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Table of Contents

Call Participants 3

Presentation 4

Question and Answer 34

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Presentation

Operator

Please welcome Chairman and Chief Executive Officer, Marc Holliday.

Marc Holliday
Chairman & CEO

Well, good morning, everyone, and thank you for joining us. At Sl Green, we are driven by innovative, strategic business plans that have put us on top of the industry. And as you can tell from the opening video that you just saw a creator. We've been working hard these past years to position the company to benefit from this spectacular set of new developments.

Today, we will walk you through just how this extraordinary pipeline of opportunities will change the face of our company and create a solid bridge to the future. But first, we're going to start by recapping for us what has been a very, very successful year.

We spent 2019 working hard to execute on our business plans, and we're extremely proud of the results we have achieved on your behalf. In our 22nd year as a public company, Sl Green has yet again been among the most active players in our market, and our results speak for themselves. We've leased millions and millions of square feet. We've made substantial progress on our world-class development projects. We've secured key leasing transactions across our high street portfolio, and we captured great debt and preferred equity opportunities. Everything we accomplished this year was strategic methodical and relentless in our pursuit of a business plan to sell mature and noncore assets and reinvest those proceeds in new development and, of course, share buybacks.

Throughout, we maintained our reputation for operational excellence, environmental stewardship and social involvement. And our work continues to this very moment. Just this morning, we had another major leasing announcement that validates our redevelopment project at 410 Tenth Avenue. After months and months of negotiations, Amazon has leased 335,000 square feet of space, affirming our belief in this project's appeal and bringing this project to fully leased status after only 7 months of ownership. What a great way to put an exclamation point on a terrific year for SL Green. This level of activity is nothing new for our best-of-class team. The intensity and determination that we bring to the office and onto the field of play day after day after day is what makes SL Green the largest and most profitable owner of Manhattan office space.

Our reach and impact remains unparalleled. We've updated this map that shows our unprecedented history of ownership and investment in Manhattan commercial real estate located primarily in core Midtown. All told, since our initial listing on the stock exchange, Sl Green's market penetration has grown year-over-year and now amounts to almost 120 million square feet representing more than 30% of the Manhattan office inventory.

You might say that's unprecedented and greater. You might say we got a long way to go. I like the latter. But the unrivaled scale and scope confirms our company as the focused sharpshooter in New York City, without equal, committed to excellence year after year. We stand firmly committed to this mono market strategy. In fact, we continue to narrow and sharpen our focus on premier Manhattan office assets. As we get more focused, we eliminate complexity. And over the long run, we believe that New York City's large and diversified and growing economy will continue to yield the best results and risk-adjusted returns for you, our shareholders.

The underlying numbers, they once again support our confidence and optimism about New York's economy moving forward. It seems like every year since 2015, we hear from skeptics who can't believe New York's expansion could possibly continue for yet another year. And last year, once again, the pundits predicted a material slowdown in New York City economics, but that was clearly not what happened this year. In fact, many instances, the city is operating at or near record levels as we finish a remarkable 10th year of economic expansion.

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Actually, go back a second. I want to just point out that the unemployment rate at 4.2% citywide is quite impressive. But in Manhattan, it's just 3.7%. It's probably the tightest it's ever been, a labor force participation rate of a near record 61%, a gross domestic product in the city that outstrips the growth rate nationally. And as you would expect, all of that pressure comes to bear on wages which are starting to pick up in pace, growing at about 3.5% a year, and it's validated by the measure of increases in personal income tax and withholding taxes. So there is an energy to this city. And with these kinds of numbers, it's not surprising that private-sector employment growth was strong again in 2019, 73,000 new jobs on a 4 million job base -- private-sector job base, it's about 1.8%, 1.9% growth. And OMB just revised upward this number after it had done so already 2x during the year. So as we move to 2020, and you see OMB's projection for 51,000 new jobs. It might look like there's a bit of a deceleration, but I would just caution that it's very common for OMB at the beginning of the year to be very conservative. And I would expect upward revisions of this number tied solely to the fact that the second half of leasing in New York City was so strong.

Office-using employment is following a similar trend with unprecedented growth in professional business services, financial services and the TAMI sector that's 25,000 new office jobs, which yields net new demand of upwards of 5 million square feet far exceeding the capacity that was brought online in a single year. While the past 10 years have been marked by growth in professional services, we do expect the next 10 years to be led by technology-driven companies and jobs that relate to that sector. 22,000 jobs projected for next year. It's a great place to be starting, and we see and feel the momentum in our own portfolio.

Just look at these 5 companies and their recent commitments to the city, the amount of space being absorbed and high wage jobs being created is just incredible. And the amazing thing is we know they are not done yet, okay? We know that there's a lot more demand coming from these companies. And the next 5 or 10 behind them, all of which are looking at New York City as one of their next major central locations for operations. These West Coast companies are migrating to the East Coast in order to tap in to an expanded workforce that doesn't really exist to the same degree in Silicon Valley.

New York has always been a huge financial center. It's always been an influential media town, and now it's an important technological hub. The change in competition increases the diversity of New York City's economy and creates a stability that I don't think any other market in the U.S. can claim. However, not all sectors are expected to meaningfully contribute in 2020, and the co-working sector, which had just expanded sharply over the past decade, as you see here, is expected to cool off in 2020, essentially due to the WeWork effect.

This segment of the market has grown exponentially since 2010 from about 2 million feet to 15 million feet as an essentially old-line business was transformed into well built and fully amenitized community-based flex office space. This transformation exposed pent-up demand a need for short-term turnkey and socially networked space and illuminated that people and businesses would pay a significant premium, far higher than we thought possible for that type of space. So for that, I would certainly commend the companies that paved the way in that market and really disrupted that market.

But keep in mind, let's keep it in perspective, this segment of the market is just 4% of a 400 million square foot market. And while WeWork and Knotel may not be growing at the same pace or maybe at all in 2020. The need itself, the underlying need and demand for this space is not going away, and we expect other competitors to step in and capitalize on the opportunity to pick up market share while others move to the sideline.

The other slice that you see there, representing 26% of the market, that represents 71 companies, operators, landlords that operate in that space that have been overshadowed by the big 3: WeWork, Knotel and IWG. All of whom we expect to step up and service this sector in a more financially sustainable way in 2020. So we think there'll be growth, but at a decelerating pace and probably more prudent pace.

So while the composition of co-working providers may change over the next few years, the need and desire for the space likely will not as tech and venture-backed firms continue to grow. So it's against this robust economic backdrop that leasing volumes are approaching record levels again in 2019 like we saw in 2018. We are projecting well in excess of 32 million square feet in new leases this year. That's just year-

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to-date, the orange bar on the right. And that's just off of 2019's record 36 million square feet that I stood here last year and we talked about, and it's far above the 10-year average. Midtown, of course, still leads the way in aggregate volume by a wide margin. But each of these submarkets is consistently growing, and that's good news and bodes well for that market heading into the 2020 year.

Not to be overlooked is the role of financial services continues to play in anchoring this New York market, accounting for 30% of total occupancy. Financial services is still the most prominent user group in Manhattan, and most impactful on our local economy. This occupancy heat map that you see here demonstrates that financial service firms are located predominantly in core Midtown, and while we're attracting all sorts of other tenants to Midtown, as I just went through, Midtown and Lower Manhattan are still the centers of the universe when it comes to the all-important financial industry.

Drilling down to our own portfolio of leasing performance, SL Green had another very big year, signing more than 2.3 million square feet. I guess that's over 145 transactions, ultimately, and the year is not over. We expect that we will actually be closer to 2.5 million feet when all is said and done.

But importantly, I want you to note that our volume is accelerating. Just look at what we've accomplished over the past 75 days. That's leases signed for fourth quarter-to-date, and the leases signed in that period basically equals what we signed in the previous 9 months. And even after accelerating all of that deal flow from 2020 into the fourth quarter, we still have an amazing pipeline of leases of almost 1 million square feet as we enter into the new year. So we feel we're off and running in 2020.

One of the notable trends this year was the appetite for new construction. New York City loan had the lowest effective rents of any major international gateway market. However, the reluctance on the part of businesses to pay triple-digit rents is rapidly giving way to growing demand for state of the art offices that are well designed, efficient, amenitized and sustainable. Business leaders recognize that enormous and positive effect that such space has on employee recruitment, morale, retention and maximizing the customer client experience. We've got here over 650 businesses that are now paying $100 a foot or more for their space in New York City, and that's a trend that we certainly expect will continue. And fortunately, as tenant demand shifted to new construction, we had the right team in place, able to pivot to that new construction.

Looking more closely at new office construction, it's clear that space is being snapped up as quickly as the market can provide it. With everything that's been delivered since 2017, 88% is least, remarkable given the fears that some raise for a potential space go up. The pipeline for the next 5 years shows that more than half of the 9 million square feet that's to be completed is already spoken for. And then we add in 7 million square feet more major redevelopment projects, of which already about 40% is pre-leased or presold.

Putting it all together, the market only needs to absorb 1.9 million square feet of new developed annually over the next 5 years with a breakeven office-using jobs of 8,000 a year in order to absorb that space. So it's a relatively small number. It's just 25% as compared to the 32,000 new jobs a year average that we've seen over the past 10 years since 2010, and we think it's highly achievable. This is obviously good news for the overall leasing market, but also reinforces our focus on new development that we expect to be in very high demand in the years to come.

2020 is looking like the year of the VC as venture capital firms and funds are now adding to the demand drivers and changing, yet again, the landscape of this New York City economy just the way technology has been doing for the past decade and co-working as well. This report is big news for our tech center as venture capital investment funds and VC-backed firms were the missing ingredient in putting New York on the tech map. New York is now the market of choice for tech and VC-backed companies, but it didn't happen overnight, and it didn't happen by accident. New York has remade itself as a tech capital, putting together a series of developments needed to attract these companies, starting with East Coast universities coming up with very specialized program to compete head on with Stanford and other West Coast institutions to create the kind of employee base that these VC firms want and need.

Here, you see 15 of the largest New York-based firms doing literally hundreds and hundreds of VC deals in the city. And they are injecting billions and billions of dollars of capital into the sector that 10 years ago

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was barely on the radar screen, growing from $2 billion a year of annual investment to over $15 billion a year of annual funding for angel or early stage or latter-stage company investment. So very exciting. It's like co-working. It's not a major footprint by size of square footage, but it's certainly a major trend, and it's one that we'll be keeping our eye on.

Unlike Silicon Valley, the VC funds here are not primarily focused on creating new technology but rather apply new technology to many of the long-standing old-line industries like advertising, finance, fashion, marketing and real estate. Technology is reshaping all of these industries and VC companies are doing it right here in New York.

For years, the knock against the New York Tech center was that there were not enough unicorns, private VC-backed companies valued at $1 billion or higher. Well, that has changed and has changed in a big way. We currently have 27 of these unicorns, VC-backed private companies, employing a total of 15,000 people with a valuation of about $67 billion and growing. Unicorns usually run alone, but here in New York, they run as a herd, and our unicorns are making it to the finish line by exiting into IPOs or other M&A transactions or acquisitions.

These on the screen are all fairly recent transactions and show that VC companies coming out of New York have the ability and viability to exit, which is critical for the continued long-term growth of the tech sector here in New York. So we're going to keep our eyes on this, as I mentioned earlier, and we'll just add this to the continuing diversity of the New York City economy, adding to the excitement and vibrancy that we think will continue in a big way in 2020.

As we've shown today, New York City is still going strong after 10 years deep into an economic cycle that doesn't seem to want to end, as supply, demand and value continue to be supported at record levels. And 2020 is shaping up to be another extremely solid year. However, despite all of the momentum and return to shareholders we've attained so far of over 13%, there is no denying that our share price continues to reflect a complete disconnect with the value and performance of our company and our underlying portfolio.

Accordingly, we've been very transparent in our strategy to capitalize on this public-private disconnect in asset values by disposing of assets to fund an industry-leading stock buyback program. The global appetite for New York City investment properties remains extremely high, and you're going to hear about that from Andrew momentarily. Capturing and capitalizing on this unprecedented discount in our stock is key to our strategy going forward so long as it remains.

Our strategic plan for 2020 is stay the course, while the discount remains so stark. We will continue to dispose of mature and noncore assets, including a sequential decline in DPE revenues, which is intentional not market-driven, with our share of net proceeds from those activities deployed into 3 things: reducing company indebtedness, repurchasing company shares and funding the remaining development pipeline. And although our stock has declined since program inception, along with that of other New York City-centric REITs for 2018 and 2019, we have accomplished much and made SL Green an even better, stronger company than before.

You can see here the results of the early stage efforts. And it's a tale of a different take than usual. Usually, the tale of the tape is showing extraordinary growth. This is showing efficiency, getting leaner, a bit of contraction. We've sold assets aggressively, maintaining our standing as the city's top owner, while shrinking the asset base by 3.5 million square feet. We've also shrunk our debt book, our loans outstanding, eliminated complexity by shedding suburban and noncore assets and keeping the best and highest-growth and highest-quality assets in the portfolio, and it represents a bigger and bigger share of what we own. It's an extraordinary transformation. In a short period of time, that has made our company leaner and stronger with better opportunities for growth in the coming years.

Along the way, we've tried to be very good listeners and very good stewards for our shareholders and sell-side analysts that are virtually 100% aligned in their support for this continuing strategy. Across the board, the feedback makes clear that this approach is the right one for this unique situation and is the right one for us.

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For these reasons, management recommended and the board approved last week, an increase in the authorized share buyback program of $500 million, bringing total authorization to $3 billion to accommodate our 2020 business plan that Matt will take you through in detail. This additional authorization is a demonstration of our deep confidence in the underlying value of our assets, which we acquire more and more of with each share repurchased, I think, one of the best investments out there on the market that I can see in New York City.

The chart that sort of backs this up, you've seen before where we build-up to the implied NAV of the company at a given stock price and compare that to a range of market cap rates. On the screen, you can see that at Friday's close of $86.90, we have a total enterprise value of $17.6 billion. We then deduct from there assets that are other than our stabilized core operating portfolio assets, fees that are subject to leasehold and leasehold properties. Those we value and they sort of blend to a 3.5% cap on fees, conservative relative to treasuries and 7% cap for our leaseholds, also fairly conservative. High street retail portfolio, valued and blending to a market cap rate of 4.4%, up slightly from what we showed you last year due to retail's declining but decelerating decline valuations in this market. And the residential properties that are capped at 4.1%, a market cap rate that's essentially unmoved for fair market value units, which comprise most of what we own. Suburban assets, of which, 2 remain carried at liquidation value, development assets that are either carried at cost. In the case of OMA and 185 Broadway or in cases where those assets are all or mostly leased, we carry them at assigned value. That's 410 Tenth and One Vanderbilt. Held for sale properties, of which we have a number, all at contract value. Debt and preferred equity value at 1x book. Other assets, small amount, I guess, that only Matt could really tell you what's in there. But that final adjustment, getting down to $6.7 billion that represents the entirety of the remaining portfolio that's over 22 or 23 properties and about 12 million square feet that are projected to generate $507 million of cash NOI in 2020. And that implies, at this stock price, a 7.57% cap rate and a $527 per foot valuation, comically low. I mean there's no metric I can think of that would warrant a 7.6% cap rate or $527 a foot valuation.

So we put it, for illustrative purposes, at something that more approximates market, 4.5% cap. And you see $142 a share implied price $887 a foot, still below $900 a foot. And Andrew is going to comp that out to his comp set. Over a range of even more conservative cap rates, 4 3/4%, 5%, I know a lot of shareholders use those kind of numbers. It doesn't matter because across the range of assumed cap rates here, you can see that all of the implied NAVs greatly exceed our current stock price. No surprise there but is powerful to see the extent of it in black and white.

