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# SL Green Realty Corp. (SLG)

Q1 2025 Earnings Call

## CORPORATE PARTICIPANTS

### **Marc Holliday**

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### **Steven M. Durels**

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### **Harrison Sitomer**

*Chief Investment Officer, SL Green Realty Corp.*

### **Matthew J. DiLiberto**

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### **Brett Herschenfeld**

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## OTHER PARTICIPANTS

### **Alexander Goldfarb**

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### **Nicholas Yulico**

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### **Peter Abramowitz**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Thank you, everyone, for joining us, and welcome to SL Green Realty Corp's First Quarter 2025 Earnings Results Conference Call. This conference call is being recorded.

At this time, the company would like to remind listeners that during the call, management may make forward-looking statements. You should not rely on forward-looking statements as predictors of future events as actual results and events may differ from any forward-looking statements that management may make today. All forward-looking statements made by management on this call are based on their assumptions and beliefs as of today. Additional information regarding the risks, uncertainties and other factors that could cause such differences to appear are set forth in the risk factors, and MD&A sections of the company's latest Form 10-K and other subsequent reports filed by the company with the Securities and Exchange Commission.

Also during today's conference call, the company may discuss non-GAAP financial measures as defined by Regulation G under the Securities Act. The GAAP financial measure, most directly comparable to each non-GAAP financial measure discussed, and the reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure can be found on both the company's website at [www.slgreen.com](http://www.slgreen.com) by selecting the Press Release regarding the company's first quarter 2025 earnings, and in our supplemental information included in our current report on Form 8-K relating to our first quarter 2025 earnings.

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

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

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### Marc Holliday

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

Thank you. Good afternoon, everyone, and thank you very much for joining us today.

Given all that's transpired in the global markets since our last call, I was especially happy with our first quarter's earnings that we announced yesterday. In particular, and as a result of the hard work of the entire SL Green team, the company's earnings for the quarter exceeded the Street's expectations and our own internal projections by a significant margin.

Our NOI was on top of our forecasts. Our leasing results were well ahead, and our profits generated by our debt-related businesses were very strong. This should come as no surprise to anyone given my commentary in December at our Investor Conference, which focused on an opportunity-rich commercial debt market. I highlighted that new originations, secondary market purchases, distressed opportunities, the new debt fund and our special servicing business was going to take center stage in 2025, and Q1 performance in this area is certainly an affirmation of that belief with much, much more to come.

We laid out our thesis in this point in the cycle for making equity-like returns in credit investments, something that has been our stock-in-trade for over a quarter of a century. No one has made more subordinate investments on Manhattan office buildings over that period of time than we have. Particularly in the early years of a recovery, our realized returns are typically far higher than the average returns we normally experience, and we expect 2025 and 2026 to be no different.

The recent volatility in the credit markets benefits this business and our new debt fund, and substantial liquidity gives us the ability to selectively identify investments with attractive returns and protected downside. In just the past nine months, we've closed on nearly \$200 million worth of DPE investments, with the more recent one slated for the fund, and we are actively negotiating on a pipeline of over \$1.2 billion of new debt investments. To categorize our debt-related earnings as either non-recurring, one-off, noisy or confusing is, in my opinion, to miss the point. Our debt platform is a meaningful component of who we are. Our expertise and track record in this area is well-established. Given the opportunity set in front of us, I do expect that our debt-related businesses will account for increasing profits to our shareholders, and I expect we are already at the higher-end of our guidance range, a range where we will reassess next quarter with an upward bias if we are successful in closing all of the business now in front of us. And that's not to say we aren't also concentrating on growing our equity portfolio.

In the first quarter, we closed on the acquisition of 500 Park. And weeks later, we signed a lease, bringing the building to 100% occupancy. Now, we are designing an improvement program with elevated finishes and amenities to materially move the rents up as tenants renew and roll. Also in the first quarter, we bought out our partner in 100 Park, acquiring a 50% position on attractive terms in the building that is now 97% leased. We've owned 100 Park for approximately 25 years, and it continues to be a solid performer for the company.

