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# SL Green Realty Corp. (SLG)

Q2 2024 Earnings Call

### CORPORATE PARTICIPANTS

### **Marc Holliday**

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

### Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

#### Steven M. Durels

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

### **Harrison Sitomer**

Chief Investment Officer, SL Green Realty Corp.

### OTHER PARTICIPANTS

John P. Kim

Analyst, BMO Capital Markets Corp.

Connor Mitchell

Analyst, Piper Sandler & Co.

Michael Lewis

Analyst, Truist Securities, Inc.

Nicholas Yulico

Analyst, Scotiabank

Steve Sakwa

Analyst, Evercore ISI

### **Camille Bonnel**

Analyst, BofA Securities, Inc.

#### Blaine Heck

Analyst, Wells Fargo Securities LLC

### **Anthony Paolone**

Analyst, JPMorgan Securities LLC

#### Michael A. Griffin

Analyst, Citigroup Global Markets, Inc.

#### Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

### MANAGEMENT DISCUSSION SECTION

**Operator**: Thank you, everybody, for joining us, and welcome to SL Green Realty Corp.'s Second Quarter 2024 Earnings Results Conference Call. This conference call is being recorded.

At this time, the company would like to remind listeners that, during the call, management may make forward-looking statements. You should not rely on forward-looking statements as predictions of future events as actual results and events may differ from any forward-looking statements that management may make today. All forward-looking statements made by management on this call are based on the 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 measures most directly comparable to each non-GAAP financial measure discussed, and a reconciliation of the differences between each non-GAAP financial measures and the comparable GAAP financial measures can be found on both the company's website at www.slgreen.com by selecting the press release regarding the company's second quarter 2024 earnings, and our supplemental information included in our current report on Form 8-K relating to our second quarter 2024 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'll now turn the call over to Marc Holliday. Please go ahead, Marc.

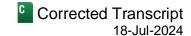
### Marc Holliday

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

Thank you. Good afternoon and appreciate everybody joining in today. I think this was, by all measures, a great quarter for SL Green, even by our own lofty standards. I want to lead off by expressing my sincere appreciation for the SL Green team who have massively contributed to our company's impressive results for this quarter, and throughout the most challenging times of recent. The extremely talented men and women of SL Green work seven days a week, believe in New York City, care deeply about what we are doing and are simply the best in the business. We could not print these results against the tide of negativity and defeatism without the dedication and loyalty of the 300-plus SL Green corporate employees and another 1,000-plus who work in the buildings day, night, weekends, and holidays. We are extremely lucky to have such a diverse and talented team of professionals, and it's the biggest reason for outperformance in the office sector over the past one, three and five years. And it should be the deciding factor in making an investment in SL Green, the knowledge that we can outperform in good markets and bad, and that we will always put the shareholders first in making strategic decisions.

This year-to-date achievement illustrates something far greater than simply a market in recovery, because we are vastly outperforming a still unsettled commercial real estate market. It is the result of a deliberate plan we laid out years ago to improve the quality of our portfolio by physically improving an amenitizing our properties, focusing our efforts along the Park Avenue spine and East Midtown, selling assets that didn't fit that profile, and then monetizing our best assets to fund our new development activity.

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What you are now seeing is the positive consequence of the execution of that plan, and I believe we are now on a path to seeing sequential quarterly improvement in our operating and financial metrics into the foreseeable future. When others gave up on New York, we believed. People said that the financial sector was picking up and moving to Florida. But what we've seen is significant sector growth right here in our hometown, fueled in part by the \$12 billion of Wall Street profits in just the first quarter of 2024. And that's as compared to \$26 billion for all of last year.

Growth in South Florida and elsewhere doesn't mean contraction here in New York. In fact, it's been the opposite. Companies like Blackstone, Citadel, Wells Fargo, and Bloomberg are all expanding their footprint here. And it appears that JPMorgan is buying the neighboring building at 250 Park Avenue, as they continue to report extremely strong profits.

