

10-Sep-2025

SL Green Realty Corp. (SLG)

Bank of America Securities Global Real Estate Conference

CORPORATE PARTICIPANTS

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OTHER PARTICIPANTS

Jana Galan
Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Jana Galan
Analyst, BofA Securities, Inc.

Good afternoon. Welcome to Bank of America's 2025 Global Real Estate Conference. I'm Jana Galan and I cover the office REITs at Bank of America. We're very pleased to have with us SL Green's CFO, Matt DiLiberto; EVP, Director of Leasing, Steve Durels; Chief Investment Officer, Harrison Sitomer; and the VP of Corporate Finance, [ph] Andrew Mayer (00:04:50).

First, I will turn it over to Matt for a few opening remarks and then we can jump into Q&A.

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

Great. Good afternoon, everybody. Thanks for joining here in person and on the line. We have some exciting things to talk about. Been a very, very busy summer at SL Green. For those who don't know us, we are Manhattan's largest office owner, public company since 1997. We own predominantly around core Midtown, particularly Grand Central, with our hallmark project being at One Vanderbilt. We also do debt investing most recently through a fund, which I'm sure we'll touch on a little bit more.

We have a management team that's been together on average for about 20 years, a little more than 20 years, actually. And we're seeing a lot of great momentum in the market. I'm sure we'll touch on a bunch of different focal points for us, our business, and the market over the course of this session. And happy to take the conversation in any direction you like.

Jana Galan
Analyst, BofA Securities, Inc.

Great.

QUESTION AND ANSWER SECTION

Jana Galan

Analyst, BofA Securities, Inc.

Q

I think through the course of this conference from both public and private side, we've heard about just the strength and momentum in the New York leasing market. And you're starting to see it also open up in terms of financing availability, and the transaction market's coming back as well. I guess maybe if you could just give us some color on kind of how leasing is trending third quarter and kind of the size of that pipeline and kind of the, I guess, characterization of kind of where the tenants are coming from.

Steven M. Durels

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

A

So, we've done little over 1.5 million square feet of leasing to date. We're on track to do – we expect to do about 500,000 square feet in the third quarter of this year in a pipeline that is over 1,100,000 square feet. Of that pipeline, 700,000 square feet are in active lease negotiations. So, we're well on our way to exceed our goal of 2 million square feet for the year.

I think what's changed this year versus last year is the recovery in the Midtown South market, where you've seen tech really come back in a big way, driven largely by AI tenant requirements of size. We've done a couple of deals with that sector this year and have a couple more in our pipeline of active – well, at least for term sheet negotiations. And Midtown is still driving the overall Manhattan market, particularly Park Avenue, Sixth Avenue and buildings nearby Grand Central.

I think another big change versus a year ago is sort of a rapid recovery in the commodity price point of the marketplace, particularly in the upper half of mid-price-point buildings where we're starting to see rents rise for tower floors for the older generation product. And that supply is coming off the market, availability is dropping, and that's aided by the fact that there's been substantial office to resi conversions, particularly along the Third Avenue corner.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah. I would add to that just on the investment front, we spent the past few years really guided by what Steve and his team have been seeing on the leasing front. We like to think we can see the office market at least 6 to 12 months ahead of most of our competition and other investors, just because of what Steve and his team are seeing in lease negotiations and term sheets. We spent the past few years buying stakes on buildings at 500 Park, 450 Park, 245 Park, 100 Park, 10 East 53rd Street and have a few more in pipeline, and just announced last week acquisition of a new development site that we're extremely excited about at 346 Madison Avenue.

And so, I would say we are definitely seeing the transaction market open up really for a handful of reasons. One is the recovery in the CMBS markets where we're seeing a lot more robust demand for bond tranches up and down the stack. And also just the general fear of missing out from investors across all different segments of the market that have sat on the sidelines the past few years, in some cases, even sold assets at cheap discounted prices. And now we're trying to make up for those either losses or positions that they didn't take over the past few years.

So, I would say on the transaction front, we're seeing the market open up in a big fashion. And we saw it happen also in 2021. But I think the big difference is now it's guided much more by fundamentals as opposed to just a much more widespread capital markets environment. Now, it's really because of the fundamentals.

Jana Galan

Analyst, BofA Securities, Inc.