Finally, SUMMIT One Vanderbilt was the number one attended experience of its type in the first quarter, according to a recently published report. In just over three years, the SUMMIT has become one of the most sought-after experiential tractions in New York City. I know there was a question raised regarding the impact that reduced international tourism might have on SUMMIT's attendance, and I would simply note that last week we set a ticket pre-sale record with over \$0.5 million of advanced ticket revenues sold in one day.

In closing, I'd just like to say in uncertain times, SL Green shines. Thank you.

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] And our first question comes from Alexander Goldfarb of Piper Sandler.

**Alexander Goldfarb**

*Analyst, Piper Sandler & Co.*

Q

Hey. Good afternoon down there. So, two questions. First, Steve, can you just talk a little bit more about prebuilds? It's a topic that we're hearing further from you guys, from other landlords. Just curious how that has gone in winning tenants? What the economic rent potential is versus raw space? And how that's been going versus the market in general?

**Steven M. Durels**

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

A

Sure. I mean, it's – prebuilds or also known as build-to-suits, where we do a custom built for a new tenant coming into the portfolio, have been around for a considerable amount of time. And I would say, broadly speaking, in order to be competitive in the markets, if you're transacting with a tenant that's, call it, certainly 10,000 square feet or less, it's almost mandatory that the space be built or that the landlord is willing to build the space.

For a variety reasons, tenants want to take out the mystery of cost. They want to accelerate the decision or the timeline from decision to move-in. And for us, having the expertise in-house with design and construction, and we're very well-practiced at doing these prebuilds, I think it's a big competitive advantage to do the prebuilds in a way that we execute in a very high design manner and do it throughout the portfolio on all price points of product.

**Alexander Goldfarb**

*Analyst, Piper Sandler & Co.*

Q

And then the second question is, obviously, everyone's focused on tariffs and the impact on leasing. Everyone's trying to figure out their crystal balls. As you look back in hit in time, when the market has gone through sell-offs like we are, is there some sort of lag? And you're like, after three months of a market sell-off, you see the impact on leasing activity slowing down after two months. How do you – how can we get comfort? Obviously, you've done well year-to-date, but how do we get comfort of how long the market remains disrupted in the stock market before there's a potential to start seeing discussions and your pipeline slow?

**Steven M. Durels**

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

A

Well, it's an impossible answer as to how long it would take to have absolute clarity. In prior disruptions, it was really what is the cause of the disruption as to is it a function of how fast we see the impact in the marketplace. But I think what's most telling, and give me a second sort of tell the story, if you go back in our pipeline three weeks ago, so preannouncement of tariffs, we had 62 tenants in the pipeline versus today we have 64 tenants in the pipeline. Of those 64 tenants, 44% of them have an expansion requirement as part of the deal that they're negotiating. Of the tenants that we replaced over the past three weeks, 18 tenants were replaced by 20 new tenants. And of those, 18 that were replaced, 14 were replaced because leases were signed. So, we only lost four tenants. And those were done really because the tenant chose a different building, or we elected a different tenant to replace that tenant for space we're negotiating.

So, point being we haven't seen a slowdown yet. We haven't seen any commentary from the marketplace, and we haven't seen any pullback from any decisions in our portfolio yet. And that, I think, over those three weeks is a very good indicator of where – why we feel cautiously optimistic, but time will tell.

**Alexander Goldfarb***Analyst, Piper Sandler & Co.*

Q

Thank you.

**Operator:** Thank you. Our next question comes from Nick Yulico of Scotiabank. Your line is open.

**Nicholas Yulico***Analyst, Scotia Capital (USA), Inc.*

Q

Hi. Thanks. First question is, I was hoping you could just talk a little bit more about the trends you're seeing in the overall debt financing markets? And if you have a sense for, I know the CMBS market was very strong heading into the tariff announcements, and I think now it's mostly on hold. But any update on just sort of roadmap of how that could be functioning, start functioning better again? Thanks.

**Harrison Sitomer***Chief Investment Officer, SL Green Realty Corp.*

A

Yeah. I think, with the credit markets in general, we certainly can expect to see some turbulence as a result of the macro-environment across the country. But I expect New York City to mostly be immune from that. There is a flight to quality in moments like this, and New York City has demonstrated an ability to stand out from every other market. Because at the end of the day, capital needs to be put to work by investors. And our market is experiencing positive momentum as a result of a weaker US dollar, demand for tangible assets, the reopened CMBS market we've seen since the beginning of this year and prospect of rate relief. And all that's paired with a fundamental and sentiment recovery that we've seen that's really at a five-year high.