But the demand for space goes far beyond Park Avenue, and I think the best illustration of that is looking at our current pipeline of office leasing, which is 1.2 million square feet. This is after all the activity we announced yesterday, totaling 1.4 million square feet of leases signed to-date. There's another 1.2 million square feet of identifiable leases pending, term sheets, out for signature that we have in our sites after that activity. And interestingly, more than 80% of that activity is not on Park Avenue, but rather it's on radiating outwards through East Midtown, everywhere from Sixth Avenue on over to Third Avenue, fairly evenly dispersed, lots of mid-market deals, lots of strength in the middle, not just the big deals. And I think it's one of the more exciting elements of what we have to look forward to for the balance of this year.

Everyone wrote off retail in New York City, but you saw our release yesterday and it very clearly is back. Retail is back. Yesterday, we announced that One Madison retail is now 100% leased, curated in a way that brings real value to our tenants at the building and to the residents of the Flatiron neighborhood.

And naysayers wrote off New York as a global destination, but tourism is beating expectations again, well over 60 million tourists expected this year in New York. Hotel average daily rates up 3% year-over-year. Occupancy is approaching 90% in Manhattan. And the result of this is because of limits on Airbnbs and conversion of some hotel properties to supportive housing. If this trend continues, Midtown is likely going to be under-hoteled again soon. There is no better evidence of this surge of tourism than right upstairs from us at SUMMIT, where attendance numbers are up again this year over the outperformance attendance we had last year. And it's just proving again and again that this has become one of New York City's most compelling destination experiences, and was a contributor to our quarterly results. And more to come on that.

But I want to end on an even higher note. Today, I'm excited to announce that we have secured our first new SUMMIT global location and we are expanding to Paris. More details to come on that in the fall today. But today, I can say to everyone listening in Paris, a bientot, and see you soon.

And thank you, all, for listening. And we'll take questions.

### **QUESTION AND ANSWER SECTION**

**Operator**: Thank you. At this time, we'll conduct the question-and-answer session. [Operator Instructions] Our first question comes from the line of John Kim of BMO Capital Markets. Your line is now open.

John P. Kim

Analyst, BMO Capital Markets Corp.

You threw a curveball with the Paris announcement, so I have to ask about that. Can you talk anything more about the location of SUMMIT in Paris, the timing of it, and anything else you could describe on it?

Marc Holliday

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

Yeah. No. We're going to leave that. Stay tuned. More formal rollout in the coming months. Lots to talk about. Very exciting. But just wanted everyone to know we're coming.

John P. Kim

Analyst, BMO Capital Markets Corp.

And if I could focus then on SUMMIT New York, you had a 16% growth in revenue this quarter year-over-year. How much of that was visitor count versus average ticket price? And can you also remind us on the mechanics of how the rent is paid to the JV? How much of the OpEx is that rent figure?

Marc Holliday

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

Okay. I got the first part of the question. The – it's mostly attendance. I think the attendance, which we had up for the year was up another 100,000 for the first half of the year, above our budgeted numbers. The ticket prices are fixed. I just want to – my goal is – and the goal with SUMMIT is to really keep SUMMIT as an affordable price point as possible, so people can come and enjoy it both within the city and around the world. We have programs for New York residents where they get discounts. We have discounted programs that I think are best-in-class for active duty personnel and veterans. And the prices are fixed. We don't surge price. We set those prices at the beginning of the year. We hold them fixed and evaluate at the end of every year. So, almost all of what you see is attendance.

What was that second part that you asked, if I can ask you, John, again?

John P. Kim

Analyst, BMO Capital Markets Corp.

The intercompany rents or the rent that you pay to the JV, is that – how much of that is in the operating expense? And also on the revenue or visitor counts, when do you start opening up on Mondays or extending the hours?

Marc Holliday

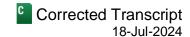
Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Well, why don't you answer the rent part?

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#### Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. Rent schedules in the supplemental, John, the base rent. We don't get into how much percentage rent the SUMMIT pays to the building.