While much of our discussions with shareholders in 2019 centered around the market share and our share buybacks, there is a massive story about our company, which has been overshadowed by the discussions about everything else. And it's because that SL Green is now one of the premier developers in New York City that we can have this discussion. We have a set of extraordinary development projects and pipeline that we will build and deliver over the next 5 years, and we're going to go into a deep, deep dive on that today.

Taken together, these 7 projects will contribute an enormous amount of earnings, enormous amount of growth to SL Green, that becomes even more magnified as we shrink the shareholder base -- I'm sorry, the share base. I don't want to shrink the shareholder base. That's not the goal of today. But I do want to shrink the share base. And we are the largest buyer of shares in this room today. So we're in good company, I hope. And we understand the need to focus on the immediate short term that investors have and the analyst community has, but we hope you won't overlook this enormous impact of this pipeline that we have, right there, in front of us. It's owned. It's contractual. We have to execute the lease out. We have to execute the construction. That's all we have to do. And it's why we've intentionally pursued this strategy for the last several years.

Andrew and I will take you through the details of these unique and exceptional projects that form the foundation of SL Green's near-term and midterm future growth, then we will roll everything forward to demonstrate 5 years of projected costs and stabilized NOI income contributions that will form the financial bridge that parallels the physical bridge you saw in the opening creator video. But first, Andrew will now take the stage and give you his perspectives on New York City's ever-changing investment market. Thank you, and please enjoy the show.

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Andrew W. Mathias
President & Director

Good morning, everyone. The creator and all that good news is a tough act to follow, but I'll do my best. Lucky for me, the investment market has given me a lot to talk about. It looked like a rough start to the year after December's blood bath, and first quarter was a bit slow as a result, but with a little help from interest rates and a bunch of very positive trends I'm going to speak about, the year turned around in the second quarter, proving the skeptics wrong. Foreign investment in office continued unabated, as you'll see. There's a very healthy pipeline and fundraising in sectors, old and new, continued to boom.

Looking at the year, quarter-by-quarter, you can see we project the year volume to finish just below $30 billion, extremely healthy and actually ahead of last year through third quarter but not matching last year's enormous fourth quarter surge we accurately predicted at this conference last year. Looking at the year in the context of the 10 prior, we think we'll finish out the year slightly below the 10-year average, but with a healthy backlog of deals in the market, as you see here in green, above that $29.2 billion.

Digging a little deeper into Midtown Class-A pricing, you can see this year, again, easily eclipses the $1,000 per square foot threshold, with cap rates stable in the 4.5% range. Driving all that office demand is a stable but ever-evolving base of foreign capital. You can see the last 3 years of office demand in orange has been very stable, notwithstanding the drop-off in other classes, driven mostly by the Chinese exodus from the land, hotel and condo market that spiked up that 2015 number significantly.

In addition to foreign capital, global investment in closed-end private real estate funds continued a pace with the larger funds dominating this year as you can see in the drop-off in the number of funds raised from 469 funds to 233 funds. The big guys, the Blackstones, the Brookfields are dominating this space. In the blue, you see the share of these funds raised for investment in North America continues to grow. Our market in New York City is obviously the largest and most liquid in North America for these funds.

Digging a little deeper into the strategy of these funds. You see opportunistic and value-add dominated in the closed-end space as core and core plus funds pursue open-ended capital as their primary source. Another trend, we expect to start impacting New York City is the staggering growth in nonlisted REITs, with fund raising up 90% year-over-year. Don't be surprised to see these outfits start looking to New York City for investment opportunities and deals as their scale grows. Also, don't take your eye off crowd funding, another sector gaining quite a bit of momentum in the market. You can see compound annual growth rates over the last 4 years of 25% and expect to see these companies start to impact our market, either in increased outright purchases of assets or providing liquidity for partial interest holders.

Looking in more depth at the deals that actually closed this year, you can see that foreign capital sort of weaves its way through a lot of trades around the city. Our own sale of the news building makes the list and from Prime Midtown, you can even make the trip to Tribeca with the sale of 250 Church at $870 per square foot prerenovation. That building is going to be vacated and completely renovated with a starting basis of $870 a foot. On the far right, you see another trend with users paying steep premiums for assets, they have to have. Google continued to expand the meatpacking and Deerfield is planning a life sciences conversion of 345 Park South. With a user purchase, you have a very motivated buyer, and seller can afford to hold out for the very highest prices. It's a trend we expect to see continue in the market.

The pipeline is robust as well, as you can see a sampling of big deals on the market with many, many more, including our own properties queued up to go on the market in the first quarter. It's a very healthy and active market out there with property offerings across all sectors and a lot of deals getting done. Those that don't get done often seek alternative in the debt market, which, with CMBS booming and rates near their lows, you can see that the debt alternative is very viable for a lot of owners out there that don't have the REIT leverage straight jacket. I'm sorry, Matt.

The 2 assets on the left are the most recent comps featuring 10-year rates sub-3%, for the first time in my memory, at healthy leverage levels. It's not just CMBS that's driving demand also you can see the recap of 441 Ninth Avenue, a 65% leased building under construction, where they went out and got a big lever of financing from Blackstone to sort of memorialize their progress on leasing not building up.

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Now let's look at SL Green's own DPE program and how we're adapting to these conditions and continuing to dominate the subordinate debt space. This morning, we ran our traditional tombstone ad in the journal and other publications, memorializing over $2 billion of activity in the year and thanking a lot of our great borrowers, loyal borrowers that have stayed with us over the years.

Looking at the market, kind of more broadly, it continues to be highly liquid with, as said, CMBS and a lot of other participants putting pressure on spreads, we don't see leverage levels really getting pushed up significantly in the asset level market as borrowers continue to invest a lot of equity in deals. However, the LIBOR drop has also served its purpose, I would say, as a pressure relief valve for a lot of underperforming deals in the market, particularly in that condo space, the land space. Higher LIBOR was putting a lot of pressure on those deals and LIBOR's retreat has given them a little bit of breathing room.

Another big trend in the market is the return of what used to be known as CDOs until that became a 3 letter word in 2009 and are now called the more friendly CLOs. Those are real and growing. Spreads in CLOs tightened significantly over the last year and leverage levels increased. So those borrowers are out there taking leverage up on their loan assets. They're also starting to accept larger loans as CLO collateral. So you're starting to see some New York City deals like the deal on 441 Ninth Avenue that will probably wind up in a CDO.

Driving a lot of that demand is equity pricing for mortgage REITs as the public markets are basically telling these guys, we're pricing your assets at a big premium to book, I'll show you a little bit more on that later, and encouraging them to go out and lend.

Digging a little deeper into that CLO market, you can see this is really starting to have a factor. To put this in context, this is $19 billion of total supply in 2019. That's as against the CMBS market, that's around $100 billion. So this is really creeping up in terms of percentage of bonds that are being sold out there. Advance rates are increasing, and spreads are decreasing. So you're seeing Blackstone and a lot of other issuers, very active in these markets.

Mortgage REITs are the primary issuers in those CLO markets. And you can see price to book in mortgage REITs up 30% year-over-year. They're trading at 1.4x book. That's against our NAV slide. Mark showed you the value of our own DPE portfolio, 1x book. So another conservative valuation on that NAV page. With those increasing stock prices, dividend yields are going down. So they're paying 8.1% average. That's allowing them to lend at more efficient levels and lower the market spreads on their assets. And their equity market caps are increasing as they issue equity and go out and lend it in New York City and other markets.

Digging into our own DPE investment overview for the year. This year, you saw us trend more to the subordinate debt side as the mortgage space was bid up by a lot of these CLO-funded companies. Floating rates, 70%, is a more traditional metric for us. Recall those floating-rate assets serve as a great hedge for the floating rate liabilities on our balance sheet, Matt will talk about later. And use of proceeds this year as acquisition financings has got bid up, we didn't chase deals. We stayed within our existing book of business and also bought some loans -- large loans in the secondary marketplace rather than going out and slashing our yields to get business in the acquisition-financing arena.

Mark flashed you that our DPE program is shrinking. You can see a 23% reduction that we project from year-end balances, 2018 to 2019. That's been a spate of repayments as borrowers have taken advantage of the liquid markets. And we've sort of not been as competitive on the refinancing intentionally to try and bring the balances down. You'll see this increase a bit at the beginning of next year as we have a bunch of originations lined up for first quarter, but we should end the year around $1.6 billion outstanding in the DPE program.

We're still doing this business very profitably. And you can see we had a great year in terms of yield on our retained originations. We project we'll finish retained yields of about 9.2% on $960 million of retained originations for the year. So really, a very productive year, a very profitable year in the business, albeit the amount of our retained originations will be the lowest in the last 4 as we try bring those balances down.

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Risk mitigation is another big focus of ours. And as we sort of modeled which deals we wanted to take repayments in and which deals we wanted to be aggressive in terms of redeploying into, we've been steadily increasing the proportion of office in our portfolio. You can see office has increased from 42% to 57%. That's come at the expense, if you will, of landing the construction, retail and residential, as we've lowered our exposures in each of those segments, tried to really make a bulletproof office book.

And it's worth taking a look at the 10-year performance of this business, even loss adjusted, it's hard to overstate just how successful and profitable this program has been with 9.3% gross average yields and 9.2% loss-adjusted average yields. This is a result really of our own asset management, our special servicing our really team's ability to go out and be proactive in looking at assets. We want to lend in, and then with assets on the book, those who want to stay with versus those we want to divest out of, that active strategy we employ has really allowed us to deliver 10 years of very impressive loss-adjusted returns for shareholders.

Turning now to our retail program. Mark mentioned, it's a challenging time for retail, certainly, but we do see a lot of positives in our own portfolio, which I'd like to take you through and some positives in the market, really. New York is not a mall market. So it's different than a lot of the other negative headlines that retail is garnering. It seems like every year, I get up here and tell you, tourism is up again. Somehow tourism is up again this year, another 3% growth so almost 67 million tourists in the city this year. We're the #1 city for when online brands want to open a physical presence. So 50% of the first pop-up locations, online brand start are in New York City and 1/3 of their permanent locations are here. And a lot of the online brands because of the success of having physical presence, driving more sales online, which is a funky concept, but true, a lot of online brands are looking to start establishing physical presence. You can see Amazon retail popping up all over New York City, for example.

The number of retail leases in the market for the year, which -- a stat that surprised me was the first half of 2019 was up 20% over 2018. So digging a little deeper into the market trends. A lot of those pop-ups turn into long-term deals, and we saw several stores have started as pop-ups, winded up committing to long term.

Luxury is still all about brick-and-mortar, Armani and Hermès, both committed to new luxury flagships on Madison this year, and we saw luxury expand aggressively into downtown. Distressed retail is sort of reenergizing, reinvigorating some areas that had seen higher vacancy. As you see, lower rents start to attract different types of retailers. Bleeker Street is a good example of that. And Lower Manhattan, which we targeted because of 185 Broadway, continues to be very frothy. There's a lot of activity there, a lot of tenant demand. So we're excited about the ability to bring that project online.

A lot of big leases in the market. This slide sort of represents some of the bigger, bigger brands, bigger logos of fleet able that did deals in the market this year, and then within Sl Green's own portfolio, you can see some of the larger leases, some of the great counterparties that we did deals with this year.

Looking at Brett and his team's year, we did 15 transactions with about $42 million of revenue associated with those transactions. Its pipeline is very strong with 6 more deals with another almost $5 million in revenue. So a successful year and taking a broader look at the retail portfolio, you can see $330 million in revenue from 52 locations, a lot of great credit tenants with very long-term commitments, a 99% occupancy on the high street. And total retail occupancy, which includes commodity space at the base of our office buildings of 94%. So it's a great portfolio. It's a stable portfolio, and it's one we continue to grow.

Looking a little bit deeper into some of the year's activity. This morning, we announced a new lease with an operator for the PlayStation Theater at 1515 Broadway. This is with a group that has experienced operating venues like this in New York and the mark-to-market we achieved here was 13.1% over the prior lease with AEG. Another positive mark-to-market story, you can see Ulta Beauty at 2 Herald, which we announced this summer. This completed the lease-up of this asset 16 months after acquiring the property through foreclosure. We were able to completely turn around this asset, sign a long-term lease with Ulta Beauty, and Ulta's leases at a 12.5% mark-to-market to the prior tenant for the space, H&M. And 609, we managed to open PUMA and Vince this year. It looks spectacular. And I'd like you to hear from Bob Philion and the CEO of Puma, who's going to share some of his views on the space.

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Bob Philion

609 Fifth Avenue is the first PUMA flagship store. The biggest and boldest representation of the Puma brand that we have in the world.

Bob Philion, and the President and CEO of PUMA North America. We call it the 50-yard line of Fifth Avenue. You've got world-famous Fifth Avenue, Rockefeller Center, the Cathedral, it really is kind of a beacon for us.

That's all green, it really blew me away with some of the concepts that they had for the location and really understanding the opportunity as of that specific property. It just helped us to really think about what the brand could be in that space.

It's 28,000 square feet, it's 2 floors. This store is really pushing us to do these things differently as a company. We really wanted to bring these experiences to life, whether it's a motorsport experience where you can drive the streets of New York with some of our partners in Mercedes and Red Bull. Basketball with NBA 2K in the store as well as our customization area, consumers get to play with the brands. Our DNA is about the fusion of sport, lifestyle and fashion. We want people to lead this flagship in New York and tell all their friends and say, you got to go back to that PUMA shop.

We've had a great experience with SL Green. And I think they'll be our first call when we're ready for this next location.

Andrew W. Mathias
President & Director

All right. So you can see a picture of PUMA store, the other night, this is the Rockefeller Center tree lighting night with the crowds in front of PUMA, hopefully, all spending money there.

As you think about dealing with the volume of people in New York, it's worth taking a look at public investment into infrastructure, which is really a developing story in New York, where the area is making a lot of very long-term commitments to how people get into the city, how people move around the city. Obviously, first place to start is something that impacts us greatly, East Side access. You can see from the pictures rolling on the side screen, this is sort of the status of that project with a projected opening in December 2022, the station under east Grand Central is pretty much done. The track connections are being made. And again, this feeds into the base of One Vanderbilt. So it's going to have a huge impact on the Grand Central area, as all of those Long Island Railroad commuters start coming into Grand Central via East Side access. That will take some of the load off of Penn Station, and the plan is to have some metro north trains from north of the city, start running directly into Penn Station. So commuters can then take a 1-seat ride from points north straight into Penn Station.

There's also a major infrastructure plan for the subways, $40 billion to $60 billion. It's a 10-year plan to completely overhaul the subways, upgrade switches, track capacity, and for the first time, sort of a novel concept in New York, that's actually best way to pay for it.

Congestion pricing is starting in 2020. The MTA is making the arrangements now to ring 60th Street on the north with toll transponders that will basically read every vehicle coming south into the central business district. This is a concept that's been very successful in London. And is expected to generate $15 billion by 2024 to help pay for some of these subway repairs. So that covers commuters and the way locals get around the city, a lot of the tourists are arriving by air, and you see in the airport, also, a very significant investment, JFK, with 2 new terminals under construction. LaGuardia, if you've been there, it's incredible, the transformation that's going on while they build a new central terminal, while the airport operates. When that opens, that will have increased runway capacity, increased passenger, it can handle increased passengers and a completely new road system. And the Newark which also is making very significant investments in its infrastructure.