Looking at the CMBS data, 2025 year-to-date, we've seen \$6.9 billion of New York City office CMBS completed. That's versus zero in 2023 and \$300 million in 2024 during the same exact period, so. And in addition to that, we've also already eclipsed the full 2024 levels. So, on the balance sheet side, I'd say we saw recently the 5 Manhattan West deal get done at \$1.25 billion. And we're going to be watching closely the transactions at 300 Park, 590 Matt and 1345 Sixth in the coming weeks and use that to gauge how the markets are reacting from some of the macro news.

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

A

Yeah, I would just add to that and distinguish what I think you're going to see in New York and the deals that Harry just mentioned is going to be more pricing-related. I mean, clearly pricing is gapped out, but that's not the same as what we experienced in 2022 and 2023, where there was just an absence of deals. There were no buyers. There's a lot of buyers. There's a lot of capital out there and wants to put their money into CMBS. The risk premium they may demand now is going to be higher. You'll see that I think in higher rates the deal just got done this week at rates that probably are higher than what would have been done, a month ago.

But there's a dramatic difference in market stability when you talk about buyers, who want more premium, versus lack of buyers. And I think as Harry said in New York, you're going to see deals get done, and there'll be some price discovery, and hopefully that price discovery will compress. As per Steve's comments, the market evidences

itself that there's still great demand out there for office product. But there's no – I wouldn't relate this to what we saw previously in prior years where there just was no activity.

**Nicholas Yulico**

*Analyst, Scotia Capital (USA), Inc.*

Q

All right. That's helpful. Thanks. And then, second question is just, I think, Marc, you said something about upward bias to guidance. And I wasn't sure if that was just predicated on getting more sort of investments done on the debt side. I want to be clear on that. And then, maybe on the other side of that, in terms of your FFO guidance range right now for the year, Matt, if there's any downside protection we should think about, if we're heading into a weaker economy or anything else, do you still feel good about the guidance range there? Thanks.

**Matthew J. DiLiberto**

*Chief Financial Officer, SL Green Realty Corp.*

A

Yeah. Going in reverse order, certainly comfortable with where we are right now. As we highlighted in December, the balance sheet is very insulated. We termed out all of our debt last year. We're hedged on all, but 3% or 4% of our floating rate debt. So, rates can move around, and the markets can fluctuate, and we're insulated there. So, certainly comfortable from the downside.

The upside bias is, Marc talked about investment opportunities, we have some other stuff we're working on that could result in upward revisions. But we typically don't revisit that in the first quarter. We get at least six months of activity behind us and reevaluate. But the prospects are good as we sit here now.

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Yeah. And not just debt-related. I think that was part of your – first part of your question. Is that all related to debt? No. We've got like a lot in front of us right now, equity, debt, fee-oriented, leasing deals working. And there's a lot of contributors. And my point was simply, if we get it all done, and that's our goal is to get it all done, then, we'll need to sit in and revisit. But we'll – that'll be a topic for three months from now.

**Nicholas Yulico**

*Analyst, Scotia Capital (USA), Inc.*

Q

All right. Thanks, everyone.

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

**Steve Sakwa**

*Analyst, Evercore Group LLC*

Q

Thanks. Good afternoon. Marc, I know at the Investor Day and on other calls, you've talked about wanting to try and secure new high-quality development site in Midtown. I'm just curious, given kind of what's going on in the macro and the uncertainty over tariffs and costs, how challenging is that to try and pencil out today? And is that something you'd still be looking at, say, this year or maybe that's something more for next year?

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

I think it's completely de-linked, Steve. These development projects are five- to seven-year journeys. And when we take a pen and pencil or computer to underwriting, we are – this is not a question of two months ago we were

excited about development, and two months later we're not, and next month we are, and next month, we're not based on the stock market or tariffs. There is an enormous scarcity of high-quality office development sites that can be delivered over the next four or five years. And any – a city like New York that is the pivotal CBD in this country and is growing, and is reaching all sorts of records on employment, on Wall Street profits, on bank earnings, there's a confidence we have in the long-term viability of this market that we would absolutely welcome the prospect of developing a significant new site in core Midtown Manhattan in our market, in SL Green territory. That's for sure. And that hasn't changed in my opinion or mind in the past three months.

