SL Green Realty Corp. Reports Third Quarter FFO Of $0.73 Per Share

NEW YORK--(BUSINESS WIRE)--Oct. 23, 2001-- - 15% same store portfolio cash NOI growth

- Issued five million common shares at $29.80 net per share; raised $149 million in net proceeds
- FFO increased to $0.73 per share (diluted) versus $0.70 prior year, a 4% increase, and a 9% FFO increase excluding the $1.0 million ($0.03 per share) contribution to the Twin Towers Fund
- FFO increased $3.9 million (19%) to $24.0 million from $20.1 million
- Acquired 49.9% interest in 1250 Broadway from its JV partner for $29.5 million and refinanced property with $85 million first mortgage
- Invested $53.5 million in a preferred equity position in The News Building
- Originated $57.7 million in structured finance investments

Financial Results

SL Green Realty Corp. (NYSE:SLG) reported improved operating results for the three months ended September 30, 2001.

During the period, funds from operations (FFO) before minority interests totaled $24.0 million, or $0.73 per share (diluted), compared to $20.1 million, or $0.70 per share (diluted), for the same quarter in 2000. The 2001 quarterly results include a $1.0 million charge, or $0.03 per share, for a one-time contribution to the Twin Towers Fund. Excluding this contribution, third quarter earnings would have been $0.76 per share, representing a 9% improvement over the prior year. The FFO per share calculation is reflective of the Company's five million common share issuance in the third quarter of 2001 which increased the weighted average dilutive shares outstanding to 36.1 million, a 13% increase over the prior year. This growth was primarily attributable to strong same store cash NOI growth of 15%.

Nine month results were also strong, reflecting a 14% FFO increase over 2000 as FFO before minority interests totaled $68.6 million or $2.25 per share (diluted), compared to $55.6 million or $1.97 per share (diluted) for the same period in the previous year. This growth is also attributable to strong same store cash NOI growth of 16%.

For the quarter, net income available to common shareholders, adjusted for property sales, extraordinary items and the cumulative effect of an accounting change increased 14% to $13.6 million, or $0.43 per share (diluted) as compared to $11.9 million, or $0.43 per share (diluted), for the same period in the previous year. For the nine months ended September 30, 2001, adjusted net income increased 25% to $39.1 million, or $1.36 per share (diluted), as compared to $31.4 million, or $1.16 per share (diluted), for the same period in the previous year.

Total quarterly revenues increased in the third quarter to $61.9 million (1.7%) compared to last year's $60.9 million. The $1.0 million growth in revenue resulted primarily from:

- 2001 acquisitions ($6.0 million)
- 2001 same store portfolio ($1.7 million).

These revenue increases were partially offset by reduced revenues of properties sold ($6.0 million) and investment and preferred equity income ($1.0 million). The $1.0 million decrease in investment and preferred equity income is due to the following: (i) $0.7 million from yield maintenance received from the early redemption of a preferred equity investment on 1370 Avenue of the Americas in third quarter 2000 and (ii) lower yields primarily from reduced interest rates ($0.5 million) and investment spreads ($0.9 million) and the decrease is partially offset by the higher weighted average structured finance investment balance outstanding ($1.3 million).

During the third quarter, same store cash NOI increased $3.3 million to $25.6 million, as compared to $22.3 million over the same period in the prior year. Cash NOI margins before ground rent improved year over year from 55.2% to 60.2%. The improvement in cash NOI was driven primarily by a $3.4 million increase in cash revenue due to:

- A 45% increase in replacement rents over previous fully-escalated rents ($1.3 million)
- Reduced free and straight-line rents ($1.7 million)
- Rent steps from current in-place tenants ($0.5 million)
- $0.9 million increase in escalation and reimbursement income primarily from increased electric reimbursement, operating expense reimbursements and percentage rent escalations

- Decrease in revenue due to lower occupancy primarily due to planned vacancy at 1466 Broadway ($0.4 million)
- Decrease in revenue due to higher reserves for tenant allowance ($0.6 million).