So as the city thinks about the future, it's a good transition to what Mark mentioned, which is our own development projects and how we're sort of investing in SL Green for the future to match these major investments in infrastructure. Luckily, I have the stage. So I get the first one, which is easy, a project

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that needs no introduction, One Vanderbilt, our own addition to the New York City Skyline. This building is coming along in a spectacular fashion. It's getting worldwide a claim because of the design because of the impact it has. And it's worth digging in and reminding everybody about the project team, which is owned by ourselves, SL Green and Hines. KPF is the architect, and it's a $3.3 billion project at completion, just under $2,000 a foot. So we have no funding left here. All the remaining dollars to go into the building will be funded through the construction loan. The project's 100% bought, so the costs are fully known. And this is going to be 1.7 million feet of an iconic global building when it's complete.

The neighborhood, again, this is the very heart of SL Green's portfolio as you can see represented with the blue squares or all the SL Green buildings in the area next to Grand Central, the very middle of the city and the best location for office that's getting proven out by our enormous leasing velocity.

The project time line, we've made enormous progress over the last couple of years in terms of accelerating the schedule, and the building will open with a temporary certificate of occupancy on August 4, 2020, which will be a huge date for the company, a milestone of 20 years of hard work. Danielle's restaurant will open later in the fourth quarter, hopefully November. The observation deck will open a year after that. Rob Schiffer is going to tell you a lot more about that ob deck, and we should complete lease-up by 2022. So a very accelerated project schedule that we're sort of getting toward the end of generating a lot of excitement. A reminder about the floor plate sizes here that have really generated a lot of that tenant demand, great trading floors at the podium and then executive high-end space for law firms and private equity firms, and then the penthouse, which is a lot of the space that we have available, features some of the very best views in Manhattan.

You can see bracketed the 2019 leases, which bring us up to that 65%, including McDermott Will & Emery's latest expansion, which we announced this morning, that brought us right to that 65% level. You got 35% left to go, Steve Durels. So we're hoping for big things over the next year, but it's worth it to take a look at the tremendous tenant roster we built to date.

As I was speaking to Daniel, about the restaurant and introducing some images to the shareholder base, he didn't trust me basically to put the words properly. So he prepared a statement for me. He -- but I want to reveal some never before seen images of the restaurant with some of his thoughts on how it will be. So I'll do my best French accent here and say, "The restaurant of One Vanderbilt stands to become a timeless destination and an iconic new landmark of New York City. Famous Architect, Isay Weinfeld envisioned the informal elegance of a dining room in a living garden within a setting where nature meets architecture at the table." The unique elevation of the space gave the opportunity to create a powerful barroom with a 60-foot ceiling and a striking view on to Grand Central and the Chrysler Building. Chef Daniel Boulud's cuisine has always expressed as a sense of seasonality driven by ingredients, technique and taste.

At One Vanderbilt, the menu will focus mostly on vegetables, fish, and seafood prepared in a light and healthy way as well as some fine organic meats simply roasted or drilled. The restaurant will be open for breakfast, lunch and dinner with private dining options. Epicerie Boulud, another Daniel endeavor will be located at the corner of 42nd in Vanderbilt. The official name of the restaurant will be announced in early 2020.

And then moving from the restaurant to 43rd in Madison, the only retail space we have available at the building as TD Bank has their flagship branch going in at 42nd at Madison, you can see a rendering of the availability here. It's 2 stories. It's generating a lot of tenant interest as we get closer to bringing the building online moving up to the third floor, amenity floor. We showed you some images of this last year, but the space has really evolved with a 5,000 square foot amenity terrace, a grab-and-go case that's catered by Daniel, that's for tenants only. It will have coffee, juice and some light food offerings. And then on the business side of the floor, 140-seat auditorium, a 40-seat boardroom and some other spaces, the tenants can gather in.

On September '18 of this year, we hosted the first of sort of many big milestone events the topping out, which was really a spectacular day. Got a lot of local media attention, and I'll show you a little bit of a recap of that day now.

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[Presentation]

Andrew W. Mathias
President & Director

I think everybody in the room knows why we're not iron workers after seeing that video. All right. So getting into the numbers and a little bit more detail on the project. Most of these should be familiar to the folks in the room not a lot of new news here, but $3.3 billion of total uses. As I said, the equity is funded, all the equity is funded into the project. The loan will fund the remaining balance. Our assumptions for the building, which are bearing out with each lease we signed. And then we refinanced the construction loan once already, lowering the spread, the spread actually ticks down again as of today, with the signing of the McDermott lease, 65% to the threshold for another spread reduction in our construction loan, which is reflected here. And then we're modeling a takeout financing starting to investigate the ways we can put long-term fixed rate debt on this asset as it nears completion.

Again, our joint venture partners NPS and Hines own 29% of the building, we own 71% of the building. The cash flow projections, you can see today, we're projecting stabilization in 2024 with very significant income prior to then. But as some of those final spaces lease-up and as the observation deck ramps and hits full occupancy, we're anticipating $191 million of NOI from this project. That's right at the upper end of the goalpost we showed you 2 or 3 years ago in terms of the range of NOI for the building. And when you put that level of net operating income against our basis in the asset, again, the [3.3] is our partner's basis, that's the capitalization of the deal, but SL Green's basis is significantly lower. You see we're building to an unlevered yield on cost of 7%. And at cap rates that are befitting of this being the best building in Manhattan and a global asset, we think you could see total value creation here of $1.6 billion to $2.2 billion. So a spectacular story for the company, our flagship asset and something we couldn't be prouder of.

Now as we move away from the building, I want to take you to the top of the house, and we're going to do a deeper dive on the observation deck. We've -- after a lot of thought and a lot of interviewing of different alternatives, we've decided to take the operation of the Ob deck in-house. So we'll be forming basically the operator that'll lease the top of the house. And Rob Schiffer is going to give you a much deeper dive into the business plan, some of the key people that are involved and what this experience is going to look like which is going to be truly spectacular.

Robert Schiffer
Managing Director of the Investments Group

I'm Rob Schiffer, Managing Director in the investments group and project executive of One Vanderbilt. We've been hard at work on what we are internally calling the Summit, the observation experience at One Vanderbilt. While I can't reveal our trade secrets, a special sauce that differentiates our observation experience from existing decks, we do have a few important announcements to make. We spent the last 12 months refining our business plan, building our consultant team, refining the experience and completing base building improvements to the 57 through 59 floors. First, we removed the floor slab on south side of the 58th floor to create what we call the infinity room. This column free space features a slab to slab dimension of 40 feet. From the balconies on the 58th floor, the views from the infinity room are even more dramatic. Second, we replaced the typical office curtain wall panel with a 5-foot mullion spacing with oversized panels that are 10 feet wide and 20 feet tall, the largest of any observation deck bar none. Third, if you aren't already wowed, we created 2 step out glass floor ledges that cling to the exterior of the building and overhang Madison Avenue over 1,000 feet below. Finally, we reclaimed the 59th floor, previously, a mechanical floor and converted it into an outdoor terrace. The 59th floor also features light food and beverage that can be enjoyed on the terrace as the sun sets over the Manhattan skyline or inside in the lounge area with its expansive views.

Now on to the business plan. After exploring the market of potential operators for this space, we were unimpressed and realized that by building our own team, we could both implement SL Green's standards of excellence and gain material financial efficiencies. We're pleased to announce that we have formed an operator entity, that operator will lease the observation portions of One Vanderbilt from the One Vanderbilt joint venture. The 49-year lease provides for the payment of a fixed rent, tax escalations on a

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net basis, and percentage rent in a tax-efficient structure for both the operator and the joint venture. We will leverage the existing corporate infrastructure of SL Green for HR, IT, finance, and legal functions to achieve efficiencies that otherwise wouldn't be possible with an outside operator. I'm pleased to announce that we have hired Jason Hackett as Senior Vice President to lead our sales and marketing efforts for the Summit. He comes to us with over 15 years in the hospitality and location-based entertainment space. By January, we will have made our second strategic hire, Senior Vice President of Guest Experience, will help us further curate the experience and ensure we foster a hospitality culture that keeps guests coming through the door. We will continue to source the best talent to build out the rest of the team throughout the course of 2020 and 2021, leading up to our opening in Q4 of 2021. We're also pleased to announce the key members of the team, we have established to produce an experience that will be boundary pushing, multi-sensory and participatory for people of all ages. The key members of that team are Snøhetta and Kenzo Digital. Snøhetta is an award-winning multi-disciplinary architectural and landscape design firm founded in Norway. They are incredibly talented, and we love what they have designed for us. If you haven't heard of Kenzo Digital, you will. He has created immersive stories for some of the most prestigious events and installations globally. Kenzo has created what we think will be an experience that will be talked about globally and stand the test of time. And here he is to talk more about it.

Kenzo Digital

My name is Kenzo Digital, I'm an artist. I sit at the intersection of technology, art, storytelling, and physical space. And over the years, I've had the great privilege of collaborating with some of the biggest brands in the world, like Google, Samsung and also some of the biggest artists in the world like Kanye and Beyoncé. And I've done some pretty massive iconic projects that have become part of their legacy. I create stories that people live inside of, and I was brought into this project to take my expertise in storytelling and physical space and apply that to what is a truly one of a kind building and one of a kind view to take the view of the skyline in New York City and turn that into essentially a storyline with infinite outcomes and endings. What I see the opportunity is really to create something which is the lens of what a skyline represents and create a story and an experience that allows you to interact with the city in a way that that is really celebrating city. The story that unfolds as you walk through the space allows you to essentially see the city from hundreds of different perspectives at any given moment. It allows you to see both the color, the sky, the light. We want to create a space that really is like a celebration of light. So your relationship to the light, to position of sun how that is creating shadows across the city's skyline in front of you that will change instantly at every moment. And you're going to live inside of that in a way that physiologically and psychologically will be unique and unparalleled.

Robert Schiffer
Managing Director of the Investments Group

Now let's turn to the financials. Let's start with the sources and uses. The operator will initially be owned 100% by SL Green. Hines has the option to invest in up to 5% of the operator and has indicated to us that they will likely be exercising that option. The Ova JV is contributing $75 million in base building upgrades and tenant improvements. That $75 million has been in the OVA budget since the inception of the OVA project. The total budget for the project is $155 million unlevered. The operator's $80 million contribution includes interior fit out for which we are close to selecting a contractor for soft costs associated with the design, development costs and fees, startup expenses and a healthy contingency. SL Green share of the capital necessary to complete the build-out will come from SL Green share of the OVA project cost savings. Next, the major assumptions. We are modeling a range of ticket prices that are in line if not slightly lower than the competitive have set. Our objective is to deliver the best experience at the lowest and most competitive price. We have increased our estimate of stabilized attendance to 2 million from the 1.85 million we have showed you previously. Our additional experience will be market-leading and will only cost an additional $20, rounding out the revenue our merchandise, photos and [S&P] which we have comped to similar attractions. On the second table, you'll see that the OVA landlord will $24 million in base rent, reimbursement for property tax expense, plus 3 tiers of percentage rent structured such the operator retains a lion's share of the gross revenue above certain thresholds. Here's how those assumptions flow into our model. We ramp up to our stabilized year of 2024 where gross revenue is close to $110 million, expenses are $46 million, netting to a pre rent EBITDA of $64 million. You'll recall that in 2016, we showed you a number of $42 million as the OVA JV NOI attributable to the observation

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experience. We think we will better that number at almost $47 million. After rents and taxes, stabilized profit to the operator is $16 million, and that $16 million of net after-tax profit yields an unlevered cash-on-cash return of 19.6%. We hope you are as excited as we are about the Summit and be on the lookout for more details as they develop.

Matthew J. DiLiberto
Chief Financial Officer

Okay. Well, 20 years in the making, One Vanderbilt. I think we started that assemblage back in 2001, and we'll be cutting the ribbon in 8 months, August of in 2020. But we'll get to continue with the project on what you saw this amazing new experiential destination retail event that we're going to deliver to New York City. We're truly excited by it, kudos to the team who is bringing that vision to reality. We're all working very hard on that. I think, Rob, you said 2021. Q3 -- Q4, Q4 2021 with a hard open date. We couldn't be more excited about it. Now you know a little bit more about the team and about the numbers.

And now we're going to take a little shift and continue on with the development pipeline looking at 760 Madison Avenue. So a little bit of a different scope, a little bit of a different scale, but no less exciting. It's a truly great project. It's 1 that we feel carries forward Sl Green's [pension] for excellence of design, of purpose, of use and hopefully, of economics, which we believe will be the case. So what you see here is a project we've designed in this extraordinary historic district in Madison Avenue Historic district, Which has very little in the way of new construction and of necessity because there is a lot of landmarking involved and what the team did to put together this great offering to the market that we'll be working on over the next several years. I'll talk to you a little bit about today. Here's the team. We own the property outright. I believe we own it unencumbered. And we'll be forging ahead as the sole sponsor and developer of this project, but we will be working closely aligned with Giorgio Armani company on the entire branding and design and imagination for this project as we move Giorgio Armani out of their space at the end of 2020. We'll be development partners working with COOKFOX. Rick Cook is the design principal you'll hear from shortly. And Armani will be working together with our owner consultant, Victoria Hagan, together to work on all the interior design and common area of fit out and also, Douglas Elliman will be working on the sales of units, Higgins Quasebarth helped us navigate the landmarks process, which resulted in the community board overwhelmingly supportive of this project and landmark, something that almost never happens in this anti-development city. We expect we'll have between a 12 to 16 units ultimately, when we lay out the floor plans for 760 on this site. That's only a block from the park surrounded by just probably the highest concentration of luxury and excellent retailers in New York City and also near a lot of the greatest neighborhood, condos & co-ops on the Upper East side of Manhattan. The time line shows that we'll be expecting to get possession of the Giorgio Armani store by the end of 2020, beginning of 2021, and that's when we'll begin demolition in vertical construction. We're working hard right now to finish up our design development docs, construction docs by Q3, we'll be filing for our permits in 2020, and we expect topping out by the end of '22 and then a TCO in '23. So monument date would be a turnover back to Armani of their -- of their flagship store by the beginning of '23, which puts the rent back into the numbers. And residential sales that will beginning -- that we'll be beginning right after the filing of the [OM] and commencing -- and completing right at that time we expect a temporary certificate of occupancy. So right now, let me just show you quickly the project in plan is 12 stories. It's about 58,000 square foot -- gross square footage. The base of the building, the bottom 2 floors will be occupied by Giorgio Armani's flagship retail store. They do an incredible business out of the store. It's one of, I think, most iconic brands in the world. And I think that's backed up by a lot of objective data that shows the Giorgio Armani brand to be 1 of the most notable and closely associated brands with excellence. And we're so pleased to be in partnership with them on this project. They're bringing the Armani Casa line. I believe it's the -- maybe the first or second one in Manhattan, to this location on the third floor to be fully integrated with the flagship store. And to kind of complete the picture, we have a Giorgio Armani restaurant, restaurant that will be on the northern end of the project, we were able to incorporate 762 Madison, a separate building into the project to create this total Armani lifestyle experience with restaurant shopping, CASA. And then obviously, branding all of the use above in the style of Giorgio Armani. We don't have floor plans done yet. We don't have our construction budget set, it's still a bit too early, but we'll just show you the potential for a 2 floor penthouse unit that we have, which you see here on the first floor is all the common living areas, it's not even kitchen for your spilling out on to about 2,500 square feet of outdoor space, North and South,

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of this unit, which is sort of for -- just for illustrative purposes. And then on top of that, all the living areas that house the 3-bedroom unit, total 5,500 square feet with views north and south out of these beautifully curved windows that look like that from the 12th floor. So I guess, that's the 11 -- are really spectacular. Why don't we take a moment and hear a little bit more from Rick Cook, the design principal about his inspiration for the project. And then also from Howard Lorber, CEO, Chairman of Douglas Element about where he sees it fits in the market.