Marc Holliday

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

Okay. And...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

And then hours?

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

Hours of operation?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. Hours of business.

Marc Holliday

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

Those are – I think right now, we're typically opening from around 9:00 in the morning. Last ticket sale, 10:30 at night; facility closes at midnight. We could go longer. The night experience at SUMMIT is every bit as good as daytime and sunset, something better, because of the city lights and the air at night, the feature we have with – that we've curated in the evenings. So, it's possible that in the second half of the year, maybe after the summer, we'll go later on the closing hours. We're open seven days a week now. Portions of the first half of the year, we were closed on Tuesdays, I believe, down days. But right now, the facility is in excellent condition. The demand is strong. We're going seven days, and I imagine we'll be going seven days almost right up until the end of the season, where happens the end of the year.

John P. Kim

Analyst, BMO Capital Markets Corp.

Thank you.

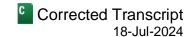
**Operator**: Thank you. One moment for our next question. Our next question comes from the line of Connor Mitchell of Piper Sandler. Your line is now open.

Connor Mitchell

Analyst, Piper Sandler & Co.

Hey. Good afternoon. Thanks for taking my question. Marc, you touched on it in your opening remarks. But just as Park Avenue leases up at higher rents with the recent quarter-end activity as an example, could you just expand on how you guys are seeing the dynamic of the neighboring submarkets changing in terms of pricing, concessions, touring activity, any other color you might be able to give?

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### Marc Holliday

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

Yeah. I don't have the average starting rent for the pipeline, but just to give you a sense for the leases done in the second quarter, the average rent, which was about \$93 in the first quarter, was up over 10% to over \$100 in the second quarter. So, a lot of that is influenced by Park, but not all of it. Really, it's as much Park Avenue as it is types of buildings, because I think Steve will sort of run you through the dynamic in the dearth, if you will, of big block availability, particularly in types of buildings, whether it's old or new, and regardless if it's on Park or off of Park, and it's definitely driving rents. And as it relates to concession, Steve, your thoughts?

Steven M. Durels

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

Well, a couple of points. Marc is spot-on with regards to the migration to better quality space. And don't confuse that to mean just new construction or heavily renovated buildings. What we're seeing is that even in the mid-price point buildings, where we got a tremendous amount of activity in our portfolio, the – but a lot of that is skewed towards the upper half of the floors. So, the tower floors in particular.

If you look overall in the market beyond just our portfolio, there's a stat out there that would tell you that 57% of the current direct availability in the marketplace is located in the base floors of buildings. So, you're seeing price appreciation on Park Avenue. You're seeing price appreciation in the heavily renovated buildings, irrespective of location. And you're seeing price appreciation in heavy and strong leasing velocity in the tower floors of both the high-quality buildings and the mid-price-point buildings.

Concessions, I think, as we've said for a while now, remain pretty static. I haven't seen any change in concessions irrespective of the building you're in. And we're seeing the prices get pushed on the better portions of buildings and better quality buildings. And I think we've commented earlier in the year when asked the same question, that's exactly how we expected things to unfold as the market continues to improve.

**Connor Mitchell** 

Analyst, Piper Sandler & Co.

Okay. Appreciate that. And then maybe just a quick question on the JV [indiscernible] (00:15:19) as well. Just wondering if there's any update on if the focus is still primarily on Manhattan or maybe any opportunities outside of the company's primary focus submarkets may have surprised you and you kind of taking a look at any opportunities for the debt fund outside of Manhattan?

Marc Holliday

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

Manhattan, the focus is Manhattan. I will add to that, as you'll start to see us – or continue to see us grow the special servicing and asset management business, which is not a principal investment business, you'll continue to see us pick up assignments outside of Manhattan, but that's purely a fee business for us.

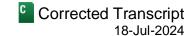
Connor Mitchell

Analyst, Piper Sandler & Co.

Okay. Thanks very much.

**Operator**: Thank you. One moment for our next question. Our next question comes from the line of Michael Lewis of Truist Securities. Your line is now open.