The net increase in revenue was partially offset by $0.2 million increase in real estate taxes with operating expenses remaining flat. Approximately 90.0% of the quarterly electric expense was recovered through the utility clause in the tenants' leases.

The Company's third quarter EBITDA increased $1.6 million resulting in increased margins before ground rent of 66.0% in 2001 as compared to 65.4% for the same period last year. After ground rent, margins improved to 60.6% in 2001 from 59.7% in the corresponding prior year period. Margin improvement was driven by the Company's primary real estate investment themes:

- GAAP NOI of $4.4 million
- $3.4 million increase from 2001 acquisitions
- $1.8 million increase from same store (7% improvement)
- $2.2 million increase from net income from unconsolidated joint ventures
- $3.3 million decrease from properties sold or contributed to joint ventures.

These increases in EBITDA were partially offset by (i) an increase in MG&A ($1.6 million) primarily due to a $1.0 million contribution to the Twin Towers fund and increased personnel costs, (ii) a decrease in investments and other income ($0.7 million) and (iii) a loss from equity in affiliates as compared to net income in the prior year ($0.1 million).

FFO for the quarter ended September 30, 2001 improved $3.9 million primarily as a result of a $1.6 million increase in EBITDA, increased FFO adjustment from joint ventures ($1.4 million) and lower interest costs ($0.9 million). Lower interest costs ($0.9 million) were associated with: higher average debt levels due to net acquisition and new investment debt activity ($1.5 million), the higher average debt levels due to the funding of ongoing capital projects and working capital requirements ($0.2 million), and the proceeds from the Company's July common stock offering ($1.6 million) offset by lower interest rates from floating rate debt ($0.9 million).

During the quarter ended September 30, 2001, the Company recorded an extraordinary loss of $0.3 million due to the early extinguishment of debt that was excluded from the Company's FFO results. The 2001 quarterly results of the Company exclude a gain on sale of property interest that totaled $0.6 million and the 2000 quarterly results exclude a gain on redemption of a preferred equity investment totaling ($5.6 million).

At the end of the quarter, consolidated debt totaled $484.1 million, reflecting a debt to market capitalization ratio of 30.0%.

New Property Activity

1250 Broadway Acquisition

On September 24, 2001, the Company acquired a 49.9% interest in 1250 Broadway from its joint venture partner, The Carlyle Group, for approximately $29.5 million. In conjunction with this transaction, Salomon Smith Barney provided $85 million of first mortgage financing. 1250 Broadway is a 39-story building with approximately 685,000 square feet, and occupies the block front between 31st and 32nd Streets on Broadway. It is currently 99.6% leased. The going-in cash NOI yield on the investment is approximately 9.5% per annum. The Company is currently implementing a $5 million capital improvement program to significantly renovate and upgrade the property. During the quarter, Visiting Nurse Services of New York, a current tenant in the building, expanded into 80,000 square feet at an average rent over $40.00 per square foot and simultaneously replaced 25,000 square feet previously occupied by technology tenants. The acquisition is the first step in transitioning the property to a long-term ownership position with a new capital partner.

110 East 42nd Street Sale

The Company sold a 69,700 square foot condominium interest in its property located at 110 East 42nd Street for $14.5 million, or approximately $208 per square foot. In connection with the sale, the Company recognized a gain of approximately $0.6 million. The Company will manage the condominium and continues to own the remaining 181,000 square feet of the property through a condominium interest.

The News Building Preferred Equity Investment

On September 10, 2001 the Company announced the purchase of a $53.5 million preferred equity investment in The News Building, a 1.1 million square foot office building located at 220 East 42nd Street, New York. The investment was made into an entity affiliated with The Witkoff Group and DRA Advisors, Inc. who continue to own a majority interest in the property. In connection with the transaction, SL Green has assumed leasing responsibilities at the property.

New Structured Finance Activity

The Company has completed the following transactions:

- Originated $57.7 million of structured finance assets at a retained yield after seller financing of 14.6%, including $30 million in October
- PREI funded $25 million of a structured finance asset under the established investment program.