Rick Cook

Madison Avenue is not just a place in New York City place, it's also a place in our imagination. It's a neighborhood where the buildings really have personality and a connection to place. This wonderful retail corridor, where people have their name under like Ralph Lauren, Carolina Herrera, Brunello Cucinelli and Giorgio Armani. We want 760 Madison to tell the story about this one spot in the world. It was important that the buildings sat really comfortably, that all the materials were appropriate for their [PSI]. We chose limestone and statutory bronze to compare the density of limestone to the thinness of the bronze trim. Thinking in the same way as Giorgio Armani would think about materiality, texture, how to turn a corner. It's very different than the large-scale apartment building kind of experience. It's very bespoke, it's very personal, and each home is unique. We wanted you to enter the front door of Georgia Armani's flagship, right in the center of that block on Madison Avenue. But for the residential units, to make that move on the side street where things slow down a little bit more and into a very intimate lobby experience with glimpse to the garden in the back. And when you get off the elevator, you're in, you're in your own crafted elevator lobby and as you walk into your home, we have a corner window that bends around 65th of Madison and you feel secure, but you're also still part of this remarkable City.

Working with Giorgio Armani was fascinating because its commentary will be in the form of refinement and adding bringing things down to the essentials. I was completely blown away by the personal investment of everybody we work with at SL Green. It was an amazing opportunity to work with a client who really cared about light, shadow, texture, material and the importance of detail. I think the building will establish a new quality standard for what a modern home can be on the upper side of the Manhattan.

Howard Lorber

My name is Howard Lorber. I'm the Chairman of Douglas Elliman Real Estate, the second largest independent brokerage company in the country. The neighborhood around 760 Madison Avenue is fantastic. There is fine dining on almost every corner. There are major museums all within a short walking distance. You're a block away from Central Park. Everything that someone would want to live in luxury is right there around the corner. Very rare to see a boutique building like this, there won't be a lot of units, but it will be something that a lot of people are going to want. There is nothing like this really on Madison Avenue. This is one of the most exciting developments that Douglas Elliman has been involved in with SL Green and COOKFOX and the design work being done by Giorgio Armani, I can't imagine there'll be anything like this in the world.

Marc Holliday
Chairman & CEO

Okay. So before I introduce our special guests from the Armani company who's joined us today. I'm going to quickly just run through these numbers and then make the introductions. You see up here, source and uses for the project, $300 million, $270 million of which is already spent at the allocated acquisition just for the retail and $30 million of future funding just for the retail. So it's a $300 million total build for the retail Giorgio Armani experience. There's an assumption at this point that the construction cost of the condominium project, basically nominally equals the net sales proceeds after tax of the condo project. We, of course, believe there will be significant profits beyond. But for the moment, it's too early for us to project those costs or sale proceeds. So for the analysis we've just called it a net wash. The cash flow from turning back on the Armani lease in 2023 and stabilize in '24 is $17.7 million, which results in a 5.9% yield stabilization on the lease that's already been signed and at a cap rate in the high 3s, low 4s. For this extraordinary retail project, we envision value creation of between $100 million and $160 million just on the retail with condo profits, as I mentioned earlier, on top of that.

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But now I'd like to introduce Mr. Gaetano Sciuto. Mr. Sciuto is the Chief Executive Officer of the Armani Corporation and is responsible for overseeing all of the activities of the Armani Group in the Americas. Mr. Sciuto has been our counterpart on this exciting project, pretty much from the outset. But now, of course, we get the opportunity to work more and more with him and his team and Mr. Giorgio Armani in designing the building and creating this very iconic statement on Madison Avenue at a time when I think it's important for that statement to be made. I really commend George Armani and the company for showing its pioneering affiliation to the site. Mr. Sciuto has kindly agreed to be here today to speak to our partnership with the Giorgio Armani organization. So I would ask that everybody please give them a warm welcome, Mr. Gaetano Sciuto.

Gaetano Sciuto

Thank you Marc. First of all, I appreciate the opportunity to be here today. We at Armani are very excited about this project. We believe it's a milestone in our history. We have done a lot of interior designer projects starting from Dubai to Milan to Miami and to other cities, and it was imperative for us to find the right location, the right partners, the right project and to be in New York City. And honestly, we couldn't be happier to have found SL Green and to work with them in this incredible project.

Today I'm here to give you a message from Mr. Giorgio Armani. Before that, though, I will love to spend 2 minutes to tell you why Armani is a different company. And I come from a French luxury group. So I just joined Armani a year ago. So I can really tell you what the difference is. And the #1 difference is that no one in the industry is like Mr. Giorgio Armani. He is an entrepreneur, he's a visionary, he's a creative, he's a business manager, and he's still the shield of the company at 85 years old. He drives to business every day, 8 to 6, every day in his office to drive the business forward. This is unique in the luxury world. The second thing is why this company is unique is because not only we break through in fashion, thanks to his creative genius, but we extend his values in many different segments, including, of course, home hospitality, beauty and fragrances, sports and many other things.

Once again, this is very innovative in the industry. He was the first one to create all these different areas of business where he can really take his core values of timeless elegance into all these areas. And this project that we are working with SL Green, we'll see timeless elegance for many years to come. So now I'm pleased to give you a message from Mr. Giorgio.

New York is one of the world's -- world major fashion capitals and Madison Avenue is without a doubt an iconic luxury location. In the '80s, when I opened my first Giorgio Armani boutique in Manhattan, I chose this exclusive and refined area because it was perfect for a timeless elegance and attention to detail, I want to communicate. Today, 30 years later, I still believe this place reflects my philosophy and my stated vision and the only location to house this retail boutique. The special projects, I continued the journey, I began over 10 years ago with my Armani Casa Interior Design Studio through I which -- I look forward for innovative creative solution that express my personal concept of Luxury and refinement, while respecting the local culture and spirit. Working with SL Green on this project has felt like a journeying partnership. I particularly value the fact that this scheme is designed to be in harmony with Madison Avenue or famous streetscape and reflect the wonderful history of the district.

The generally impressive location with proximity to Central Park is one I feel very close to. I have, therefore, committed my company to be involved in this project until at least 2038, a commitment I'm happy to make as Madison Avenue has always proved to be successful with my brand and a location with loyal retail customers that embodies Georgia Armani. As well as redeveloping a Giorgio Armani boutique on 760 Madison Avenue, one that I'm always sure to visit when I come to town. The fully remanaged building will be home to luxury residences designed by the Armani/Casa Design studio overseen personally by myself and my dedicated teams in partnership with SL Green, thus, creating the first ever Armani branded [indiscernible] in New York. I'm so pleased with that I have seen so far that I intend to personally take our presences within this building and call it New York home from home, Giorgio Armani. Thank you very much.

Marc Holliday
Chairman & CEO

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Okay, so. Thank you, [indiscernible], for your thoughts and that great message from Mr. Armani. Special project, we'll keep you updated as we go along in the -- like I said, economics look great on the retail and the condos as well, more to come on that. So now we're going to move to the next project. We're going to sort of move down Madison Avenue, right to the very beginning and talk a little bit about 1 Madison Avenue, a project that we unveiled here last year to shareholders and to the market generally, 1 year ago today. And all I can tell you is that the reception in the Ten investor community has been enormous. We've refined the design, it's very elegant, mixture of new modern architecture with old blending in a way that really seems to have appeal across a broad spectrum of people that we've spoken with about the project. And obviously, it's location. It's a rare location right -- connected to Madison Square Park, a major park within New York City, sets it apart from most other offerings in New York City. The project is one we currently own ourselves. We own it unencumbered. And we've had the opportunity to put the band back together, if you will, by shifting most of the team off of One Vanderbilt sometime in 2020 and putting them right on this project, will be again co-developing the project with the Heinz Group. They were a pleasure to work with on One Vanderbilt. And they bring a lot of value, particularly on the predevelopment, pre-con phase, everything up and through the purchasing of the GMP. And we hope to do that very efficiently, again, on this project.

We're working again with KPF, different design architect, Doug Hocking, but same spirit, same firm. And we're going to embark on the construction of a 1.4 million square foot project at a total cost of $2.3 billion. And more on that shortly. So the location, I won't spend a lot of time on. I think everyone here is very familiar with the location other than to make note of the connection between 11 Madison, 1 Madison, 304 Park Ave South to create a campus that's almost 4 million square feet in a 60 million square foot Midtown South market gives us just extraordinary dominance and presence and marketing prowess, right here on this spot, right on top of the 6 train. It resides at the northern terminus of the very attractive Midtown South market and the southern terminus of the Midtown market. So it's literally at the crossroads of the 2 best in Manhattan.

The time line you see here -- I guess, things I would want to point out is we were very busy in '19, completing schematics and completing our design development. We're actually going to have CDs done by April of 2020. We expect to have our JV partner locked down and closed by the second quarter of 2020. We expect to have our construction financing in place by the second or third quarter of 2020, and we expect to have our GMP locked by the third or fourth quarter of 2020. So it's going to be a really busy year for us. We're very close to a full possession agreement with Credit Suisse, that will give us the ability to begin demolition in '20 throughout '21 and heavy construction in '22 and into '23, where we expect to open the project in October of 2023.

So really not that far from now and have our lease-up completed substantially by that time, but certainly, all of it in less than a year from the TCO day. A little bit more on the project and the spirit of the design and architecture that went into it from Doug Hocking, Lead Principal at KPF.

[Presentation]

Marc Holliday
Chairman & CEO

Okay. So very powerful images from Douglas, been a great team to work with and we're -- we can't wait to get this project going. It's going to be something that's truly iconic in the city and certainly, Midtown South. Here's what the building looks like on a stack plan. I'll take you around it real quick to remind people we're going to have the entry focused on Madison Avenue spilling out right onto the park with this great new high canopied entrance. In the corners, you can see the areas that I'm positioning as I go through this, and that's on the lower-left side. Then we move up above the entrance where we're going to peel away the curtain wall and put just a sheet of glass so that there'll be this opportunity of connection from the building to the park, and what we assume almost certainly, will be socially designated areas by tenants on those floors. And then we have this great retail opportunity that extends from Madison Avenue Corner to Park Avenue Corner, along 23rd Street, where we're going to open it up in a way to be truly inviting to the public and kind of ignite and live in that 23rd Street section.

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Then as we move up the stack, here's just a representative podium floor, and I mean, it's -- to call it unique would be an understatement. It's a 91,000 square foot podium floor that's really highly efficient, pretty good slab-to-slab over 11 feet. It's going to now have that ribbon window unit you saw Douglas show you, to let in tremendous light and air -- natural sunlight into the core of the building and be able to program it in a way for things like connectivity between floors without doing any kind of disruption to the floor plate because the floor plate is so big. And then you move up the stack into the tower -- I'm sorry, into the garden floor units. So we have these 2 specialty floors that are the signature of this development. I'd say this is where a lot of our creativity went into the programming of these 2 floors, 20-foot slabs to slabs. Over an acre of outdoor space on 10 and 11, we expect each of these 2 floors to travel to anchor tenants that are anchoring both the new tower and to anchor the podium tower. And here's some more imagery of what that looks like at night.

You can see those impressive trusses that is where we transfer the load from the new tower to a mat foundation we're going to put on top of the building. And then we have the tower floor plates, totally different than the podium floor plates. 35,000, 36,000 feet, highly efficient side core, 60-foot spans core to glass, and exactly what today's tenants are looking for. One Vandy was the perfect floor plan. I'd say for a conventional center core, this is a perfect floor plan for a side core. So here's some imagery of what that looks like looking out west and then looking at 3-story clock, which we'll really only be able to do from this vantage point. Sources and uses of the project as follows, this is a $2.3 billion project. It's probably a little less than we advertised last year in kind of round numbers, it's down from $2.35 billion to $2.4 billion, and we're going to try to keep bringing those numbers down at this price, which includes land pretty much at market, which is just above our cost. This project is just over $1,600 a foot to deliver in inflation-expressed dollars. So I think that would be very attractive if delivered today, it certainly is going to look attractive in 2024, and we're going to be funding that with $1.3 billion construction loan we will look to secure in 2020. Our $1 billion of equity is already funded at the table. So we have no remaining equity requirement for this deal beyond the construction loan. We're going to repatriate some of that equity when we complete our JV, as much as $450 million. And you see the costs are fully loaded again. I don't know. I think we're one of the only companies out there that give you everything from land, soft, hard, permitting, carry, deficit ops, everything, loaded into that number of $2.3 billion. And we'll certainly look to hit the target GMP number or the left goal post, which will be less than the $625 million we incorporated in this budget. The assumptions probably haven't seen these before. We're looking at podium office rents from low to high of about $105 to $115 a foot. Tower office rents

of $135 to $160 a foot, and specialty office floor rents that are just slightly higher than that. We're also anticipating market concession packages that we feel are appropriate for where this property sits today. You have construction loan terms, and then there's a presumed interim takeout financing, like we're doing on One Vanderbilt, we'll do on One Madison. That's projected for 2024.

The cash flow projections, when you put all that through the model, look something like this. We're fully leased by 2024, but we'll stabilize the after burn off of free rent in '26 with $128 million of projected NOI using those assumptions, which we hope prove to be conservative. That's a 6% debt on stabilized yield on our cost and our basis, reflective of the development fees and other fees that we're going to be bringing in over the course of the development from our partner, and again, in terms of value creation, which is what drives everything we do, $670 million to $1 billion of value creation at a low to mid-4% cap rate, which we think this property will be deserving of sort of the best-of-class cap rate, like at One Vanderbilt. So let me now finish up with my pipeline development project, which is our latest acquisition. In fact, we haven't even closed on it yet, and that is 707 Eleventh Avenue. And so we're going to take a trip all the way to the west side, and we're going to talk about this building here, which, like 410 Tenth, it's just -- it's a great product to deliver to this market in the affordable space. So One Vanderbilt, One Madison will be a little bit higher priced product, this product we can deliver right in the sweet spot of the market.

It's got a lot of history to this building and a lot of character in an area that's transforming in a lot of good ways that we think is going to bode well for long-term intrinsic value. We own it ourselves. We're going to build it with no financing. When I say, we're going to redevelop it with no financing. It's 160,000 square feet in total. Total -- it's a $90 million acquisition cost. We expect approximately $33 million more to completely redevelop and re-tenant to the building. We've already funded a $5 million deposit. That's $118 million we'll draw over the next few years to fund this project.

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And one of the great aspects of this is the first opportunity zone, we've -- opportunity zone deal we've done, maybe it's been done in the city. Recall that in 2017, the tax act created these zones in urban areas to incentivize new development in -- south of 96th Street, you only have 5 of these zones in Manhattan, so we're in that zone A. It's maybe one of the first opportunities on projects to trade. And it has a few benefits. One, we can invest our gains from deals like 220 East 42nd Street as qualifying deferred gain into an investment like this, not just the acquisition price, but also the construction, which has to be substantial and occur within 30 months of acquisition. And we get to defer that gain for a minimum of, let's call it 5-plus years, at which point we'll actually get to eliminate 10% to 15% of that gain after the deferral. But notably, we get to basically eliminate all further gain on the product.