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#### Michael Lewis

Analyst, Truist Securities, Inc.

Yeah. Thank you. My first question is about the leasing in Manhattan so far, year-to-date. Your full-year guidance, as you know, for Manhattan office signed leases is 2 million square feet for the year. I don't know if you expected that to be first half weighted or not. So, I guess the question is, is your volume year-to-date? Are you running ahead of what you expected in your guidance? And if you are, is there a reason or is it just broad strength that you're seeing in the market?

Marc Holliday

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

Well, I mean, we're definitely running ahead of guidance. The year has been – first half of the year was really strong for us and occupancy heading in the right direction and not just volume for volume's sake, but really good leases on terms where we're satisfied with. And I think you saw – you're seeing that in our guidance as well as in other ways. So, yeah, we'll – we should exceed our goal for the year, and that's good by how much we'll see. I'd like to see this team blow it away and end up with some really, sort of, fantastic results. But, look, it's – there's a lot of work to do on that 1.2 million square feet pipeline. I guess, Steve, you could sort of give some parameters around what's driving that pipeline and where that strength is coming from.

Steven M. Durels

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

Yeah. So, as we mentioned earlier, the pipe is – currently, it stands at about 1,200,000 square feet. In that number, we have leases out in negotiation as opposed to just term sheets being negotiated, covering over 760,000 square feet. And of that number – of the overall pipeline of 1.2 million square feet, 62% of the square footage that's in the pipeline is for deals or pending deals for current vacancy in the building. So, you're seeing a lot of new tenants come into the portfolio filling current vacancy. We're seeing the financial service sector, which makes up 50% of our pipeline, continue to add bodies and add square footage and see dramatic expansions.

Some of the bigger deals that you've seen us announce recently this year with both PJT at 280 Park Avenue, and Ares at 245 Park Avenue. Those are very large transactions and each of them were for tenants that were doubling in size. So, I think those were some big drivers of our success to-date. And we're seeing that in our pipeline. So, no expectation that slowing down for the rest of the year.

Michael Lewis

Analyst, Truist Securities, Inc.

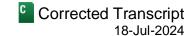
Okay. Great. We'll look for that green thumbs up on that slide in the deck in December. My second question is about the fee income. And I talked to Matt a little bit about this. The other revenue line item was \$33 million this quarter. It was \$13 million in the first quarter. If I look at the guidance, it appears to me it's somewhere in the midteens quarterly run rate the next couple of quarters. Can you maybe talk about the recurring fees? And I don't want to call the rest of them nonrecurring, but I realize they're just lumpy and more transaction-driven. But it might help kind of frame not only modeling, but what multiples to put on revenue streams, to talk about the servicing fees versus some of the lumpier transaction fees in that line item.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. It's Matt. So, I think this quarter finally illuminates the people, the fee-generating machine that this platform can be, which we've telegraphed to people the last few years, and it's really showing its strength now. These fees come in in various forms and they can be lumpy. So, last quarter was a fairly muted quarter in ancillary fee

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income. This was big and those fees can come in many forms. We talked about the special servicing business. That business is basic modest fees on a monthly basis until you resolve the situation, then you get a resolution success fee. Those are unpredictable, but they're sizable when they come in. We often get fees from partners, buyers of assets, of restructuring debt. Those can be lumpy. Those can be a function of the timing of the closing of those deals. That's part of what flow through in the quarter.

So, when you say what's recurring, well, all of those as categories are recurring. The timing of those things is what is most challenging. By the way, even for us, it's – the blessing of not putting out quarterly guidance, I don't have to guess when these fees come in every three months. We can do it over the course of 12 months, but even that can move from quarter-to-quarter. But as categories, you will see special servicing fees, ancillary fees, asset management fees continue to be a bigger and bigger part of our recurring income, and that's a very high margin business, much higher margin than the real estate, and, therefore, requires a much higher multiple.

Michael Lewis

Analyst, Truist Securities, Inc.