Other

Common Share Issuance

On July 25th, the Company sold 5 million common shares at a gross price of $30.66 per share. After the underwriter's discount, net proceeds to the Company totaled $149.0 million, or $29.80 per share. The immediate use of proceeds was to pay down the Company's unsecured revolving credit facility.

Dividend Reinvestment and Stock Purchase Plan

The Company filed a registration statement with the SEC to register a dividend reinvestment and stock purchase plan ("DRIP") which was declared effective on September 24, 2001. The Company registered 3 million shares of common stock under the DRIP.

As of September 30, 2001, the Company's portfolio consists of interests in 25 properties, aggregating 10.0 million square feet.

SL Green Realty Corp. is a self-administered and self-managed real estate investment trust ("REIT") that acquires, owns, repositions and manages a portfolio of Manhattan office properties. The Company is the only publicly held REIT who specializes exclusively in this niche.

Financial Tables attached.

To receive SL Green's latest news release and other corporate documents, including the Third Quarter Supplemental Data, via FAX at no cost, please contact the Investor Relations office at 212-216-1601. All releases and supplemental data can also be downloaded directly from the SL Green website at: www.slgreen.com

This press release contains forward-looking information based upon the Company's current best judgment and expectations. Actual results could vary from those presented herein. The risks and uncertainties associated with forward-looking information in this release include the strength of the commercial office and industrial real estate markets in New York, competitive market conditions, unanticipated administrative costs, timing of leasing income, general and local economic growth, interest rates and capital market conditions. For further information, please refer to the Company's filings with the Securities and Exchange Commission.

SL GREEN REALTY CORP.
STATEMENTS OF OPERATIONS--UNAUDITED
(Amounts in thousands, except per share data)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Revenue:				
Rental revenue, net	$ 47,971	$ 47,647	$ 156,379	$ 140,998
Escalations & reimbursement revenues	9,114	7,593	24,467	18,941
Signage rent	424	496	953	1,593
Investment income	3,306	3,696	11,626	7,324
Preferred equity income	630	1,272	630	2,579
Other income	479	170	1,339	693
Total revenues	61,924	60,874	195,394	172,128
Expenses:				
Operating expenses	15,076	15,260	44,983	41,893

Ground rent	3,101	3,164	9,419	9,505
Interest	9,785	10,698	36,853	30,243
Depreciation and amortization	9,047	8,300	27,956	24,519
Real estate taxes	7,452	7,299	23,590	21,688
Marketing, general and administrative	4,116	2,540	11,331	8,517
Total expenses	48,577	47,261	154,132	136,365
	13,347	13,613	41,262	35,763
Equity in net income (loss) from affiliates	(57)	71	(984)	609
Equity in net income from unconsolidated joint ventures	2,752	586	6,020	2,209
Income before minority interest, extraordinary items, property sales, cumulative effect adjustment and preferred stock dividends and accretion	16,042	14,270	46,298	38,581
Minority interests	(1,010)	(1,496)	(3,496)	(4,964)
Extraordinary loss, net of minority interest	(332)	--	(430)	(430)
Gain on sale of rental properties	647	5,624	5,164	24,646
Cumulative effect of accounting change	--	--	(532)	--
Preferred stock dividends and accretion	(2,414)	(2,407)	(7,243)	(7,220)
Net income available to common shareholders	$ 12,933	$ 15,991	$ 39,761	$ 50,613
Net income per share (Basic)	$ 0.45	$ 0.65	$ 1.53	$ 2.08
Net income per share (Diluted)	$ 0.44	$ 0.62	$ 1.50	$ 1.98
Funds From Operations (FFO)				
FFO per share (Basic)	$ 0.78	$ 0.75	$ 2.42	$ 2.08
FFO per share (Diluted)	$ 0.73	$ 0.70	$ 2.25	$ 1.97
FFO Calculation:				
Income before minority interests, preferred stock dividends, extraordinary loss, property sales and cumulative effect adjustment	$ 16,042	$ 14,270	$ 46,298	$ 38,581
Less:				
Preferred stock dividend	(2,300)	(2,300)	(6,900)	(6,900)
Add:				
Joint venture				