So all profit I show you, going forward, will be tax free if held for 10 years or longer, and there's additional tax benefits for tenants. So the neighborhood is one we know well. We own BMW to the North, Worldwide to the East, Sky to the South, we've got this property surrounded. There's -- it's right in the middle of path to travel for residential that's coming from the north and from the east, and we think the next cycle of this building will converge on this site. But until then, it's a very attractive building with corporate neighbors like [indiscernible], Pershing Square just built their new headquarters 2 blocks or 3 blocks north. And we just love the area with waterfront views. The time line shows a closing of this project in 2020. We'll begin giving space to Kenneth Cole, who you'll hear from momentarily, in pieces over the course of 2020.

And then by 2021, second quarter, we expect to be done redeveloping the entire property and fully leased up by Q3 2021. So this will be delivered relatively early, and we think we'll have great marketing velocity on this project because of the price point that really is going to hit this market right on the bull's eye. 6 stories, 160,000 feet, we've leased most of the grade floor to Kenneth Cole companies. And you'll see he's got that entrance to the north of the project on 11th Avenue and also, mid block towards the west is going to be -- he's going to be using for a lobby and showroom like this. And then we'll retain the south lobby for an image that'll look like what's behind me, and inside to carry through the look and feel of this historic structure, its wood beam construction, exposed brick walls, wooden floors, we're keeping and restoring all of them to keep -- for -- to make it, we think some of those attractive space in this particular west side market.

The floor plan looks like this, fairly straightforward. Floor plan that'll be open and for creative uses, very collaborative. And on the fourth floor, there's an opportunity for outside space on the fourth floor annex roof. So now let's hear from Kenneth Cole with whom we had a deep relationship with, and over the years, got to negotiate this deal with him on sort of a quasi off-market basis.

[Presentation]

Marc Holliday
Chairman & CEO

Okay. So thanks to Kenneth, for doing the video for us. Project, I mentioned earlier, all the economics of $123 million total project costs. Only maybe $15 million or so of that is going to be hard-based building redevelopment. Office rents, I guess, a particular note here, between $70 and $80 a square foot. We think that's very conservative for this space, down to middle tenant concessions. We think all the leases will be commencing by July of 2021. We intend to keep it debt free. We think fully leased by '21, fully stabilized by '23, $7.4 million of NOI on our project costs at -- will yield a 6% development yield, hopefully higher, but we'll see.

And with a cap rate range in kind of the low to high 4s, we're looking at $33 million to $50 million of value creation over a relatively short period of time. So that's it. Andrew is going to come in now and do the final 2 development pipeline projects, after which we're going to roll it all up and take a look at -- and see what that looks like.

Andrew W. Mathias
President & Director

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All right. Thanks again, Mark. So we gave you a bunch of detail last year about 185 Broadway, but the project has really taken significant moves forward in the last 12 months. So want to give you an update on that important deal. Recall, this is the first affordable New York project in Lower Manhattan. Obviously, the first affordable New York, new construction for our company. It's a milestone. It's got great retail at the base, it's got some commercial space, and then it's got obviously some prime residential units. You can see the thumbnail sketch of the building. The 35-year tax abatement, with 30% of the residential units being affordable. And it's a 32-story building, 412 feet tall. It's really going to be a new sort of mark on the skyline. It sits across the street from 180 Broadway, which we developed for Pace University about 10 years ago.

The neighborhood, it's just the very center of Downtown, Fulton Street Transit Center, the main building across -- directly across the street. And then it's also adjacent to the World Trade Center Super Block. So you have an enormous amount of commuters, tourists and increasingly residents, as folks move Downtown, drawn by all the amenities. Here's Howard Lorber, to talk more about the location.

[Presentation]

Andrew W. Mathias
President & Director

Thanks, Howard. The time line here, you can see the project, and its current state in the picture is growing on the side screen. But foundations are going to be complete by the end of this month, which is right on target for what we laid out to you last year. This being just concrete construction, no steel, it's a much quicker time line. So we'll top out this building in August, September of this year, 2020. And we should TCO the project by mid-2021. Commercial lease-up, residential lease-up will start to occur during that time period. And we should hit the ground running with a relatively quick stabilization. The building and plan, you can see 30 stories of mixed use. Looking at some of the more specific portions, you have the retail flagship location at the base with the second floor, giving an opportunity for powerful signage on the Broadway corner.

The residential and commercial lobbies, which enter on Day Street, around the corner. The commercial, which is serviced by its own lobby on Day Street. It's 3 stories -- 3 -- third, fourth and fifth floor. Very nice, very leasable, we feel, commercial space. And then as you move up the building, new construction allows us to really optimize for apartment layouts. So very efficient layouts, competitive in the Downtown marketplace. The building has a lot of corners so you get a lot of light air, great views. And some spectacular amenity space at the roof of the building, where tenants will be able to experience some great views looking in every direction. The sources and uses of the deal, pretty much consistent with last year's $310 million of total uses.

We own the project 100%. We're funding this pari passu with our construction loan. So just about $50 million of equity left to fund here. And the assumptions, office, retail and residential are laid out here with a takeout financing of that construction loan on stabilization. We anticipate stabilize year of 2023, getting to an NOI of about $16.25 million. And from those different components on our basis, that's a yield at stabilization of just under 6%, 5.9%. So at a 4% to 4.5% cap, which we think is reflective of new flagship retail and market rate residential and a 35-year tax abatement, you get to a value of $370 million to $415 million, $60 million to $110 million of value creation. So a very profitable deal for us here, 185 Broadway.

And now for the last of the case studies. This morning's big news, 410 Tenth Avenue. I don't think we ever thought we'd be in a tweet by AOC, and I don't think it would ever have been in a way we're actually happy about, but it happened. So we announced the Amazon deal this morning. It was an enormous accomplishment for the leasing team and everybody who had a hand in buying this building. Recall, we closed this deal in May of last year -- of this year, sorry, so not even last year. May of 2019, we signed the First Republic deal in April before we actually even closed on the larger interest in the building. We've been involved with it for quite some time.

First, through the structured finance program, then through sequential interest acquisitions. And we sit today owning about 70% of this building. So it's a great testament to the team, the power of the platform that we're able to sort of capture this deal right in the heart of Hudson Yards in Manhattan West. This

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project, with the facade redone and sort of the work that we're putting into the infrastructure and systems to attract the very best fintech and technology tenants, will clock in at a basis of $652 million. Obviously, Amazon and First Republic, sort of take some of the mystery out of the lease-up here, we have a little bit of office space left to lease and a little bit of retail space left to lease. So this deal is almost stabilized, which is extraordinary.

The neighborhood, we sit right at the juxtaposition of Hudson Yards and Manhattan West and also Penn Station's West Terminus, which is opening about a block away. So great location, really attracted a lot of tenant interest in the deal. And here's -- sorry, go back. Jim -- here's Jim Herbert from First Republic Bank.

[Presentation]

Andrew W. Mathias
President & Director

All right. Thanks, Jim. So as you can see from the side screens, this project is under construction. The scaffold's up, the curtain wall renovation is underway, a lot of the systems work is in preparatory mode. So we should complete the facade in May of 2021, and we'll start turning over space to tenants for build out before then in late next year and early the following year. TCO of the deal in mid-2021. So accelerated time line, you can see the building and plan. And this -- from this perspective, you can see the building's new lobby on 33rd Street that Jim referenced in the video. We got approvals for a new public park next to that lobby on 33rd Street, so it's going to be a very unique entrance to the building with some green space. The retail branch that Jim referenced is along Tenth Avenue. As you can see here, they'll take both corners with a mezzanine space, bridging those 2 corners. And then we have retail to lease in between the branches.

The office space lays out very well for technology and fintech-type uses. So you have great transformation with the older windows. You can see in place the radiators being transformed into larger windows, modern HVAC, the mushroom cap concrete columns, which is what attracts a lot of tenants. This building really has a great look to it for technology. And then a rooftop amenity, which is going to be shared between the tenants. It will provide some green space at the top of building and some terrific views. Looking at the sources and uses on the deal. This will be around a $652 million project. We put a great loan in place this year. We have about $101 million of equity to fund into this deal for the renovation over the next 1 year, 1.5 years. Our assumptions for the relatively small amount of office space we have remaining. And then the -- those retail stores around the base are detailed here. And you can see we have a takeout financing that basically repatriates our cost in the deal upon stabilization. Again, we own 71% of this deal, 29% is owned by our third-party partners.

The cash flows tell a terrific story with stabilization in 2024 at $47 million, but you can see significant NOI start kicking in, in 2022. And you take that $47 million on the project budget of $652 million, and you can see the power of this deal. 8.1% yield at stabilization and at cap rates of 4% to 4.5%, reflective of a newly leased long-term committed credit building, implied valuations of $1 billion to $1.2 billion. And value creation, really staggering of $400 million to $525 million. So unbelievable deal, unbelievable profit per pound. And a lot of the execution is done, really just need to build it and deliver it with a little bit of lease-up remaining. So a project we're very excited about. Now I'll bring up Marc to sort of bring it all together and...

Marc Holliday
Chairman & CEO

All right. So now for what I think is the most exciting part of today's presentation, which I think says a lot because you've seen some pretty cool things along the way. We're doing something that we haven't really done before, projecting out into the future to show you how our long-term strategic planning can payoff in spectacular fashion if we can bring this all together. We're going to reveal not just 2020 as part of Matt's guidance, but we're going to aggregate 5 years of projected and potential NOI growth in the core portfolio and in the development pipeline, and then we'll see a snapshot of the embedded growth potential of our

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platform over the next 5 years, the fruits of what we've been planning for over the past few years and why we are really excited.

We feel like we're well positioned for the future. So let's look at this chart behind me. 5-year bridge, 2020 to 2024, 5 years. We're going to look at $705 million of GAAP NOI. That's what Matt is going to talk to you about momentarily. That is from all of the, what I'll call, core operating properties. Core operating properties, Manhattan Properties. $705 million of NOI that we expect to be created in 2020. But we're going to be selling some of those properties in 2020, and he'll elaborate further on that. So to get to a constant that will carry forward through 2024, we eliminated about $50 million or so of NOI to get down to $652 million of NOI from what I'll call the remaining core properties, after-sale ,that will hold constant through the projection period.

And when we do that and put it through the math of our ground up internal lease by lease valuations and cash flow projections. We get $81 million of growth in the core stable portfolio over the 5-year period, which is a 3% CAGR unto itself. So we've got very good, sound, solid growth year-over-year in this portfolio. Hopefully, we'll exceed it. But at a minimum, hopefully, we'll meet that. And that will take I believe, about $970 million of capital over that period of time. So that's about $190 million, $195 million a year, all of which we expect to be funded out of excess cash flow annually, like we do currently. So now let's layer on top of that, the development pipeline. And all this is, is an aggregation at SL Green share of everything that we just showed you for those 7 properties, okay? Everything but the 7 properties and the 2020 sale properties, is in the dark blue. And in the light blue, you've got the roll-up at share of our 7 development pipeline properties, which has a GAAP NOI in -- which have a gap NOI in 2020 of $70 million, increasing to almost $290 million in 5 years. That's a $220 million increase in GAAP NOI from these 7 projects at share, with the expenditure of all the development capital, about $1.8 billion of development cap -- $1.7 billion of development capital, I apologize. And we'll go into a little more detail on that.

When you put those 2 together, it's really quite powerful. It's $298 million increase in GAAP NOI or a 9% CAGR, 9% annual growth rate compounded from 2020 to 2024 core portfolio and development pipeline together over that period of time. We're going to fund all the core portfolio capital out of excess cash flow, we're going to fund all the development capital out of either financings on 4 projects listed there OVA, OMA, 185 Broadway and 410 Tenth. And also recall, we expect $450 million of repatriation on our OMA JV. There's going to be excess cash flow beyond that generated over this period of time, which we will put, likely, price dependent, towards stock repurchases, which would further serve to reduce the share count, even beyond what Matt's going to show you in 2020, in order to impose as much of this growth as possible over that shrinking share base in order to get the maximum bang for the buck for shareholders. And equally as important, we expect at the end of this -- '24 -- period of time, this 5-year journey, we are projecting lower debt to EBITDA and 0 line balances at the end of 2024. So we think we're already at prudent and low debt levels. They're going to be lower at the end of this because of all the repatriation of equity and the internally generated funds, and most importantly, this enormous amount of NOI generation over the period of time. Pretty powerful. And really the fruits of everything we've been doing.

And now we've got a lot of work ahead of us to make it happen. It's not like flipping a switch, but I don't think we would go into this level of detail if we didn't think we can deliver every bit of it. So there's the game plan for the near term and the future. I want to now introduce the next segment of our presentation. The growing importance of responsible investing means that ESG performance is inextricably linked with our financial performance, more and more so with every passing year. And at SL Green, the imperative to deliver value to shareholders has always been at the forefront of how we conduct our business. And because of our commitment to our core tenants, resilience, operational excellence and value creation, we achieved unprecedented results while maintaining purpose and integrity in everything we do. So now Laura Vulaj and Evin Epstein, who are just 2 of the folks who are in this great environmental group along with Alvis, will tell you about our market-leading initiatives in the area of ESG.

[Presentation]

Operator

Please welcome Chief Financial Officer, Matt DiLiberto.

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Matthew J. DiLiberto
Chief Financial Officer

Thank you. Thanks. Thanks, mom. Thanks to Laura and Evin for a really spectacular piece on our ESG program. That team is clearly the best in the business. You can see by all the accolades, very, very proud of what they do. It's very impressive. So before we get into guidance, by the way, I've accomplished more than I wanted to already by making the ramp safely, so I feel like I'm cooking with gas now. But before we get to guidance, I'm going to spend a few minutes highlighting one area gets the disproportionate amount of attention, but we think of it as a very attractive credit attribute of the company, which is our leverage position. Our corporate leverage profile is something that we discuss every single day. It relates to everything we do, buying, selling, borrowing lending. There is literally no transaction that we don't consider the impact on our leverage. While the considerations on any given deal can be vast, this is the basics or the core of our leverage strategy here on this page.

We operate at about 45% LTV as a company. That leaves us 55% equity cushion in a market whose values are extremely resilient. And most people in this room probably have their homes 80% leverage. So what's more likely, that home values deteriorate by 20% or New York City market values go down by 55%? Lower leverage than this unnecessarily inhibits earnings and cash flow, while greatly diminishing our competitive advantage. And we pride ourselves on generating meaningful earnings and cash flow for the shareholders and have a long track record at doing so. Our wholly owned stabilized properties, those provide the bulk of our recurring cash flow and our equity cushion, along with providing an unencumbered asset base by which we can use unsecured debt, like our credit facility in the billions of dollars of bonds that we've issued.

We think it's vitally important to maintain that unencumbered asset base. So we target the use of our leverage in our larger scale development or redevelopment projects to reduce our equity need to mitigate risk, and in our joint ventures, where by and large, we are partnering with private real estate investors, who know that leverage enhances their returns and ours. Finally, when it comes to the composition of our debt, we don't believe that 100% fixed rate debt makes sense no matter where the 10-year treasury is. Our use of floating rate debt, particularly for transitional assets, often makes the most sense, allowing for the ability to refinance early as the project approaches stabilization, not locking us into more expensive debt on a long-term basis.

Now debt to EBITDA has become the customary way of measuring leverage, and our collective views on that are well documented that I have not brought my soapbox with me this year because I can't get on it. It is flawed. So we have to think about debt to EBITDA in a different way. This is a look at our debt to EBITDA over time using Fitch's methodology for consolidated debt to EBITDA, what we view there. Calculation of combined debt to EBITDA would be if they did one. They don't publish one. This is the basic math on that, pretty simple. That's why people tend to use this measure. We carry a modest amount of debt relative to the size of the company, slightly more if you include our share of JVs because of the philosophy that I went through earlier, whereby we look to lever our joint ventures.

