top 10 or 12 owners controlling 50% or 55% of the inventory in the market. And these companies tend to be best liquid and capable of weathering through this market. Already we're starting to see the rate rise moderate. We've seen the long end actually come in quite a bit over 50 basis points from its peak.

I think, as Andrew mentioned, when the long-term financing market comes back and it will, then you're going to see that liquidity spigot back on and on we go. So we think this is more of a mini correction. We don't think this is something else that maybe some of the brokers are implying but we'll see how the year goes. And right now, we're still sticking with our plan and we feel we can execute it.

Camille Bonnel
Analyst, BofA Securities, Inc.

Q

Thank you.

Operator: Thank you. Our next question or comment comes from the line of Derek Johnston from Deutsche Bank. Your line is open.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Hi, everyone. Thank you. As the DPE balance decreases and loans mature or repaid, I think this quarter was $57 million, how do you plan to put that capital to work? Can you just remind us are there any restrictions how that – how those repayments or capital can be deployed? And then, just an update on the DPE strategy. I think we have the 2023 strategy for the near term. But, what are the thoughts for the mid-term?

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

A

So as it relates to use of capital upon repayment, we have no restrictions.

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

A

$57 million was a loan that we repaid it.

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

A

Right. That $57 million was repaid. We anticipated the repayment to come in 2023. It came in late in 2022 and we simply pay down debt with it, which is what we've been doing along with share repurchases with a lot of the repayments and sales proceeds that we've gotten off the DPE book for the last couple of years, but we don't have any specific restrictions as to how we use those proceeds.

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

A

We don't treat the DPE book as sort of a closed system where money has to get redeployed into DPE. Those dollars are fungible and can go towards debt repayment or investment into assets or investment into new assets. We'll – we look at, evaluate all the investment opportunities across all our business lines, try to figure out where the best risk reward is and we'll allocate dollars there.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thanks. Got it. And then maybe a [ph] final (00:56:16) one, if you would. What gives you guys confidence that the casino license that your Times Square project is superior and what kind of stand – makes it stand out versus the others and now even a potential Penn District application being submitted? Thanks, guys.

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

A

Well, I'm not speaking about other locations, just speaking strictly about Times Square. I don't know if the question is rhetorical or not, but I cannot think of a better location in the United States for a high-end gaming entertainment, five-star hospitality, hotel with live entertainment, sports betting, restaurants, and outdoor space with which to be able to integrate into the surroundings of what goes on in Times Square on New Year's Eve and otherwise than in Times Square. I mean, I just – I – it's certainly in New York State, certainly in New York City. I couldn't conceive of a better location.

I think it's a district that was actually conceived in its use group 12, large format entertainment with the theater overlay, with the mandate of having exciting signage and technology and entertainment uses. I mean, those are all celebrated within this Times Square District and celebrated fairly uniquely in the city. And when you take that very commercial district and then you layer on top of that unprecedented access to public transportation with 11 subway lines that service Times Square, a block from the Port Authority, which is about to go through its own redevelopment, almost equidistant between Grand Central, Penn Station.

Obviously, new Grand Central Madison, put a plug in for that, and you think about a facility that's going to be drawing millions and millions of visitors and yet making the least impact because of the ability to maximize usage of public transit relative to almost any other location that might be buying for this word. You put those two things together.

The incredible nature of the district, the compelling nature for attracting not only domestic tourism but foreign tourism that will come to New York to gamble at the Times Square casino. I think it just puts it at the – at sort of the top of the chart. It's not to say there are no viable sites. It's just – at the end of the day it's going to come down to an analysis about economics, job creation, incremental tourism creation, lease disruption to the surrounding grid, recall 1515 Broadway is an existing building. It exists. It's built. It doesn't have to be developed. It doesn't – it's not going to displace anything in its place. It won't come at the expense of housing or parks or schools or anything of those lines. It's a commercial building. It exists.

So, I'm pretty excited that we just have the good fortune to happen to have a site there that is a viable candidate for this casino licensing. It's going to be very competitive. There's going to be lots of proposals, I imagine. And there'll be some real competition, which is what New York City is all about. And there's three licenses on the table. Hopefully, SL Green and Caesars and Roc Nation will come away with one of them.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. And the great partners. Thank you, Marc.

Operator: Thank you. Our next question or comment comes from the line of Blaine Heck from Wells Fargo. Your line is open.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

[indiscernible] (01:01:18) the Q&A, you've commented about how businesses are still navigating, how they're going to deal with in-office versus remote work. Are you seeing any signs that tenants are looking at hoteling as a way to more efficiently use their office space? And I guess, do you think the [indiscernible] (01:01:35) strategy could be more widespread in a more hybrid environment?

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

A

[indiscernible] (01:01:40)?

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

A

Say the second part again, Blaine, just the last.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

Yeah. Just to repeat it, kind of do you think that hoteling strategy is going to be more widespread given that we're in a little bit more of a hybrid environment?