Q

Thank you. And yeah, we were very excited on that press release of the 346 Madison and hoping if you could provide some color kind of on the plans for this development. Are you looking to kind of assemble more of the block, or do you see yourself starting, I guess, development sooner?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah. No, business plan is to develop that site. Opportunities may present themselves down the road, but right now our focus is on that specific site. Location is one block north of One Vanderbilt. We think that it is positioned extremely well for the type of tenant demand that we're seeing in the market today. And we're going to be going very quickly to get that development through the planning process and through the approval process to move forward and hit the tenant demand that's in front of us right now.

Jana Galan

Analyst, BofA Securities, Inc.

Q

And then maybe if you can kind of talk to expected investment timeline, yield, funding sources, just...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah. I think we're going to save that to roll out in a more significant way at our investor conference in December. I'd only say that the timeline, if you look back at what we did at One Vanderbilt after compiling the site and taking advantage of east side rezoning, this will be a similar timeline to get through the initial phase of the process, call it two years before we move ahead. And over that period of time, between now and December, we will lay out our – formulize our capital plans and give you a little bit more detail on thoughts about the project itself.

Jana Galan

Analyst, BofA Securities, Inc.

Q

Great. And maybe going back to the leasing, if you could kind of maybe talk to just kind of in terms of the TIs, free rent, there's so much demand, are you able to kind of pull back a little bit on those?

Steven M. Durels

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

A

In select cases, we're starting to see a little bit of an ability to pull back. Not enough to say that there's a broad trend line yet. But where tenants are, I think some of the concessions on renewals where tenants are expanding, certainly where we see at the higher price points strongest submarkets like Park Avenue, we've seen an opportunity to pull back in select cases, \$5 in TI, or a month to two of free rent. Not enough to say that it's across the board. But certainly, any conversation of rising concessions, that's off the table, and it's stable to at a tipping point where we're – I think we're going to start to see concessions tighten up a little bit in the face of rising rents. I think we're going to continue to see rents elevating for there's material reduction in concessions.

Q

Just stepping back, on a high level [indiscernible] (00:13:03-00:13:17) stabilizing. So, how are you now thinking about [indiscernible] (00:13:21-00:13:28) overall health of the market has been positive [indiscernible] (00:13:31-00:13:39)?

Steven M. Durels

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

A

Oh, yeah. I mean, we're – I think we're way past that. If you look at the trend lines, availability rates, broadly speaking, across all asset classes is coming down. And you're seeing growing areas of pockets of strength where it's clearly a landlord's market, whether that's Park, Sixth Avenue, Rock Center, new buildings, heavily renovated buildings, tower floors, there's – you can slice and dice the market in a bunch of different ways, but Midtown, I think, is in full on recovery mode. I think rents are going up. And then the big question is, are rents going to go up with a modest elevation, or are we going to see a spike in the pretty near term? And I think we're of the opinion that that spike is coming, because you don't wait till the rents hit sort of a 10% availability rate. When there's confidence that the supply is coming off the market and the demand on the tenant side is going to hold, landlords are going to be quick to act. And I think we will see next year, I think, some material rent increases.

Q

[indiscernible] (00:14:50-00:15:02)

Steven M. Durels

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

A

Yeah, I think it's – geography still is going to be the name of the game. Midtown South, the Garment Center. You're going to see a bunch of those buildings get converted over to residential. You'll continue to see some of the commodity buildings, that trend of conversion is going to continue. If there's 10 million square feet in active conversion right now, there's – that could be a 40 million square feet to 50 million square feet of inventory that comes off the market ultimately.

So, I think even for the B and C players, I think it's going to be largely where are those buildings located. And it's not a matter of finding an alternative use like residential conversion, it will be a matter of rising rents to justify capital improvement to bring those buildings back to market.

Q

And if I can just ask one question on investments, the money you're seeing returning upon this, just curious have you seen folks that said [indiscernible] (00:16:08-00:16:21)?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah, I think we've seen a full return all maybe a little too aggressive, but a dramatic return of the international capital that in some cases said they were redlining office. I think domestically, we're still waiting for that to pick up a bit more than it has. I think there's certain biases across the country as it pertains to office. Some people that haven't been to New York in three, four, five years, whereas our Asian partners they're in my office once a month.