But what about the development projects? We lever those, and that's where this whole calculation falls apart. These are the largest development projects we currently have underway, excluding projects yet to come like One Madison. This adds $1.3 billion of debt to our balance sheet, about $1.9 billion of debt on a combined basis, doesn't generate $1 of EBITDA. So EBITDA says they're worth nothing, yet One Vanderbilt is 65% leased, 410 Tenth is fully leased at blowout mark-to-markets and 185 Broadway is being constructed in a market with multifamily occupancy rates well north of 97%. So does that say they're worth nothing? If anybody feels that way I'd ask you to raise your hands. I suspect that nobody is going to raise their hands. For a company that does development like us -- if debt to EBITDA is your choice for measuring leverage, you need to consider the core portfolio separately from those development projects. So now I'll go back to that simple equation again, but take out the debt associated with these 3 projects, while not reducing EBITDA at all.

And you see the core portfolio is only 5.6x levered on a consolidated basis and 7.6x on a combined basis. A very, very, very modest level. If you apply that logic back to around 2015 when we first began our development in earnest and I didn't have a drum roll queued up for this. Yes, the core business has

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actually been trending lower on a debt-to-EBITDA basis, materially lower to historic lows, exactly as you would expect it to be and exactly as we designed it. Now if we choose to use a more prudent measure of leverage for real estate like we do LTV, this is where you see our maintenance of extraordinarily low leverage, particularly in recent years, while executing the share repurchase program. As in past years, we're using Green Street's published NAV and our total debt. Back in 2009, we started dramatically reducing our leverage point. Back then, we were closer to 60%. In 2016, we would say we were too low at 36%. Although, interestingly, I think Green Street still published our leverage as too high. I'm not sure exactly where they think it should be, but I'm confident if they saw what earnings looked like at 36%, wouldn't be too happy about it. Right now, sitting at 45% using their NAV, feels very, very good and safe because we've always operated at leverage levels far below the New York City average, which is close to 60%. Clearly, even higher leverage is available than that in the marketplace. This is what other private operators get to enjoy, LTVs north of 70%, even over 80% in some cases. And these borrowers utilize this efficient capital with complete comfort that their equity is protected, and the value of the underlying real estate will support this leverage on a long-term basis. Now why is that? Because the New York City values are resilient. And Marc touched on this earlier, it's -- this value has proven itself out for decades.

And in this cycle, New York City is even more stable and better suited to weather whenever the next downturn comes than it has in the past because, among other reasons, of the diversity of the occupancy and the city has increased. This looks back at 1990 versus today, financial services back then, almost 50% of the market shrunk to only 30% of the market today with increases by the TAMI sector and professional services in particular. Definitionally, outsized exposure to one sector, like what we're seeing on the West Coast today with tech, creates volatility. That volatility feels great on the way up and feels awful on the way down. From an employment perspective, we are enjoying record levels of employment in New York City. Historically, that employment is very stable. No better evidence of that here than back in The Great Recession, which was caused by a financial crisis. So people would expect that the city with largest exposure to financial services would bear the brunt of that punishment yet it had the lowest overall reduction in employment at only 2.4% versus 6.3% for the entire country. This diversity and resiliency of the employment base translates directly to the value of New York real estate. This chart shows office values -- I'm sorry, market returns over the last 20 years, including 2 recessionary periods, where you see that New York returns far exceed the next 5 largest CBD markets in the country. Interesting, again, to look at The Great Recession, heading into the downturn, New York was far ahead of other markets and turned lower in the downturn, but so did those other markets. At the end, New York was still ahead and has continued to be ahead by a growing margin since that time, proving not only of the value as resilient, but they also don't move in an anomalistic way. New York City does not move lower by itself when the rest of the country is performing well. In fact, it's typically last to fall, first to rise and consistently setting higher highs and higher lows.

So clearly, New York can support much higher leverage in where we operate today, giving us complete confidence around maintaining our current leverage levels. That said, where do we see our leverage going? And the short answer, which Marc alluded to earlier, lower. For the first time ever, we are rolling forward our debt to EBITDA 5 years to be consistent with the bridge. Using assumptions for the debt on development projects we talked to earlier and some a basic corporate debt assumptions, this is the impact of our enormous future growth coming true -- coming through. On our benchmark today, 7 to 4x consolidated on Fitch, down over a full turn, selling nicely in the low 6s. If you exclude those development properties, in the low 5s. Historic lows for the company extraordinarily low for a New York real estate owner. Moving on to guidance, which was released earlier this morning, as Marc took the stage. And as is customary, General Counsel and our outside counsel need me to read something first. As I go through this, I may be using some non-GAAP financial measures. So you should look to our SEC filings, including the 8-K filed this morning for any comparable or GAAP financial measures and required reconciliations. That's -- you good? Cool.

So first, let's take a quick look at 2019. Another announcement this morning, we increased our FFO guidance range for 2019 this morning, $6.98 to $7.02 is our new guidance range, a new midpoint, $0.10 higher than the previous range, outperformance, driven primarily by increased NOI at our properties as well as more DPE income and clearly a benefit from lower rates. And remember what I said earlier about not having all fixed-rate debt. This is offset by about $12.5 million less other income because we elected

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not to further JV One Vanderbilt or execute a JV of One Madison. And as evidenced by our increasing the share repurchase program by $500 million to $3 billion, if cooperative market conditions continue to exist, we will continue to strategically sell assets and repurchase stock in 2020.

So in our guidance, we've assumed we will complete the previous $2.5 billion program and utilize a portion of the $500 million of additional authorization that we just got, bringing our diluted share count down by over 7 million shares next year, resulting in an equity-based shrinkage of over 23% since we started the program back in 2017. In the real estate portfolio, total GAAP NOI of $775 million across all of our property types, both core and development and reflective of all the property sale assumptions and accounting adjustments that we have flowing through. Also reflective of occupancy increases in the same-store Manhattan office portfolio. So we'll reset our goal for 2020. The bulk of our operating expenses are again contained by our operations team. But overall, on a percentage basis, probably up a little more than usual, driven in large part by increases in property insurance costs, as many have read about in the press. And in real estate taxes, commercial real estate owners continue to pay more than our fair share of taxes in New York and see another outsized increase there.

I'll break down the NOI by portfolio as is customary. This uses the same basic categorization that Marc showed earlier, and again, is inclusive of these accounting nuances like the wonderful accounting for ground leases and things like that. In Manhattan core office, $612 million of GAAP NOI reflecting the impact of selling assets in 2019 and the potential to sell more in 2020. We will sell more assets after we close 220 East 42nd Street in early January. On the positive side, we see the effect of the large early renewal that we did with BMW, as announced a few weeks ago.

While at 280 Park, we and our partner have leased up pretty much all of the limited vacancy that existed there, while also retenanting the old Four Seasons space with a fantastic Brazilian operator who's going to open their facility in early 2020. On the downside, we did expect to be done with our backfill leasing at 485 Lex. But we do still have some leasing to do as well at 750 Third. So that's going to weigh on NOI in 2020 a bit. In our 99% occupied high street retail portfolio, GAAP NOI of $44 million is now reflective of Puma and Vince being open for the full year at 609's retail condo as well as a full year ownership at 712 Madison. In the residential portfolio, the properties are basically at full stabilization. So year-over-year gains in NOI are modest, but total NOI is going to be lower as we look to some of our residential properties as a source of proceeds for our share repurchase program in 2020. As we sit here today, we do still have a very small suburban portfolio, now just sitting at 2 remaining assets. The largest of which is Landmark Square in Stamford, that generates about $11 million of the $12 million of NOI you see here.

And in the development or redevelopment portfolio, GAAP NOI of $89 million includes about $9.5 million from One Vanderbilt as tenants do begin to take occupancy late in 2020 and positive GAAP NOI at 625 Madison of over $18 million, driven in large part by the capitalization of operating expenses. It's also important to note, though, that there is positive cash NOI at 625 Madison next year. Polo was the largest tenant. They're not the only tenant. And so we have adjusted our operating expense to continue to generate positive cash NOI at 625. And as Marc alluded to earlier, we are in very active negotiations with Crédit Suisse to vacate their space early in 2020 in exchange for virtually -- for a prepayment of virtually all of the rent that they are contractually obligated to through the end of December of next year. That allows us to preserve the NOI, but actually advance the schedule for interior demolition to very early in 2020. On the housekeeping side, just some changes to the same-store portfolio, we're layering it for 2020, mostly removals. 1 Madison, 625 are going into redevelopment. There are other assets that are either on their contract for sale, out to market for sale or will be out to market in 2020. That's 220 East 42nd Street, 1080 Amsterdam is out to market, and we expect to bring the Olivia to market early in 2020.

Having largely been out of the market for acquisitions, the only thing coming into the same-store pool is our JV interest in 2 Herald. So where do we see same-store NOI growth on a cash basis? Outsized next year, 8% to 9% versus our historical average of around 4%. This reflects recent leasing at 1185 and 125 Park. The tenants that are coming out of their free rent periods.

We mentioned a couple of times at 609, Puma and Vince being at occupancy for the full year. And this is offset by vacancies at 750 Third, 45 Lex and 810 Seventh that are in the process of being leased next year, but in many cases, are in construction as prebuild units during 2020.

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Most of this outsized growth obviously relates back to the effect of our share of the free rent that Viacom got at 1515 Broadway in 2019. That totaled about $37 million at our share versus the only $2 million of free rent that they'll get at our share in 2020. Since we normalized that for our numbers in 2019, I'll do the same for 2020 and show a more normalized cash NOI growth of 1.75% to 2.75% with GAAP NOI at about 1.5 to 2.5 points next year.

In our debt and preferred equity book, lower average balance, lower assumed yields in 2020, dramatically reduced the FFO contribution from this portfolio by over $30 million to just $161 million next year. At the bottom, you see the historical balance of our portfolio, noticeably shrinking over the last few years, particularly into the end of 2019, expected to be up slightly by the end of 2020 due primarily to the funding of future funding obligations, but new investments will roughly equate to the expected repayments or sales.

We've also lowered our yield assumptions, and Andrew showed you what we've been accomplishing. For new investments, we're assuming only an 8% yield, reflecting a lower interest rate environment and a more competitive market for the kind of product that we want to originate.

Another income, about $34 million, comprised primarily of JV fees totaling $21 million net of costs across all of our ventures in a variety of categories. In addition, we have assumed, again, $8 million of lease termination income. That's down slightly from around $9 million in 2019.

We also layer in every year, a little bit of other, other income, $5 million. That's a little nuggets of ancillary income that we seem to source year in and year out.

In interest expense, clearly a benefit from lower debt levels and lower interest rates and a prudent use of floating rates out in 2019, bears fruit again in 2020. These factors combine with an increase in capitalized interest to reduce overall interest expense, only $293 million next year. We have virtually no debt maturities to attend to except a $250 million issuance of unsecured bonds, which we expect to repay out of available liquidity. We have not layered in a new issuance. We do expect to close on the construction facility for 1 Madison that Mark alluded to, that's currently in process. And given the approaching stabilization of One Vanderbilt, we are giving consideration to the acceleration of the permanent financing of One Vanderbilt in the latter part of the year, well ahead, almost a year ahead of our original schedule.

With regard to capitalized interest, as I mentioned, it's going up to $128 million, reflecting the larger scale of our redevelopment and development projects. As OMA kicks off in earnest following Credit Suisse's early vacate while most of the other projects here are in full swing. We're also refining our redevelopment plans for 625 Madison following Polo's vacate at the end of this year. So capitalization will begin there next year as well. And I often get questions on how the calculation is done for capitalized interest, so I put the methodology here. It's pretty simple. You capitalize the interest on property-specific debt, that's easy. Then you apply an imputed interest cost, which is basically the weighted average cost of our debt on the equity investment in the project. And you multiply all of that by the vacancy rate of the property. That's how you capitalize interest.

So over the course of the year, as occupancies increase or decrease, the amount of capitalized interest at a specific property can change, like with One Vanderbilt as it goes from 100% capitalized early in the year to something less than as tenants take occupancy later in the year.

And the final component G&A. While other companies G&A continues to increase, ours is shrinking again for the second year in a row, down 2%. This comes through a lower overall employee headcount as a result of property sales as well as our refined use of stock-based comp, including our executive contracts and our outperformance plans. And that stock-based comp comprises almost half of our G&A load. Remember, too, this number now includes about $10 million of leasing costs that used to be capitalized. Now that changed under the new accounting rules.

So this has been building on the side and bringing it all together, showing total income just under $1 billion, offset by $400 million of expenses and a much lower share count. This equates to $7.30 a share, and our introductory guidance range for next year, $7.25 to $7.35 a share, up 4.3% over the midpoint of

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our increased guidance range for 2090 -- '19, showcasing the continued earnings power of this platform, even in the year that was considered potentially a down year or a reset year. And as we look forward, as Mark highlighted, to the incredible growth coming in future years.

Working down to where FAD will shake out, a finicky number, particularly given uncertainty around how tenants will spend their capital, like TI dollars, down slightly in 2020 versus 2019 in the whole dollars. But if we were to show this to you on a per share basis, you would see an increase, just like you do in FFO.

Second cycle, a bit more elevated next year, $205 million, driven by leasing costs at 555 with the new BMW deal and the build-out of spaces at 750 Third, 45 Lex and 420 Lex.

I'm not going to spend a lot of time on this page. This is just for you guys, after the conference is over, a basic summary of our more significant guidance assumptions.

And I'm going to conclude with a slightly extended discussion of our dividend because invariably, the question I get now after a sale, like 220 East 42nd Street, large wholly owned asset, unencumbered, older vintage is -- well, we need to issue a special dividend at some point.

As most of you know here, we need to distribute 90% of the taxable income, most like us distribute 100%. This includes real estate tax gains that are not reinvested via 1031 or otherwise protected. But tax protections like accelerated depreciation are limited. And unfortunately, stock repurchases are not yet 1031 eligible. Love to see that change.

So given that, our 2020 business plan includes several more dispositions with embedded tax gains. Yes, special dividend could be coming, but we don't like to do things conventionally here. We like to be creative. We would do so with any potential special dividend as well. We saw a structure used earlier this year that we are very fond of. It's perfect for a company that has a share buyback program. This strategy uses an IRS ruling that allows REITs to make distributions in the form of 80% stock and 20% cash. And that 20% cash component can be fulfilled by your recurring quarterly dividend.

Then after issuing an 80-20 special dividend, you do a reverse stock split to return the number of shares outstanding back to where you started. In the end, most of the cash in the transaction is retained, and we can put that into share buybacks while meeting the distribution requirements.

Simple example of how'd it work if you had $100 million special dividend, I'm using a share price that's too low, 86 -- 85 million shares outstanding. That requires $80 million stock, $20 million cash. Again, that's covered by our recurring dividend. You'd issue about 930,000 shares to do that, but then do an immediate reverse and bring your share count right back to the $85 million that you started with. So just something for us to consider if a special dividend is ever something we need to do.

And concluding with our recurring dividend, as you saw on Friday, we increased it again for our ninth year in a row by over 4% at $3.54 a share. Based on today's extraordinarily low share price, we now provide a 4.1% cash yield to the shareholders. And samely attractive for New York City assets like we own, and it's available to all of you at your closest trading desk.

And before I call Mark and Andrew up, speaking of things for sale, for those of you that are interested, I have a 2011 Harley Ultra Glide for sale. I don't want to get into why I'm on this thing that I affectionately call Scoot. But stuff happens, don't get behind me if you're at the airport over the next however many years because I'm full of metal, but I did want to say. In light of that, thanks to the team, my team up front in particular, Miles and Beck and Jonathan and Jordan and Gilly these guys -- these 5-year numbers are something most companies couldn't, in their wildest dreams, conceive of putting together. These guys did it. I did my best to be participatory. Well, scooting on this thing.