My pricing – this goes back to what I said earlier on the bond question. My pricing change one way or the other maybe do I think rents have changed for that product? Absolutely not. In this building alone at One Vanderbilt, we have a constant flow of inquiries for expansion, because we have great tenants here and elsewhere through the portfolio. And notwithstanding what you're seeing in the market, there's still companies that are growing and taking advantage of this market and need more space. This isn't anecdotal. These are tenants who are ringing our doorbells and saying, we need to grow. We – and this isn't like modest growth. Some of these requirements are significant.

And the issue I have right now is not tariffs. The issue I have right now is delivering 1.5 million to 2 million square feet, of brand-new Class A One Vanderbilt-like style office space to the most sophisticated base of tenants in the country that want to grow. And I'm as committed to that today as I was in December.

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**Steve Sakwa**

*Analyst, Evercore Group LLC*

Q

Great. Thanks. I guess secondly, and I don't know how much you can comment on this. But just where are we kind of in the whole casino, downstate casino license plan and is that something that you still expect, I guess, the state to kind of get concluded by the end of this year or might that process get delayed?

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**Brett Herschenfeld**

*Executive Vice President-Retail & Opportunistic Investments, SL Green Realty Corp.*

A

This is Brett. How're you doing? The process has been full speed ahead since, call it, December of last year when the state, for the first time in four years, reached out all the bidders and said, we'd like you to start the environmental review process. That was new. We took it very seriously. Great sign. And we commenced immediately. We're an as of right project. There's two or three other as of right projects that are out there also starting their environmental process. We expect that given the amount of expenditure, the requests of the state to engage professionals for that review that June 27 will be the on-track day to submit the license for the state's review.

We're looking at from there a end of September local approval process, and hopefully a year-end award of that license. The state has acted much differently this year than it has in all four prior years, and we're very ready for it. We're excited. We're eager. We've been ready for the past two or three years, and can't wait to launch out there publicly and get going.

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**Operator:** Thank you. Our next question comes from [indiscernible] (00:22:06) of Bank of America Securities. Your line is open.

Q

Hey. Good afternoon. Thanks for taking my question. Going back to the active leasing pipeline, your press release noted 1.1 million square feet. Would you say they're kind of following the typical leasing deal timeline or is there evidence that corporate decision-making is pausing or is it just kind of a tightness in the market, there's more urgency and corporates are tuning out the macro uncertainties?

**Steven M. Durels**

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

A

It's really a function of the types of tenants that we're negotiating with at a point in time. And I think there's certainly no sense of tenants feeling pressured to making accelerated decision. And maybe there's – they slow down a little bit because we're working on a bunch of big deals. But I don't think that there's a material change in people's sentiment or their – how they're conducting themselves or how their third-party consultants are conducting themselves. So, I don't think there's really a lot of, call it, commentary as to what we're seeing right now versus how it's been over the past several months.

Q

Okay. And then, on the fee rents and TIs came down in 1Q. Can you talk a little bit more about how you kind of see that through the course of the year and what tenants are accepting?

**Steven M. Durels**

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

A

Yeah. That's just really a function of the basket of individual transactions for the quarter. I think, broadly speaking, concessions have been stable for really all through last year coming into this year. We haven't seen a material change. If anything, I would say, there's a good chance that in certain submarkets like on Park Avenue and Sixth Avenue where you see real pockets of strength in the Midtown market, that you'll see some tightening of concessions. I don't know it's enough to really move the needle, but as certainly the face rents are going up, and I think we've seen the rents go up on Park Avenue, and I think the entire community is expecting Sixth Avenue rents to go up, because there's been a tremendous amount of leasing, and there's number of large deals pending on Sixth Avenue, and that's going to drive face rents as we look into the rest of the year.

So, the natural extension after that is after rents go up, then they'll start to get pressure on trying to push concessions down. But I think it'll be submarket by submarket, not broadly across all the Manhattan market.