They're making very proactive visits here. And I think it'll pay off well for them the fact that they're coming over here so frequently and really getting a sense of what this market has – how quickly it has returned and recovered. But I would say from – in most pockets of capital, we've seen that capital return. But there are still pockets like domestically that we haven't seen recover yet.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Where I think you've seen a more distinct recovery in like what used to be a redline of office is in the financing markets. The financing markets now for New York assets are clearly open. Harrison mentioned the CMBS market. We're in the market with an execution at 11 Madison that if you rewound back 12 months ago, we would say maybe it's something akin to what we did in a lot in 2024, which is extend two, three, four years, try to hold rate, no pay-down, and then it vacillated over the course of 2025. Is the CMBS market open? Is it closed? What are the opportunities? And coming out of Labor Day, the CMBS market is really strong. And that execution is going to exceed our expectations. And the bank market is not as aggressive, but certainly back.

We did one of the first new financings for a large institution when we finance 500 Park earlier this year. They had not done office financing for as measured in years. And now as we talk about doing things whether corporately with a credit facility or at a project level, new development site at 346 Madison, a conversion project in 750, there are definitely more banks interested and actually focused on New York office in particular, not just office, New York office. And I see that bias is probably in the investor group, too. There's a New York bias. It's not office broadly.

Q

[indiscernible] (00:18:47)

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah.

Q

[indiscernible] (00:18:50-00:18:56)

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

I would say there's a pick-up in San Francisco specifically. I haven't heard any other names thrown around, but there definitely has been some interest in San Francisco. And that's just what we're hearing from people as their next stop. Don't know what that next stop looks like. We wish them luck and [indiscernible] (00:19:15).

Jana Galan

Analyst, BofA Securities, Inc.

Q

And have things gotten too good too fast that it limits your opportunities on the debt fund?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah, I mean, it's a good question. Despite all the positives we're discussing today, there still is a mismatch between supply and demand of debt capital right now. And so, we do think we're finding some really interesting opportunities in purchasing loans, purchasing portfolios. And in any moment where you're seeing like a recalibration of capital stacks, there's going to be opportunities for us to utilize that capital. I think we'll end up deploying more capital into newly capitalized deals as opposed to buying into previously capitalized deals than we probably would have said six or nine months ago. But most of our debt business for 25 years has been focused on putting our money, mezz money, B notes into newly acquired assets. So, it's a place we feel very comfortable. It's a place where we can still get to the yields that we're looking to achieve.

And one example, obviously, of we've seen that fully play out was 522 Fifth Avenue, which we did before our debt fund, but obviously acquired that position in August of last year and saw that got repaid in May of this year.

Jana Galan

Analyst, BofA Securities, Inc.

Q

That was amazing.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

It ended up being a big return for us.

Jana Galan

Analyst, BofA Securities, Inc.

Q

I guess, maybe just a little bit more on kind of what are those targeted returns.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

On the credit side – and I would caveat it that it's – there's not a lot of this opportunity out there, but it's our job to go and find it is sort of mid-teens returns.

[indiscernible] (00:21:08)

Q

[indiscernible] (00:21:12-00:21:42)

Q

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

I'll let Steve take the first question...

Steven M. Durels

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

A

I'll take the easy one.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

...while we think about the second one.

Steven M. Durels

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

A

Yeah, the big blocks of space are in tight supply. If you're a tenant looking for 250,000 square feet and you want to be in a upscale building, it's a short tour day. There's only a handful of opportunities. And if you're 500,000 square feet, you probably have one or two opportunities and they're further out in time. And even when you drill down to kind of 100,000 square feet, depending on where you want to be, even on Third Avenue, which is kind of the mid-price-point product in Manhattan. If you want to be in one of the better quality buildings on Third Avenue, you're Grand Central and you're looking for 100,000 square feet, there's just not that much available. That's driving more tenants to do renewals and expansions in place or in really big tenant instances, maybe even going to a campus solution where they stay in one location and lease space across the street in another building. And I don't see that changing anytime soon. There's no new construction coming online, but tenant demand continues to grow. And with the resi conversions, there's even fewer buildings available for consideration.

Jana Galan

Analyst, BofA Securities, Inc.

Q

Are you hearing of any of the – I apologize – resi conversions now like deciding, you know what, let's just stay in office.