It's a little nerve racking when you have to call somebody like Marc who owns horses and say you broke your leg because we know what happens with the horse if they break their leg, watch the Breeders' Cup. And I call Andrew and figure, Andrew is going to give me like the morning off. So again, I appreciate everybody's help, and I'll be back to normal, hopefully, sometime soon. So I'm going to return Marc and Andrew to the stage and sit back in this doctor's office seating area behind me.

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Unknown Executive

Should we carry you? Are you okay? You okay?

Matthew J. DiLiberto
Chief Financial Officer

No, please don't.

Unknown Executive

Can I pull the chair out from under you?

Matthew J. DiLiberto
Chief Financial Officer

Yes. Super comfortable.

Unknown Executive

Good job, Matt. Okay. It's nice to not be the cripple up here for once. So...

Marc Holliday
Chairman & CEO

Okay, scorecard. Every year, we hold ourselves, we're very high standard and come up with goals and objectives for the year, I think it's about 18 of them or so on this chart, I think it's exactly 18. We put these up last year. So 1 year ago, almost to the day, very granular objectives tend to try to make them stretch goals with the goal of exceeding all of them, but normally hitting somewhere around 3 quarters of them. And we'll see how we did this year when we sort of do a self grading of ourselves on this report card. Who leads off here, Andrew?

Andrew W. Mathias
President & Director

You.

Marc Holliday
Chairman & CEO

Okay. So I'm going to start with Manhattan signed office leases, 1.5 million square feet was the goal. This is one that we obviously shattered it. We're about 2.3 million square feet today. We expect another 150,000 square feet plus sign between now and year-end. And that was -- that's a bright spot, if you will, in our our year's achievements.

Manhattan same store occupancy. I got to tell you, a lot of work, a lot of leases, a lot of activity in Q4, but we expect to fully meet that goal if we're not there today. Certainly, with that signing of the additional 150, which is in the final legs of signature, we will meet that goal of 96.2.

Mark-to-market, I think, thanks in part to just a better overall market than we anticipated, but also contribution from 410 Tenth, which leased the entire building early. We experienced, I think, a mark-to-market of 35%. So slightly undershot that one. But just a great result there.

Andrew W. Mathias
President & Director

All right. On the investment side, we announced joint venture in 1 Madison. Here, we are exchanging term sheets with a lot of several interested parties. This asset has gotten great reception in the investment market, but we do not anticipate we'll complete a JV by the end of the year. So we're in active term sheet negotiation, we put it up as a closing in the numbers we shared with you late Q1, early Q2, which we think we'll achieve.

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On the acquisition and disposition side, $250 million of acquisitions we achieved, a very light year for acquisitions. But we did buy $276 million, our share of property. Dispositions of $750 million. We've been active on the disposition front, funding that share buyback program, $1.2 billion of dispositions. And suburban dispositions. The remainder, we have 2 remaining properties, as Matt took you through in Stamford, Landmark Square, which is the largest and 1 other.

Good NOI contributors, but there -- it is still our goal to completely divest the suburbs until we get there, it thumbs down.

Share repurchases, $400 million. We met this goal on the [know is at $400 million.

In the DPE program, we're going to decrease the DPE balance by $75 million. As we showed you, we'll exceed this goal quite a bit. $480 million down at year-end and then an expectation that will float back up somewhat in Q1 2020.

DPE investment income greater than $190 million. We met this goal. A very profitable year in the program, $195 million of income.

Marc Holliday
Chairman & CEO

So One Vanderbilt, going back to that additional JV partner of 15% to 20%. We had it. It was there. And then we had a little bit of sellers remorse, I guess you would call it, and said, you know what, we should wait on this. You saw before the numbers we put up about the potential stabilize profit in this deal. We feel we would be leaving a little bit too much on the table, and it just wasn't the right time to sell another slice of this building. So we will revisit this in the future, but at its peak which is the appropriate time, we have no pressure to do it. And we know it has a traction out there in the market, so we deferred on this one.

Topped out steel in December, we actually did it in September. And you saw those sort of amazing images from the top of One Vanderbilt when we laid that spire in place and 65% by year-end, we got it just in the Nick and talk on Friday, I think it was, or Thursday, when the lease came sailing in to put us right at 65% for the year. So pretty impressive projections on the team's part in doing that and on the Steven's leasing teams part, making it happen.

185 Broadway foundation complete. We did get that done, I think, some time in December, if not earlier. And we're prepared to start vertical construction.

Andrew W. Mathias
President & Director

Right. On the financial performance side, same-store cash NOI greater than 2%, excluding Viacom's free rent and normalized for Viacom's free rent. This goal, we achieved 2.6%, issued $300 million of unsecured bonds. We decided to defer on this as well. Secured debt was significantly cheaper, and we were going to have some heavy prepayment costs of unamortized financing costs on the issue we had sort of targeted to pay back. So we decided to defer it.

Debt-to-EBITDA of 7.3x or better. We're giving ourselves the sideways thumb on this one. We elected to close 220 East 42nd Street in January for tax purposes. Had we closed that deal in December as we could have for debt-to-EBITDA purposes, we would have met this goal, but we let tax trump scorecard in this case.

TRS, 10%, and exceed that goal we've met as of today, 13.3%. Hopefully, that will drift higher toward the end of the year with all the good news we've shared today.

SNL office index by 250. This is a no as shareholders have invested in mortgage REITs as I showed you, West Coast REITs and capital is sort of that's come into the office index has gone West. So hopefully, that trend will reverse next year.

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On the ESG front, great year, great video by the team there. We did achieve the GRESB Green Star, we were seeking. However, the BBB rating on the MSCI ESG index alluded us. We're still going after it. We got to get with that index and figure out exactly what they need from us to get that rating.

And then looking to this year, we always like to set the bar high. So our goals and objectives for this year: on the leasing front, Manhattan signed office leases. Steve Brace yourself, 1.6 million square feet. Again, this year, you got to do it, targeting to sign next year; Manhattan same store occupancy, 96.3%, that's off of our reshuffled portfolio, which Matt showed you. So we're going to start the year at 95% in that reshuffled portfolio. So adding 130 basis points of occupancy in that portfolio over the course of the year; and then Manhattan office mark-to-market, we expect to come in around 4% to 6%.

Marc Holliday
Chairman & CEO

Okay. On the investments front, acquisitions, disposition, similar story to last year, we're going to do. We're still acquisitive. We're sure we'll find some opportunities, but it's not where the focus is for us, as you've heard today. So greater than $0.25 billion of new acquisition activity. We will be net disposers as we expect at least $850 million at share of dispositions that's in our plan for the year.

Share repurchases of greater than $500 million. So we have a new authorization of $500 million, but we're also going to deplete the old authorization as well as make a dent into the new authorization as part of our plan. So we have greater than $500 million this year, up slightly more than last year.

DPE investment income, while the balances will drift up, as Andrew mentioned, we're actually projecting only $160 million or greater than $160 million is our goal of DPE investment income. I'm sure Matt covered the fact that we're going to be making more with less contribution for this area, which is really neither good nor bad from my perspective because I think both sources of the earnings and income are fantastic, but that's just the direction we're heading right now is not to be building up these DPE balances while we take our precious capital and direct it in areas that we think are more profitable.

One Vanderbilt oriented goals. Well, the big one, TCO, August 2020, we'll cut the ribbon and welcome our first tenants in occupancy to the building. Probably end of August, beginning of September, including ourselves. 82% leased by year-end. So we have a goal to take 65%, another 17% of the way. So by the time the door is open on what was a largely spec project, we expect to be right around 82% leased, which will give us just that balance of the very top floors in the building to maximize in 2021.

One Vanderbilt obtained permanent financing a year early. Did you go through that? So we talked about accelerating by almost a full year, the permanent finishing of One Vanderbilt to take advantage of today's yield curve.

1 Madison, we have 3 goals there for the year as well. One is to secure the JV partner, and we feel we're well on track to do that. Reception has been extraordinary to the product on an international basis, obtain construction financing for the project of $1.3 billion, and then sign a GMP for less than what we showed as -- what we include, not just for this purpose, but in our core number, $625 million, we think we'll improve on that on the buy.

Andrew W. Mathias
President & Director

All right. And then rounding it out on 185 Broadway, top out the building in September. So Ed and Bob Dewitt, get to work there quick. You don't have many months left.

Financial performance, same-store cash NOI. We're going to look to increase that again by north of 2%, normalized for that remaining Viacom free rent.

Debt-to-EBITDA hold constant at 7.4x or better per Fitch. And TRS and SNL, the goal does not change. TRS, 10% for the year, and we want to exceed that index by 250 basis points. There's no reason we shouldn't be able to do it.

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ESG, CDP score, we're going to improve from B to an A minus. On the GRESB rating, we're going to improve from 4 to 5 stars. So whole page of very lofty goals. We got a lot of hard work to do the balance of this year and the remainder of next year.

And I think now we'd like to transition to Q&A where we've received some questions. They'll also be folks walking around with live mics that people have live questions from some of the later material, we weren't able to capture in your texts or e-mails.

Marc Holliday
Chairman & CEO

Okay. So we've got about 10 or so questions that have been submitted. We're going to cover them right now. We're going to ask, as we have in the past, all the members of our executive team, we're going to be on the hot seat for answering questions, please come up.
Now join me and Andrew on the podium. Matt, please stay where you are. And we'll go through the questions. If you guys have more questions, we'll take those as well. But start to get through these now.

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Question and Answer

Marc Holliday
Chairman & CEO

So let's begin. First question, were any -- and this is -- again, these came in last year, I think. Yes, we took them just like this. I think there was a feeling like maybe we stacked the deck. I want to confirm, your questions sent to the back that we then bring up, and if we feel there's anything that needs editing for appropriateness for the rating of this conference, we do that, but that only.

Were any observation deck operators willing to sign a long-term lease with fixed base rent? If the answer is no, then why did you take operations in-house? Well, I can say, I guess, a couple of things, and then I'll have -- Rob, really is the project executive and he'll address it. Anybody in this industry that we approached over the past 1.5 years, who has experience with Ob decks, wanted to do this project, I mean, bar none. Whether it was a long-term lease or a management agreement or somewhere in between, there's not a lot of depth here. And we felt that there were -- this is something that we can bring our level of excellence to and as opposed to a long-term lease where we could sort of run the trap of giving away sort of inordinate upside for something that we not only think we should obtain for shareholders, but we can do better, we kept it. But Rob, won't you?

Robert Schiffer
Managing Director of the Investments Group

Yes, sure. We had deep discussions with 4 specific potential operators, 2 domestic, 2 international. 1 in the observation deck business, 2 in the attraction business, 1 in the entertainment venue business. I would say, of that group, too, we're willing to sign long-term leases and pay fixed base rent both with a capital partner, which I think is a key differentiation. So one, we're giving up or would have been giving up that $16 million of net after-tax profit. Two, the partner of the opco there would have been a GP, LP arrangement and the GP would have gotten extraordinary fees and promotes from that capital partner.

So all of those economics, we would have been giving up, which is why we decided to internalize and operate this ourselves.

Marc Holliday
Chairman & CEO

Next question. What are your views on tenant demand from Apple, Microsoft sales force? Well, I'll take those as that specifically and maybe the tech sector, large presence tech sector generally. Steve, why don't you just take that?

Steven M. Durels
Executive VP & Director of Leasing & Real Property

Well, we're under nondisclosure agreements with 2 of those 3. So I won't speak specifically to them. But I would say, generally speaking, I don't think there's going to be any pullback or slowdown in growth by the tech sector. There's a number of big requirements that are unfulfilled, searches that are only just beginning. Some that are on this list, but some that are, I think, well known in the marketplace as well. And tech, notwithstanding, I wouldn't underestimate the fire sector. 1 Madison Avenue, the number of tenants that we're seeing come through the door that are financial based tenants, has been surprising. There's some big requirements floating out for that sector as well.

Marc Holliday
Chairman & CEO

Okay. Next question, please. Job growth has been very strong, showed you that earlier, but is not translating into real rent growth. What's the disconnect? And what are your expectations for rent growth? I wouldn't say it hasn't translated into real rent growth. I mean, I know that's not exactly the question, but there is rent growth. I mean, you see it in our numbers...

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Andrew W. Mathias
President & Director

What's on Tenth is...

Marc Holliday
Chairman & CEO

Yes. I mean, we had a 35% mark-to-market. We're projecting fairly -- I mean, real estate doesn't grow at 10% a year. I mean, so it's a matter of what do you consider rent growth? I know the West Coast right now has got a lot of rent growth. But I would look to the sort of the stability, the veracity of rent growth. I think New York's rent growth is decent. We've had some expense creep, especially on the real estate tax side. So I think the combination of real estate taxes and rising construction costs is kind of eaten into the rent growth and hence, the term real rent growth. So the margin above, but we have had real rent growth, which is why we are growing. I guess the question is, why isn't it better since the numbers would indicate more growth. And Isaac, why don't you take that?

Isaac Zion
Co-Chief Investment Officer

Yes, I actually got the same question from a potential partner on Thursday of last week, and it's a pretty simple story. It's basically, you become much more efficient in terms of how people utilize space.

So back in the day, offices were larger. I think we've all seen it, right? Your office is probably smaller than it was. Your desk is probably smaller than it was years ago. So that's been the #1 factor in terms of the amount of space that people use day in, day out. So if you take that, couple that with the fact that there's more supply effectually, that's a natural governor to rent growth. So you're not going to have spikes. So if the space standards stayed the same at 291, it's gone down about 15% over the last 20 years, rent growth would have been through the roof. There's no question about that.

One of the positive factors, though, with this efficiency, we've seen large users able to spend more on rent. So the call per person has effectively come down. And we've been a big -- a big positive for us. We've seen at One Vanderbilt, where we have 5 tenants, over 100,000 square feet, paying well north of $100 a foot. If you go back 6, 7, 8 years, the average size of a tenant paying over $100 a foot, was maybe 20,000 to 25,000 feet. Now the size of that tenant is 3 to 4x the size. So we've really benefited from that factor also, should we take the flip side of it as well.

Marc Holliday
Chairman & CEO

So we'll move on to the next. Other companies are not buying back stock aggressively in part because they say it hasn't worked for us. I'll agree. I don't know about that. What are your thoughts? Well, I guess it depends on what you mean by worked, we think it's worked. We love the direction we're heading in. You saw we've accomplished all our goals in simplification, elimination of complexity, shrinking the balance sheet, getting leaner, meaner and all the things I talked about. And we have NAV creation, which is really what it's about. It's an investment. So I don't know how people would know if it's working or not other than what's our return on investment. We're saving extraordinary amounts of dividends. We would certainly like to see the stock price higher than it is today, but that's independent of the buyback program. We just think the stock price should be more reflective of our net asset value. We think that over the long term, you could almost say that the fact that we've been able to buy all the stock price of prices cheaper than we had first projected, well, maybe that -- I don't know about working, but it's certainly a side benefit because we are the biggest buyer of this stock in the market, bar none. And will continue to be or probably will continue to be in 2020. What the effect on the stock is, the market will decide that. Matt, is there anything you want to add to it?