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

A

Well, look, hoteling has been around for a long, long time. So, the concept of shared desk, hot desk, hoteling, it's decades. Is there more of it now than there was? There was a trend in that direction leading up to the pandemic. Then I think there was a trend away from that immediately post-pandemic where it was almost like forbidden because everybody – I mean, remember, it wasn't too long ago where there was like plexiglass up between cubicles and cubicles were being separated by, like by feet, and they were depopulating floors. So we've passed all that. And I think we're now trending back to the way people thought about it initially.

Hoteling has and always has had a role, I think, in New York office. Whether it's more or less prevalent now, I can't really say. Maybe, Steve you can, but I don't. I mean, not that I'm aware of, but it's – I'd say it's more than it was maybe coming right out of pandemic, but I can't say it's more than it was in the years leading up to it.

Steven M. Durels
Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.

A

Well, it's also only applicable to very large tenants. If you really think about the average tenant in New York City, that's less than 25,000 square feet. Hoteling is not a viable way of them operating their business. If you're talking about a tenant with hundreds of thousands of square feet, then it's a conversation. And typically where we see it, it's very specific to certain types of industries. So, sales businesses, consulting, media businesses, but when you go into the big financial firms and things like that, we see it far less frequently.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

All right. That's very helpful. And then just to follow up on a couple of earlier questions. I was hoping you could just comment a little bit more in general on debt availability for office assets and landlords today, and how you expect that availability and even pricing on debt to trend throughout 2023.

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

[ph] Beyond best commentary we do (01:04:05).

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

Yeah, we touched on it a bit earlier, where I think we're getting some real time feedback because we're out in the market with a $500 million refinancing of 919 Third Avenue, and the interest has been good. I mean, you have to have...

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

Floating rate.

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

...floating rate. [indiscernible] (01:04:23) duration is...

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

Widely available.

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

...is widely available.

[indiscernible] (01:04:27)

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

I think it's that early sponsorship and building quality location all matter more so than ever. So we're out with good product. We're obviously good sponsor and the feedback has been good.

Andrew W. Mathias
President & Director, SL Green Realty Corp. A

I think we expect that second half of the year that you'll see a little bit of return of the [indiscernible] (01:04:46) fixed rate market. So, again, these are pretty short – it sounds low. I mean, if you're going to blink your eyes, you're going to be – we'll be sitting here on our second or third quarter conference call. And hopefully by that point, we'll be talking about more capacity in the market. Fortunately, we don't have any projects ourselves geared for that kind of execution this year, right? So...

Blaine Heck
Analyst, Wells Fargo Securities LLC Q

Sure.

Andrew W. Mathias
President & Director, SL Green Realty Corp.

A

...yeah, we're in good shape.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

Thanks, guys.

Andrew W. Mathias
President & Director, SL Green Realty Corp.

A

Thank you.

Operator: Thank you.

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

A

Okay.

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

A

Next question, operator.

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

A

Operator?

Operator: Our next question comes from the line of Peter Abramowitz from Jefferies. Sir, your line is now open.

Peter Abramowitz
Analyst, Jefferies LLC

Q

Thank you. Just one more on the financing market because I think you talked about 919 Third Avenue and then you also have 220 East 42nd. I guess, Third Avenue or Lexington, depending [indiscernible] (01:05:44), that's kind of been cited as the cutoff for how assets are performing differently by submarket with a little bit less activity both leasing and then utilization east of that cutoff. You sound to me like kind of different than the conversations when it comes to that just in terms of 919 versus would it be easier to refi a similar asset closer to Park Avenue?

Andrew W. Mathias
President & Director, SL Green Realty Corp.

A

No, no. I mean, you didn't hear that commentary from us.

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

A

Yeah.

Andrew W. Mathias
President & Director, SL Green Realty Corp.

A

So not at all. If you look at our tenant base of 919, it's about as institutional roster as you get. We sold 885 Third Avenue to a hospital at a great price at the end of last year. If whoever gave that commentary missed that print and I don't. That makes absolutely no difference in the financing model.

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

A

And 220 East 42nd Street matures in 2025. So we're not discussing that right now.

Peter Abramowitz
Analyst, Jefferies LLC

Q

Right. Okay. Got it. Thank you.

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

A

[indiscernible] (01:06:55), operator.

Operator: Thank you. I'm not showing any additional questions in the queue at this time, sir.

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

Okay. Well, for anyone who's still on the phone, I would encourage you to check out highlights from today's 2023 State of the City address that Mayor Adams gave this morning. And it announced amongst a host of other things several exciting investments that were born out of the new New York plan that a lot of stakeholders worked on, including us here at Green, in order to create an action plan to really bring New York forward. And it was great to see how quickly the recommendations were developed, how executable they were in their communication. And now to see Mayor Adams, including as much of that in his state of the city, which includes hundreds of millions of dollars investment in new public spaces and permanent open streets, which we think is great for the city to make CBDs, 24/7 cities in Manhattan in all five boroughs.

He reaffirmed his commitment to building more housing and more affordable housing through what he calls as City of Yes by making the necessary modifications to zoning and working with council to make that happen and making the incentives in place there for conversion of office to residential, as well as new development and other investments in quality of life initiatives in and around the commercial corridors throughout the city, which I think are very much needed and appreciated.

So the city and state are working together towards common goals, making the city safer, cleaner, better. And it's a good thing to see and more on that to come. So thank you for joining us today.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.