Steven M. Durels

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

A

Go back to office? I have not. No.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

I have not heard that. No. Yeah, I mean, it was – [ph] 467-M (00:23:21) was a very well designed plan, credit to all the politicians that put that plan together because it really found the right sort of middle ground between convincing developers to convert office to residential, but also giving the necessary benefits the city and the state were looking for through affordable housing, reactivating certain submarkets and really reinvigorating markets. So, it's, I think, credit to all the politicians that worked on putting that together, which I guess is a foray into your question.

I have not met with Mamdani, I don't think any of you guys have either. As a firm, we've worked through many different types of political figures, both super far left, super far right. We've been able to work through all of those different environments. I would expect that to be the same under whoever ends up being the mayor come January. And I would say specifically to the race over the next 60 days, I think it will be competitive. And I'm not sure that there's anyone that's predetermined to win that race over the next 60 days.

Q

[indiscernible] (00:24:33-00:25:06)

Steven M. Durels

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

A

Yeah, well, I think you need to slice and dice the market a little bit, depending on which submarket and just take Midtown specifically. There are submarkets within the Midtown market where availability is well below 10%.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Park Avenue is 5%.

[indiscernible] (00:25:24)

Steven M. Durels

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

A

...Rockefeller Center. There's – and then that's one data point. The other point is look how rapidly it is – the trend line is where that availability is dropping down. And you may ask why. And I don't think we've sort of articulated a couple of different reasons, whether it's the resi conversions or the return to office phenomenon, where every tenant is bringing employees back to the office and many of them are now going back to five days a week. And many of these, certainly the larger tenants find themselves short of space. But then again, you need to – you may say, well, great, that's developability rate in Midtown is one number, but then start to put some of the outlier locations, pull that out of the numbers and they'll tighten in to core Midtown. And the availability is even lower than what you see as far as the headline number goes.

So, I think there's a lot of reasons to express that bullishness because we're seeing it and we're experiencing the rent rises within our own portfolio. And we're as good a barometer of anything over with a 30-million-square-foot portfolio about what we're seeing in the broader marketplace.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

And I'll just point you some data in a presentation that's on our website, if you want as well. So, just comparing Q2 to Q3, so you were saying can it come down precipitously over the next few months? I think it probably takes a little long than that. But the drop in vacancy and the increase in rents just Q2 to Q3 is notable and it leaves the total Manhattan market at sub 14%. So, you said it's near highs. The highs were 18% to 20%, depending whose data you read. Park Avenue is around 5% and total Midtown is 11%. So, you're not that far away. And it was around 12% just at the end of Q2. And every – both Manhattan as a market and every submarket, the rents are up quarter-to-quarter.

So, the trend is there. It takes a little bit, but this setup in the past has led to what Steve mentioned early that traditionally there are spikes. And the supply/demand dynamic in Manhattan right now is close to something we haven't seen before because there's so much conversion. Steve – we've thrown out a number, he mentioned 40 million square feet. That's 10% of the office market with no real, measurable new development happening between now and 2030. Where the conversions happen, if there's an announced conversion, that comes out of

the office inventory immediately. And if there's any occupancy, those tenants come into the market immediately. So, that dynamic does have the potential for the spikes that the market's seen in the past.

Steven M. Durels

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

A

The other thing to remember is the statistics that you read lag reality, what we're experiencing in the field and a good sort of numbers to sort of understand where it is right now is the tenant demand number. There's 5 million square feet of known tenant searches – 5 million square feet more of known tenant searches today than there was a year ago. So, that's a dramatic increase on the demand side.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Not to layer on one more, but just on the page Matt referenced, the availability in – or vacancy rather in better buildings, what CBRE defines as better buildings in Midtown...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

[indiscernible] (00:28:39)

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

...8.1%, I mean, that's the world that we're mostly trafficking in. So, when you hear us, you're saying we're optimistic, that's the world that we're experiencing day in and day out, a market that really is 8.1%, and just a quarter ago was 8.6%. So, you're seeing 50-basis-point drops just quarter-over-quarter.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

And it gives you pricing power. And Steve talked about concessions or the fact that concessions have stayed flat in the face of construction costs that we all know are going up. They've been going up serially. And with tariffs layered on, they've gone up even more. To hold concessions flat even on the margins, take them in while face rents are going up, is a sign of strength in the market.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

That's the fulsome answer to that.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah. Three-part, three-way, three-way answer.