Matthew J. DiLiberto
Chief Financial Officer

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No, you hit the nail on the head. It's an investment strategy. So stock price is governed by what you, in the room, all do. We -- when we speak to our Board and amongst the management team, it's a pretty simple thought process. We're selling assets, as you've seen at somewhere between 4 and 5 caps, and our implied cap rate on our stock is 7.6%. And if we came into the -- into an investment committee, into a board meeting and said that you could buy a portfolio that includes One Vanderbilt and 1 Madison and all of our operating properties at a 7.6%, the conversation will last about 3 seconds. So we are selling at a very low cap rate, buying back at a high cap rate. You're capturing now 250 to 300 basis points on -- for every dollar you reinvest in your stock, that investment works all day, every day. If it doesn't translate through the stock price, there's clearly a disconnect there. But from a real estate perspective, there is no better investment than that.

Marc Holliday
Chairman & CEO

Next question. Is M&A on the capital allocation table for SL Green, specifically acquiring other New York City centric platforms, please elaborate? Which I think means, please elaborate, Andrew.

Matthew J. DiLiberto
Chief Financial Officer

Yes, they cut that out, definitely.

Andrew W. Mathias
President & Director

It is absolutely on the table. We're constantly -- it's something we've done before in 2006 with Rexon and something we'd look to do again. It just has to be the right circumstance. And obviously, the field of opportunities is a lot smaller than the Manhattan landscape, like it is for buying buildings. It's a handful of companies. And there's challenges sort of inherent in each of them that I'm not going to go through specifically, but it's something we look out, for sure, and hopefully, the time will be right at some point to actually consider it in the future.

Marc Holliday
Chairman & CEO

Okay. Next question, please. Long question. Given the discount applied by your NAV analysis and a similar discount, likely a similar discount frame with the office peers. Why do you think there still hasn't been privatizations, particularly with our view of the long term? Well, a couple of things in there. I'm not -- I don't know about a similar discount. I don't know that I would just conceive that as a matter, of course, because I haven't seen the NAV calcs in the kind of detail we present. So I don't have an opinion per se of that. I would actually think to the contrary, we uniquely trade at a pretty low multiple relative to our peers. I mean, there's -- it's all interrelated, the stock price, the discount, the multiple, the net asset value, all interrelated, and we trade at possibly among the lower and lowest multiples out there. So I would actually say, the peers just on a multiple basis, do not have a similar discount, and ours is probably among the largest, which is what makes this program for us, the most attractive. And that -- we're up, I guess, at this point, almost 10 points year-over-year. So that discount has winnowed, but we still think it's sizable and whether it's similar to others or not, I can't really speak to. As to privatizations, I think there, again, that question was posed to Andrew. And I think I'm curious what your thoughts are on that as to...

Andrew W. Mathias
President & Director

Well, I would say...

Marc Holliday
Chairman & CEO

Given the view of the market.

Andrew W. Mathias

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President & Director

We're the only guys out there actively selling. So in terms of illuminating NAV, we're an open book. It's very easy to see where we value things and where we're actually selling things. I don't think that's the case with a lot of others who talk about big NAV discounts, but it's just not -- it's not clear. It's not illuminated. In terms of privatizations, I think, again, you got to go through case by case. But there are check size issues with some, there's entrenched management issues with some. So it's -- these guys will share our outlook on the market. I think they're all positive. But in terms of why they're not going private, why there haven't been more, it's -- I think it's -- you got to take it on a case by case basis.

Marc Holliday
Chairman & CEO

Next question. How much of the $2.5 billion spend in the NOI bridge will be funded by debt versus equity? And how much of that total was always funded?

Who's going to take that? David. Okay.

David Schonbraun
Co-Chief Investment Officer

The $2.5 billion is all to spend from here going forward. I think you got to break it into 2 buckets. One is the kind of core or operating portfolio, which breaks down to roughly $900 million, which is over that 5-year period, $180 million a year. That comfortably gets funded out of operating cash flow, then you're left about $1.7 billion on the development assets. For the development assets, as we said, we're going to JV 1 Madison that will provide roughly $450 million, which leaves you $1.25 billion. That $1.25 billion is predominantly debt financed through facilities in place or 1 Madison, which we're putting a facility in place. And the only other funding source as well could be for 47 or 711 because it sits in an opportunity zone. That provides us an opportunity to take gains and tax efficiently, put them in that asset.

Marc Holliday
Chairman & CEO

Okay. Next, I think we have a few more. Is management and Board considering other strategic value-creating alternatives at side of buyback? Consider privatization and take advantage of higher leverage available.

Well, I mean, this is the subject of every board meeting that we have is the topic, how do we maximize the value? I mean, it's -- I think we are keenly, keenly focused on that exact question kind of our obligation to shareholders and as heavy owners of stock, ourselves and having it be incentive for compensation, almost company-wide. So this type of question, what do we do? How do we maximize it? There's a couple of strategies here, continue buyback privatization, which I assume means a sale of company.

We have a good representation of our Board here today. So it's great to see the board here, for this presentation. That's really a Board decision, I mean, I just want to be clear, Andrew and I have one mandate, and that mandate is to execute that plan. We just went through today, executed on time, on budget, hit those NOI targets, build it at/or below cost, create the best portfolio that will have the most attraction to the market.

This group and everybody up there, our peeps are working hard on that all day long to make that happen. But what the other strategic values creating, that could be done to try and maximize price. I don't want to speak for the Board, in particular. And like I said, they're here, you can chat, whoever has a question can chat right after this is over. But I would say that this does dominate, fair to say, every meeting we have is these days is on ESG or maximizing share price, not necessarily in that order. And the business is kind of left to the team its been doing for 22 years. And we will look very hard at these other value-creating alternatives. I think we already do.

I think that we're open to just about anything. I mean, as Andrew said, the transparency we bring to the table is something that you can't really ask anymore for any company to do other than lay out the game

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plan and be transparent and work hard. So we're doing those 3 things where it leads to. Time will tell. But all we care about is getting to that NAV. You guys own the NAV, we all do. I want to get to NAV, I feel, to take a nickel less than NAV, it's a bitter pill. And obviously, there are reasons you do. But the path we're doing is with the intention of mind of not just raising the stock price or making good investments, it's with getting value for what we've created, and we want every bit of it. So next question.

How much does the capitalization of expenses at 625 Madand 1 Mad benefit 2020? Matt. Do you know that off hand or?

Matthew J. DiLiberto
Chief Financial Officer

Well, I spoke about 625 Madison. So it's going to have positive both GAAP and cash NOI. Cash NOI is positive to the tune of between $1 million and $2 million. GAAP NOI is $18 million. So I guess there's $16 million, $17 million of capitalization. There is a benefit 2020 FFO. I mean, a tenant moving out doesn't seem like a benefit. So that's actually down significantly from the NOI that we achieved this past year with Polo in place, but capitalization at 625, and then also the interest at 2000 -- sorry, at 1 Madison is part of the program. We're getting to capitalize a little earlier at 1 Madison than we expected, but whether it's a benefit, it's an accounting rule that we have to abide by. I think it gives us a little bit more capitalization than we expected because they're leaving earlier, but we're expected to having capitalization in 2020 to begin with.

So on that part, I can't necessarily quantify, but...

Marc Holliday
Chairman & CEO

I assume we have capitalization every year. I mean, this year maybe ...

Matthew J. DiLiberto
Chief Financial Officer

Yes, yes. this year is higher than...

Marc Holliday
Chairman & CEO

Bigger contributor 1 Madison and 625, but in '19 years...

Matthew J. DiLiberto
Chief Financial Officer

This years is higher than most because our capital projects are, the largest projects are in full swing. So $128 million, I think, is $128 million of capitalized interest is a historic high for us.

Marc Holliday
Chairman & CEO

Next question. What is your dividend coverage prospects for dividend growth look like over the 5-year period. Matt, you want to answer that? And this is the the last question unless we have others from...

Matthew J. DiLiberto
Chief Financial Officer

Yes, it's still positive. So as we ran our 5-year models out, we've historically had an FAD payout ratio on the dividend that is at the low end of the spectrum, generally in the high 60s to low 70s. And we can continue that trend while still funding all of the core portfolio, capital needs.

And as Mark alluded to on that slide as well. I mean, we do even have after funding those capital needs, residual cash flow beyond that from our operating portfolio that can fund other things whether it be dividend or more share buybacks, what have you.

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Marc Holliday
Chairman & CEO

Okay. We've run a little long today, maybe about 10, 15 minutes longer than we had anticipated. I appreciate everyone hanging in without the break, felt that better to keep it tight 9 to 12 than to extend it beyond. Are there any other questions? However, that were not asked, anybody wants to. Yes, now there's one in the way back there. Can't quite see, but just let -- Steve.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Is this on? Yes, yes. I think just one question on 1 Madison for maybe you or Steve. I didn't see anything in the goals about any specific leasing at that asset in 2020. I just was curious, your thoughts on that

Marc Holliday
Chairman & CEO

Well, what we saw on One Vanderbilt, and before we expect I want, Matt. And it's early, and we take our measure from the tenant reactions. We've had dozens of meeting. I'll -- Steve will chat about that in a second. We're wildly confident we've got the right product at the right price.

We're not going for the full building user that might have 2 or 3 years of lead time. We expect this building to lease-up in chunks of 250,000, 300,00 500,000 square feet max, but possibly not even. And we have different permutations of how we want to market that space in conjunction with the specialty floors and maximize rents. The earlier you go, I feel like the more you give up on rent. We feel very good about where this project is. I think that's confirmed by the JV Partners community that we have gone out to. We've got deep, deep interest. People are deep into diligence and term sheets and negotiations on that project, even in its current spec nature...

Andrew W. Mathias
President & Director

without any pre-leasing resort any pre-leasing. So...

Marc Holliday
Chairman & CEO

I don't think we need pre-leasing for the JV or for -- even for the construction financing for that matter. So at least not to get it close initial advances. So I think that if it comes, it comes, we're not going to do anything like we did on One Vanderbilt to kind of unnaturally accelerate JVs or leasing to kind of prove a point because we're convinced it's the right product, right price. Steve, time-wise, well, I don't -- how many are we dealing with now? And what do you think will happen over the next 12 to 18 months?

Steven M. Durels
Executive VP & Director of Leasing & Real Property

We are doing presentations, I would say, almost every other day, which is a bit stunning, given the fact that we don't start construction until second quarter of next year. We don't finish construction until the third quarter of 2023 as we sit here in 2019. So it's a bit a ways off for most tenants in the market.

If we were delivering this product in the next 18 months, I have little doubt that we wouldn't already be in lease negotiation for half to 3 quarters of the building. Having said that, we do have active proposals on the table. We're trading term sheets with tenants of size. So it's not on our goals, but I've got my fingers crossed that we'll have some good news next year.

Marc Holliday
Chairman & CEO

Any other questions from crowd. Yes, Michael.

Michael Robert Lewis

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SunTrust Robinson Humphrey, Inc., Research Division

So I asked that question on the privatization. I just wanted to follow-up on it. And I think you know, we share your frustration for the stock price is relative to NAV.

And Andrew, you just talked a little bit about the impediments that others may have in trench management team, the size of checks. And you guys have pursued effectively a privatization by selling assets and buying back your stock, it's not going the full way. And you've activated this impressive development pipeline that's going to drive future value. I guess, at what point do you start to think more strategically about other alternatives and narrowing that gap, It is NAV being so high relative to the stock, the impediment that you don't want to accept the nickel less than that NAV in potentially doing a transaction?

Andrew W. Mathias
President & Director

Well, I'm going to say, accepting a nickel less is a little bit -- I said that we feel that shareholders deserve every nickel of what they own. So NAV is in the eye of the beholder, we put a range of cap rates there. There's frictional costs with any sale. And for a large check, the returns have to be, right? I think the real issue is cost of capital. When it comes down to it, the highest return to shareholders is selling assets to people who have the lowest return, lowest cost of capital. And on kind of an asset-by-asset basis, that might be unlevered 6%, 6.5% and a levered, you pick the number, 8, 9, 10. Anyone who's going to sort of wholesale anything, it's not just -- not talking about us right now. There was questions asked about why I have at other firms going price. Well, when you're talking about check sizes of $2 billion, $3 billion, $5 billion, $6 billion , $8 billion, $10 billion, it's a different cost of capital. Should it be, shouldn't be, that's like not the purpose of this forum. I don't think the point is, it is. Somebody who's writing a $6 billion check, is probably looking for a higher return just because of the scarcity of value of who can write a $6 billion check as opposed to someone's writing a $200 million check.

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

I think we're -- we saw that on my fundraising slide where the bulk of the money is being raised and closed-end funds and opportunistic and value add, which require higher returns, which means a lower price to get those returns.

Marc Holliday
Chairman & CEO

So I think when companies start to dial back and they look at a range of cap rates and they pick the most conservative, and there's big frictional costs, and they think the most conservative. And then they're dealing with cost of capital that might be 8 to 10, but 12 to 15 or more, I mean, who knows, depends on the asset class. All of that chips away at what's achievable for any company.

And then the question becomes, are there better alternatives because when we sell one by one, we are achieving, in our view, max value. And so we're not losing any ground at most everything we've sold, not just now, this year, I mean, since 2015, $10 billion-plus of product, we've got max value for. And the shareholders have gotten every nickel of that benefit, we'll continue to if a better alternative comes up in the interim, there's -- there's your committee right there, who'll be there to evaluate. I don't know if anybody wants to add anything to that? Because it's -- I told you, our job is to execute that plan. But they're here if you want to follow that up afterwards, Michael.

Okay. And yes, we're going to probably just do 1 more if that's okay? Just to wind it up, unless -- I don't want to miss it if someone's got a brilliant question. [Charles]?

Unknown Analyst

Sure. Just going back to the DPE, you guys have outlined a lot of projects that a good chunk of which came from DPE or just being active in the transactional market, led you to get assets on a fee simple basis? It's still unclear why I understand not increasing it from where it is, but why decrease it, given your

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track record and the amount of opportunities that you guys have gotten. Marc, your cost of capital right now at about $7.5 million, you can't buy buildings outright, but you can compete very well in DPE. So why would that be a business to -- at a minimum, just leave steady state because of what it generates to what you guys have delivered?

Matthew J. DiLiberto
Chief Financial Officer

Well, I mean, from my perspective, I think we've always sort of maintained this 10% of enterprise value, self-imposed limitation, we always called it. And there are a lot of investors that love the program and see the benefits like you outlined. And they've historically been a lot of investors saying, it's not the same quality of income as long-term real estate. So as we shrink the enterprise value, like dramatically via a stock buyback and selling assets, in order to get to that 10% we're sort of -- we're right around it today, right? It's $17 billion of enterprise value, 10%, $1.7 billion. That's right, and we're on where the program is. So that is coming into play. Look, we could decide to raise that self-imposed limitation, but I don't think we're there.

If we feel -- we do not feel like we're impairing the platform value of the DPE program or missing deals. I mean if there's a deal with a strategic bent to it, we're going to do it. I mean, it's -- and we'll put size aside or we'll figure out a way to do it. We'll figure out what to bring in a partner. And I think we did some of those this year. So don't feel like we're missing out on the pipeline, but we are definitely bringing down the income proportion.

Marc Holliday
Chairman & CEO
Any other questions? That's it. Okay. In closing, I just want to thank everyone. Yes, I know long show. Hopefully, it was an entertaining one, educational one. I do want to thank all the folks that went into helping make today happen, Image Media, Atlantic Pictures. Darren, without you because we couldn't have all this great video. Berlin Rosen, Mr. Shuzo from Armani, thank you for being here today. Brokers generally who support us with a lot of data, but Ken McCarthy from Cushman Wakefield, in particular, Staff at Jazz, OMB and particularly, our own Ellie Winkelman, Heidi Gilette and Anastasia Verghis. Everybody else here from SL Green, thank, all of you, fantastic job well done.

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