Q

Thank you.

**Operator:** Thank you. And our next question comes from John Kim of BMO Capital Markets. Your line is open.

**John P. Kim**

*Analyst, BMO Capital Markets Corp.*

Q

Thank you. I wanted to ask about a couple of your objectives for the year, which includes 2 million square feet of leasing and 93.2% leased occupancy. So, in the first quarter, you're ahead of the pace, but occupancy did go down. And I'm wondering, just given all the uncertainty in the markets today, if you still feel comfortable with those targets?

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

We're comfortable. Our living budget at the moment is in excess of 2 million feet, and that's as of like an hour ago. So, that'll go up and down. I feel pretty good about 2 million. We had a good start first quarter. We're already, I think, over 100,000 feet leased year-to-date...

A

**Matthew J. DiLiberto**

*Chief Financial Officer, SL Green Realty Corp.*

Quarter-to-date.

A

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

...well, April to-date...

A

**Matthew J. DiLiberto**

*Chief Financial Officer, SL Green Realty Corp.*

Yeah.

A

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

...quarter-to-date. And Steve's already talked about the pipeline. So, look, we're going to monitor closely, as we always do, the pipeline to evaluate trends and sentiment, whatever. But on the one hand, you've got geopolitical, on the other hand, you have tenants with real need for space, and that's not abating that we see yet.

We did so much in the first quarter. We would hope to be at around 1 million feet for the second quarter. And we think by year-end, we could eclipse that 2 million feet. And a lot of that's just driven by return-to-office. You had years of people on a hybrid work model. And now, this is a competitive environment. People are back, people are focused, people need space. And it's like we're just seeing that all over the market. And if ever there's a moment we don't, we'll be the first to tell you guys and our shareholders. But at the moment where we're feeling good about both the occupancy level and the volume.

A

**John P. Kim**

*Analyst, BMO Capital Markets Corp.*

Okay. Switching gears to 500 Park, I realized it wasn't a huge lease, but you got it to 100% occupancy. And I'm wondering what that implies for the mark-to-market of that asset? And if there's any update on the 6.8% cap rate that you acquired it at?

Q

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

Well, so on mark-to-market, I think we have to look at it in two ways. The lease we signed relative to both the in-place and the current market. But more interesting to me is where those rents will be after we finish a \$20 million-plus improvement program that we have commenced. We've selected our architect. We're going to be doing work in the Plaza, we're – in the amenity lobby, some other improvements, bringing sort of elevated hospitality to the building. And in that regard, we're projecting rents up off of today rents by at least \$15 a foot on average for, what I'll call, the repositioning program. But if the question is specifically where was that leased relative to market...

A

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

A

So, that one, I don't think had a mark-to-market calculation because it was filling vacant space at the time of acquisition. But I can tell you that the rents that we signed on that lease was \$10 a foot higher than the prior sponsor was asking for the space the day before we acquired the building.

**John P. Kim***Analyst, BMO Capital Markets Corp.*

Q

And where does the yield go to compared to the 6%, 8% that you bought it at?

**Harrison Sitomer***Chief Investment Officer, SL Green Realty Corp.*

A

We sit today at about a 7.2%. That's 6% to 8% you referenced from our investor conference is now 7.2%.

**John P. Kim***Analyst, BMO Capital Markets Corp.*

Q

Got it. Thank you.

**Operator:** Thank you. Our next question comes from Ronald Kamdem of Morgan Stanley. Your line is open.

**Ronald Kamdem***Analyst, Morgan Stanley & Co. LLC*

Q

Yeah. Two quick ones for me. Just starting on the disposition targets of \$1 billion, just how're you thinking about sort of that? What are you seeing in the markets? Thanks.

**Harrison Sitomer***Chief Investment Officer, SL Green Realty Corp.*

A

Yeah. Look, the plan is on track, and we feel confident based on the meetings and negotiations we're having. I think it's important for everyone here to realize that our team has navigated through the past five years of COVID, negative office bias and high interest rates. And through that period, we completed approximately \$9 billion of gross sales at share at a blended cap rate of 4.3% and \$1,400 a foot. Just demonstrating that our portfolio is liquid and investable in even the toughest of markets that you can imagine. So, yeah, sure, there're challenges in front of us as a result of some macro conditions, but it's far less than what we've experienced the past five years. And so, we're on track for the plan this year.