Q

[indiscernible] (00:29:34)

Q

[indiscernible] (00:29:39)

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

No meaningful, significant deliveries between now and 2030. Yes.

A

Q

[indiscernible] (00:29:48) saying there's limited 250,000 plus, 500,000 plus, but [indiscernible] (00:29:56) that the pipeline that you talked about, these folks that are being in space in the next three months, six months, a year, these are [indiscernible] (00:30:07) you start to see some of that?

Steven M. Durels

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

Well, as far as my million-square-foot pipeline, these are deals that generally are tenants that want the delivery of the space either immediately or within the next six months. As far as inbound inquiries we've gotten, for instance, for the Madison Avenue development sites, those are obviously tenants that understand that's for delivery in late 2030 or sometime in 2031. But those are really big tenant requirements of 200,000 square foot to 800,000 square foot inquiries. So, it's a little bit of everything [indiscernible] (00:30:48) depends on the size of the tenancy and the type of business generally.

A

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

But for the inbounds that are looking at new development, clearly their timeline is longer because of new development. If you're shovel ready today, you're several years off in the case of assets that need to go through a [indiscernible] (00:31:08) process and go through East Midtown rezoning, you're two years before start and then you have to build. So, you have to have the long timeline. But those tenants are around. We've gotten the inbound inquiries from the tenant base on 346 Madison already.

A

Q

[indiscernible] (00:31:23-00:31:30)

Steven M. Durels

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

Well, for new construction, I would say it's almost exclusively financial services and law firms. The tech guys seem to be largely in the Midtown South market right now, not exclusively, but predominantly in Midtown South market. And most of those requirements because there's particularly they're the AI companies, they're growing so rapidly, they're looking for immediate occupancy. And we've had a couple of tenants like that in our own portfolio where tenants have signed good sized leases and before they've even started construction come back around the horn to say, I need even more.

A

Q

[indiscernible] (00:32:07-00:32:23)

Steven M. Durels

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

A

Yeah. I think it's – I don't even think it's a question anymore, is that every announcement and every industry are bringing their employees back, including the last industry to really follow was the media and advertising sector. They're now telling their employees they're going to come back to the office. Now the question is, is it three or four or five days a week and where it was three days a week, you're now starting to see even more. Business managers say it's got to be five days a week with increasingly harsher communication to their employees like there's ramifications that if you don't come back, you're going to feel it.

Q

[indiscernible] (00:33:02)

Steven M. Durels

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

A

Amazon's picked up 1 million square feet of unanticipated growth space in Manhattan this year alone, partly driven by AWS expansion, organic growth, but partly I'd say 50% of it is because they made the 180-degree decision to come back go from a hybrid work environment to mandate everybody back in the office, and made that announcement before they realized they didn't have enough seats for everybody. And that forced them to go scramble and pick up a whole lot of space.

Q

Jana Galan

Analyst, BofA Securities, Inc.

Can you help walk us through kind of availability in your portfolio, whether there's any kind of large expirations or move-outs to flag over the next year, and then kind of any color around when the leased comes into occupancy of all the leasing that you've done?

Steven M. Durels

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

A

The biggest expiration and known move-out that we have next year is only 115,000 square feet. So, we had some bigger ones last year and this year. So, we don't have any real – the monsters next year as far as...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah, and as far as occupancy goes, it's been a focus of ours and clearly of the market. We're on a trajectory to increase our leased occupancy to over 93% by the end of the year. We're sitting at about 91.7% right now, which is up from the end of the second quarter. I expect to end the third quarter to be at least 92%, if not in excess of that on the way to 93% by the end of the year. And the trajectory would be higher into next because we have a pipeline that's not only stayed full, it's actually grown. It's full of more commodity sized tenants. And that's where our vacancy is.

If you look at where – how do we get from 93% at the end of this year to more stabilized, 95- plus percent, you have to lease the buildings that are not just big blocks on Park Avenue, you have to lease the [indiscernible] (00:35:13) and Sixth and the diversity of the tenants and the pipeline has visibility now to be able to lease up that space. All the function of how much capital you want to put into leasing up that space, too, because it costs money to lease a vacancy. It's the most expensive space to lease up. So, we will be very practical and calculated in taking vacancy to a reasonable level, not just pushing throttle to the floor and spending all the capital to take it from 93% to 95% in one year. You have to do that on a measured approach. Went up 300 basis points last year, another 100-plus basis points this year. And we should stay on that trajectory and allow the market, which is playing into our favor, to come with us with rising rents and reducing capital.