FFO adjustment	2,225	842	4,579	2,468
Depreciation and amortization	9,047	8,300	27,956	24,519
Amortization of deferred financing costs and depreciation of non-real estate assets	(1,059)	(1,042)	(3,371)	(3,105)
FFO - BASIC	23,955	20,070	68,562	55,563
Add: Preferred stock dividends	2,300	2,300	6,900	6,900
FFO - DILUTED	$ 26,255	$ 22,370	$ 75,462	$ 62,463
Basic ownership interests				
Weighted average REIT common shares	28,511	24,458	25,988	24,329
Weighted average partnership units held by minority interest	2,280	2,346	2,286	2,385
Basic weighted average shares and units outstanding	30,791	26,804	28,274	26,714
Diluted ownership interest				
Weighted average REIT common and common share equivalent shares	29,093	24,954	26,506	24,678
Weighted average partnership units held by minority interests	2,280	2,346	2,286	2,385
Common share equivalents for preferred stock	4,699	4,699	4,699	4,699
Diluted weighted average equivalent shares and units outstanding	36,072	31,999	33,491	31,762

SL Green Realty Corp.
Condensed Consolidated Balance Sheets
(Amounts in Thousands)

Assets	September 30, 2001 (unaudited)	December 31, 2000
Commercial real estate properties, at cost:		
Land and land interests	$ 138,337	$ 125,572
Buildings and improvements	679,821	618,637
Building leasehold	143,198	139,393
Property under capital lease	12,208	12,208
	973,564	895,810
Less accumulated depreciation	(93,339)	(78,432)
	880,225	817,378
Properties held for sale	--	10,895
Cash and cash equivalents	5,991	10,793
Restricted cash	37,104	86,823

	2001	2000
Tenant receivables, net $3,905 and $1,723 reserve in 2001 and 2000, respectively	12,229	7,580
Related party receivables	1,883	917
Deferred rents receivable net of provision for doubtful accounts of $4,813 and $4,860 in 2001 and 2000, respectively	50,060	45,816
Investment in and advances to affiliates	8,570	6,373
Investment in unconsolidated joint ventures	143,049	65,031
Structured finance investments	157,901	51,293
Deferred costs, net	36,066	40,113
Other assets	13,093	18,142
Total assets	$ 1,346,171	$ 1,161,154
Liabilities and Stockholders' Equity		
Mortgage notes payable	$ 411,393	$ 414,342
Revolving credit facility	72,738	46,374
Accrued interest payable	1,935	2,349
Accounts payable and accrued expenses	20,827	24,818
Deferred revenue	1,363	1,112
Deferred compensation awards	1,838	2,833
Derivative instruments -- fair value	4,987	--
Capitalized lease obligations	15,505	15,303
Deferred land lease payable	13,926	13,158
Dividend and distributions payable	14,775	12,678
Security deposits	18,903	19,014
Total liabilities	578,190	551,981
Minority interests	46,474	43,326
8% Preferred Income Equity Redeemable Stock $0.01 par value, $25.00 mandatory liquidation preference 25,000 shares authorized, 4,600 outstanding in 2001 and 2000	111,117	110,774
Stockholders' Equity		
Common stock, $0.01 par value 100,000 shares authorized, 29,944 and 24,516 issued and outstanding in 2001 and 2000, respectively	300	246
Additional paid - in capital	582,874	428,698
Deferred compensation plan	(8,400)	(5,037)
Accumulated other comprehensive loss	(4,500)	--
Retained earnings	40,116	31,166
Total stockholders' equity	610,390	455,073
Total liabilities and stockholders' equity	$ 1,346,171	$ 1,161,154

SL GREEN REALTY CORP.
SELECTED OPERATING DATA-UNAUDITED

	September 30, 2001	September 30, 2000
Operating Data:		
Net rentable area at end of period (in 000's)(1)	10,036	9,131
Portfolio occupancy percentage at end of period	98%	98%
Same store occupancy percentage at end of period	98%	98%
Number of properties in operation	25	23

(1) Includes wholly-owned and majority and minority owned properties.