**Ronald Kamdem***Analyst, Morgan Stanley & Co. LLC*

Q

Great. And then, my second question, just going back to that 1.1 million square feet of pipeline, just a little color on how much of that is nonfinancial, right? And then, the second piece of it, how much of that is outside of Park Avenue and Grand Central, which have been pretty strong?

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

A

Well, let's see. The easy one is the first part of your question. There's a 0.25 million square feet of TAMI tenants in that pipeline, which I think is pretty notable, because that's probably as much square footage as we've seen

from that industry over the past couple of years within our portfolio. And certainly, TAMI, broadly speaking, in the market has doubled the number of active tenant searches year-over-year.

And then, as far as Grand Central, the majority of our portfolio sits within the Grand Central area. So, it's safe to say that the majority of the pipeline is within the Grand Central market, which has proven to be one or two most active submarkets over the past year.

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**Ronald Kamdem**

*Analyst, Morgan Stanley & Co. LLC*

Thanks so much.

Q

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

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**Blaine Heck**

*Analyst, Wells Fargo Securities LLC*

Great. Thanks. Just a follow-up on the last question. Can you give a little bit more color on the profile of the kind of most active TAMI tenants, and whether that activity is driven by relocations from other markets or kind of organic growth from tech and media companies that already have a presence in the New York market?

Q

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**Steven M. Durels**

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

All of them are relocations. And as best I recall, all of them are driven by growth. In that growth, some of those tenants are AI-related businesses. Then, I don't know what other color I can give you on it, but yeah, I mean, it's growth, it's relocation. They're household names, and we're seeing an AI name attached to a lot of these tenants.

A

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**Blaine Heck**

*Analyst, Wells Fargo Securities LLC*

Got it. That's helpful. And then, maybe a different angle on tariffs and uncertainty, I guess can you talk about the profile of potential capital partners that are showing interest in JV deals or even the debt fund at this point? And in particular, whether there has been any notable change in demand from foreign investors given the recent macro uncertainty and trade disagreements?

Q

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**Harrison Sitomer**

*Chief Investment Officer, SL Green Realty Corp.*

We haven't seen it yet. I would note countering what you just mentioned is the weaker US dollar. One thing that we experienced in 2023 and 2024 was the US dollar moving against us for those two years. With the dollar getting weaker, it makes it much easier to have some of the conversations we're having. On the fundraising side for the fund, our group of investors are institutional, both domestic and international, representing almost every region across the world.

A

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**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

I guess...

A

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**Blaine Heck**

*Analyst, Wells Fargo Securities LLC*

Q

Great. Thanks.

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

...the main point to make there, I think, if I understand your question, is we have not seen a drop-off in foreign investor demand for the debt fund or for product. Now, with respect to the dispositions, the proof will be when we close them, and we just started the year, so we're in the process of doing that and hope to knock those off in the second half of the year, contract first half, close second half, which is our usual rhythm to that. But as we sit here, and we look at the short list for the many different sales and JVs we're working on, I would still say a lot of the usual – I don't want to say suspects, our usual relationships are still steadfastly on that list. So, more to come on that on the next call, but we've not seen any drop-off of interest there.

**Blaine Heck**

*Analyst, Wells Fargo Securities LLC*

Q

Great. Helpful.

**Operator:** Thank you. Our next question comes from Omotayo Okusanya of Deutsche Bank. Your line is open.

**Omotayo Okusanya**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Hi. Good afternoon, everyone. On the Investor Day, there was a lot of emphasis around office to resi conversion and the opportunities [indiscernible] (00:34:50-00:35:03)

**Matthew J. DiLiberto**

*Chief Financial Officer, SL Green Realty Corp.*

A

Omotayo, we're not hearing you, Tayo.

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

You got to ask it again because you're breaking up.

**Omotayo Okusanya**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Can you hear me?

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Now, yes. Now we can.