Jana Galan

Analyst, BofA Securities, Inc.

Q

Great. And maybe just touching on SUMMIT, I think international tourism was down a bit in May and June, but it looks like air traffic really picked up July, August. Just curious thoughts on kind of like traffic and...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

SUMMIT has been performing at capacity throughout the course of the year. We provide a different offering both in the experience and then by extension, the attendance. We attract more domestic, in particular, more local, truly, New Yorkers than other competitors. And so, when – if there's ever a deterioration in a certain element of the attendance, Eastern travelers or anything that sees a little weakness because there's always excess capacity, we just go right through it. It's roughly 50% domestic and hyper local because it's not just about going up and looking out at the city that you live and work in. It's a bigger experience. So, we haven't seen any material impact as a result of international tourism deteriorating in pockets. And even our exposure to bad weather days, like the less-than-ideal day we have today is less affected because it's mostly an indoor experience and it's more than just looking out the windows.

Jana Galan

Analyst, BofA Securities, Inc.

Q

Thank you. And any update on the casino?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Casino is running – the course is running on the timeline that was laid out to us and we've reiterated again our presentation materials, we submitted our application at the end of June. The first phase of the local committee process runs through September 30, at which point the local committee determines which of the applicants moves through to Phase 2, round two, with a decision made at the state level by the end of the year. And so, we continue on our process. Feel good about our offering certainly relative to the competitive set. And the next couple of weeks will be in focus because between now and the end of the month, we find out if we move to round two.

Jana Galan

Analyst, BofA Securities, Inc.

Q

I'm happy to take one more from the audience before rapid fire.

Q

[indiscernible] (00:38:21-00:38:24)

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah.

A

Q

[indiscernible] (00:38:30-00:38:44)

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. I'm going to defer to Steve a little bit on this. I think it's in part about the competitive set and would you really have the ability to push on in part because with rising costs, the tenants are going to have to bear a lot more of their fit-outs. They tend to be, I think, more sensitive to the concession side and more willing to move on the rent side.

A

Steven M. Durels

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

Yeah, I would agree with that. I think tenants, particularly in the face of rising construction costs, tenants are saying, I need the concession from the landlord in order to offset my upfront costs. And I'll essentially pay it out over the life of the lease in the form of higher rent. But I don't think, to answer your question more directly, I don't know if there's such a linear answer to say that once availability hits 9%, then all of a sudden concessions drop 30%. It's like everything else. It's a space by space, building by building answer to where is the landlord's strength at any point in time for any particular product that they're offering.

A

Q

Got it. So, in return [indiscernible] (00:39:50) they are willing to accept a higher base rent.

Steven M. Durels

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

Yeah, we're seeing that now.

A

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah.

A

Steven M. Durels

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

Right? We've raised rents in certain buildings three or four times over the past 12 months, but haven't reduced concessions because tenants were willing to accept the higher base rent. But as I said earlier, we're finding those moments and we're testing it to see whether or not we can pull in the concession where we feel that we have the leverage. And in certain cases where we have two or three prospective tenants looking at the same piece of

A

space, obviously, the leverage is there to hold firm on lower concession package. But you're doing both at the same time. So, it's a very kind of fluid environment.

Jana Galan

Analyst, BofA Securities, Inc.

Q

All right. We're going to conclude with three questions we're asking all the REITs at the conference. When the Fed starts to cut, do you expect rates for long-term debt to decline, stay flat, or rise?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Decline.

Jana Galan

Analyst, BofA Securities, Inc.

Q

Last year, the majority of companies stated they're ramping up spending on AI initiatives. How would you characterize your plans over the next year, spend more, same or less?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

I'd say on the margins, spend more to improve internal processes.

Jana Galan

Analyst, BofA Securities, Inc.

Q

And then do you believe same-store NOI for your sector will be higher, lower, or the same next year?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Higher.

Jana Galan

Analyst, BofA Securities, Inc.

Great. Thank you to SL Green for being so generous with your time.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Thank you.

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