**Omotayo Okusanya**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay. Sorry about that. So, I was saying on the Investor Day, there was quite a lot of emphasis on the office to resi opportunity in New York, how regulation was changing. Could you just give us an update in regards to that and how you are thinking about opportunities in your portfolio to do some of the potential more resi to – office to resi conversions?

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

A

Yeah. So, I would say that as we sit here, 3.5, 4 months from our investor conference, I would say the volume of announced or planned deals is anywhere between consistent or ahead of where we were and what we showed back in December. There is a lot of conversion candidates, particularly downtown, where the prices of the bricks and mortar, and land enable conversion on an economic basis. We're seeing it on Third Avenue. Our own project, 750 Third, as well as the old Pfizer headquarters, as well as...

**Harrison Sitomer***Chief Investment Officer, SL Green Realty Corp.*

A

675 Third and 767 Third, which are both recent...

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

A

Yeah.

**Harrison Sitomer***Chief Investment Officer, SL Green Realty Corp.*

A

...trades for office to residential.

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

A

So I mean, there's four deals in that Third Avenue market. And you can imagine how quickly a market for office can tighten when you take four very viable office buildings and take it off the market, which all four of those are essentially off the market now for office tenancy. And that has a very firming effect, if you will.

There's going to be a lot in Midtown South as well, due to the zoning changes that were accomplished there as part of City of Yes. And I think it's a significant and one of those understated or under – not well understood trends that we'll look back on in two or three years when this market really firms up and you see occupancy levels drop to – well, vacancy levels drop to single digits.

A big part of that – half of that's going to be net absorption and growing demand, half of it's going to be resi conversion. So, I think it's taken root, there's projects underway like ours, there's going to be thousands and thousands of units delivered. And I think ultimately, in excess of 25 million square feet of office is going resi. It'll take time to complete and deliver, but it's fairly instantaneous in terms of its exit out of the inventory of available space to lease.

**Omotayo Okusanya***Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you.

**Operator:** Thank you. Our next question comes from Seth Bergey of Citi. Your line is open.

**Seth Bergey***Analyst, Citigroup Global Markets, Inc.*

Q

Hi, guys. Thanks for taking my question. Are you guys seeing any larger requirements for the remainder of One Madison? And you touched a little bit on the supply picture, but can you talk about the demand for Midtown South?

**Steven M. Durels**

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

A

Yeah, we've seen a marked change in tour activity and some early proposals that are on the table right now. I was sharing with Marc a week or two ago that the number of qualified large prospects that have either toured or are a diligence process focused on One Madison just over the past 30 days is probably more than what we saw all of last year. So, I don't want to get too far out over our skis, but it certainly feels very promising at this moment compared to any time over the past 18 months.

**Seth Bergey**

*Analyst, Citigroup Global Markets, Inc.*

Q

Thanks. And then, just on the SUMMIT, kind of what percent of visits are international visitors? And then, kind of can you talk a little bit about what the booking window looks like for that?

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Question is, what percent is international?

**Steven M. Durels**

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

A

Visitors.

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Look, I don't want to mislead. I don't have those stats at my hand right now. I think traditionally, it's about two-thirds tourism and one-third domestic. That's a very high domestic attendance level for – when I say domestic, I'm talking tri-state area, like local. It's like a third local, it's like two-third tourism. Within that tourism break, I mean, the preponderance is domestic. But when I go up there, it feels to me like almost 35%, 40% is foreign tourists. So, I don't have good stats on. Does anyone else have here?

**Steven M. Durels**

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

A

A lot of repeats.

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Yeah. Lot of repeats for sure. It's an unusual insomuch as people go back and back, it's only been open 3.5 years. We've had people come back five, six, seven times, because it's not an object, it's an experience, it's an attraction, it's a destination and it's thrilling.

So, for those that know, you know what I'm talking about, for those that don't, you should get there right away. In 2024, it was about closer to 50% foreign visitor. I'm just getting that stat sent to me right now. So, a little higher

than I said. But a good balance, and we see no drop-off in any demand or change in composition through the first quarter.

**Seth Bergey**

*Analyst, Citigroup Global Markets, Inc.*

Thanks.

Q

**Operator:** Thank you. Our next question comes from Vikram Malhotra of Mizuho. Your line is open.

**Vikram Malhotra**

*Analyst, Mizuho Securities USA LLC*

Thanks for taking the questions. Maybe just building up on the SUMMIT question in New York, I guess, just can you talk a little bit about the opportunity in Paris, where you are, potential timeline for execution?

Q

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A lot more to come on Paris between now and end of year, hopefully with some imagery that we'll be able to share with you as well, which I think everyone will find extremely exciting. But Rob Schiffer and I just came back from Paris about two weeks ago, where we spent a lot of time with developers there, and the site and the construction. And our team, we have a big team that's already been assembled in Paris of engineers, designers, expeditors, et cetera, working on – are taking things from conceptual to design development. We expect to have possession of the floors for SUMMIT Paris sometime in Q1 of 2026, and we expect to be open to public sometime at the end of Q1 2027.

A

So to me, that's right around the corner, because there's so much to do. We're going to be putting a team and the staff together out there that'll be managed and run by this amazing team we put together here in New York with, obviously, local senior people on the ground in SUMMIT. We've started some of that hiring already. I can only tease you with the fact that the early artistry coming out of Kenzo's shop is staggeringly beautiful. And it's going to be in the spirit of what we have upstairs. But very different, very unique, I think, a nod towards Parisian abstraction. And I am really excited to be able to cut that ribbon in 2027.

**Vikram Malhotra**

*Analyst, Mizuho Securities USA LLC*

Great. And then, just on the [ph] FAD (00:43:30) guidance at the Investor Day, kind of relative to 1Q, can you just remind us sort of as we go through the year, I'm assuming there's more leasing you did that's converted into cash later in the year. Is there like a ramp-up as we go through the year or anything kind of onetime that we should model in for the rest of the year?

Q

**Matthew J. DiLiberto**

*Chief Financial Officer, SL Green Realty Corp.*

Yeah. Two components of FAD. Over the course of the year, as we highlighted in our recent presentation, physical occupancy or commenced occupancy, whatever you want to call it, economic occupancy is increasing every quarter throughout the course of the year such that we end up going from around 88%, 89% at the end of last year to over 92% at the end of this year. So, that'll help the revenue side.

A

On the cost side, obviously, as the space is built, the buildout costs go down. That said, typically our capital spend accelerates into the end of the year. It's lightest in the first quarter and heaviest in the fourth as the projects get completed towards the end of the year. So, the FAD number for the first quarter was a solid one, better than our expectations. But for the full year, we're still seeing roughly in line with what we guided to in December.

**Operator:** Thank you. Our next question comes from Peter Abramowitz of Jefferies. Your line is open. Peter, your line is open.

**Peter Abramowitz**

*Analyst, Jefferies LLC*

Q

Thank you. Yes. Just wanted to ask quickly about 11 Madison. You have the expiration in September. Just wondering if there're any kind of comparable deals you could point to give us an idea of maybe you would expect in the refi market? And any comments on if you're considering doing something in the CMBS market rather than a bank deal?

**Harrison Sitomer**

*Chief Investment Officer, SL Green Realty Corp.*

A

Yeah, sure. I would sort of say, this is an active negotiation and deal that we're working on now. So, I'd prefer not to comment on it with more to come later this year. Obviously, we got our \$5 billion plan done last year. We have a lot of reps now as to how to work with existing lenders and the market as to obtaining efficient financing for these assets. And I would say just stand by, and we'll update you into the next call.

**Peter Abramowitz**

*Analyst, Jefferies LLC*

Q

All right. That's all for me. Thanks.

**Operator:** Thank you. This concludes our question-and-answer session. I'd like to turn it back to Marc Holliday for closing remarks.

**Marc Holliday**

*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

Okay. Great. Well, appreciate all the questions. And like I said, wanted to just leave you with the notion that we're working very hard in all these different opportunities in front of us, but also very cognizant of the state of the markets right now. And we're going to stay very nimble, and be very reactive to both opportunities, making sure we keep the buildings as leased as possible and get the occupancies up. And Matt will continue to steward the balance sheet. So, I think we're in great shape at this moment in time, as really as good as I could have asked, and we look forward to speaking to you again in three months.

**Operator:** This concludes today's conference call. Thank you for participating, and you may now disconnect.

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