Okay. Well, I have to continue to do quarter-to-quarter, so I'll do my best. But thank you for that.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah.

**Operator**: Thank you. One moment for our next question. Our next question comes from the line of Nick Yulico of Scotiabank. Your line is now open.

Nicholas Yulico

Analyst, Scotiabank

Thanks. First question is for the Ares renewal and expansion, I think that was done in July. Is it possible to get a feel for the mark-to-market on that?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

It's a sizable number. I don't want to get into specific mark-to-market on leases, but it's – the leases in 245 Park, as a general statement, are being marked up significantly from prior vintage.

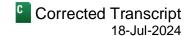
Marc Holliday

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

Yeah. I mean you got to understand the asset was owned by HNA for a period of time. And it was probably not receiving the amount of capital commitment it deserved in order to be responsive to a building that's in an unbelievable location and should be a market leader really in terms of Park Avenue address. So, we're obviously addressing that through a significant capital program we've launched. It's already underway. We hope to be done by end of 2025, first quarter of 2026. And we're marketing the building off of the commitment to do that very robust repositioning of the property, everything from plaza to lobby, amenities, new rooftop, et cetera. I mean, it's going to be a phenomenal building when it's done.

So, when you look at mark-to-markets, it's kind of - it's a bit unfair to compare apples and oranges because this building is completely different than its current state or predecessor building. The rents are reflective of that. All

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the rents in the building from bottom to top are decidedly triple digits, maxing out at as much as \$150 a foot or thereabouts. And we're probably raising rents as we go forward because there's a diminishing supply of what's left. We had forecasted a longer lease-up period, but given both the demand for renewal space and expansion space, and new leases we've signed, you've seen a bunch of them over the past few quarters, I expect we'll be able to achieve even higher mark-to-markets as we go forward to full lease up of the building.

Nicholas Yulico Analyst, Scotiabank Q

Okay. Thanks for that. I guess, Marc, just to follow up then, is that – I know you've gotten a lot of leasing done in the building, as you mentioned, and sounds like rents have gone higher. Can you then just give us a feel for how you're thinking about then, what the asset valuation could be like versus the interest sale that was done last year? I realize you're still, I think, focused on that. Just any feel for whether it's an NOI number or something else? How that may have changed based on the underwriting a year ago versus what you're trying to achieve now?

Marc Holliday

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

Well, I don't have those numbers in front of me, but I mean just looking at it intuitively, we're like over a year forward, I think, in terms of time elapsed. We've leased up a lot of space. We've done it on budget. So, time value alone would warrant some type of premium. On the one hand, you could say, well, that's great progress. On the other hand, we budgeted this progress. That's the progress our partner bought into when they did the deal. When was it, Harry?

Harrison Sitomer

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Chief Investment Officer, SL Green Realty Corp.

13 months ago.

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Marc Holliday

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

13 months ago. And one of the things our partners rely on is we put numbers on a piece of paper. They're not shy, they're not unobtainable, obviously, but they're not shy. We test ourselves just like we do with you guys every December with our scorecard, we do with the same with our partners, and put down what we think we can achieve, both timing and rents and concession packages. We've been achieving that. So, the good news is we're executing the plan. The costs for the development are coming in right on the nose of where we expected them to come in. In fact, we increased the scope a bit to include a more dramatic. We improved rooftop like we did at One Madison. And by the way, the rooftop at One Madison is spectacular. And I think it's going to be one of the real icons down in that area for venue space going forward. And so, on the one hand, you pick up the time value. On the other hand, we're dead on our numbers. So, that's the good news. And I would expect there'll be some premium to where we transacted.

Nicholas Yulico

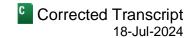
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Analyst, Scotiabank

All right. Thanks. Appreciate it.

**Operator**: Thank you. One moment for our next question. Our next question comes from the line of Steve Sakwa of Evercore ISI. Your line is now open.

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#### Steve Sakwa

Analyst, Evercore ISI

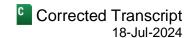
Thanks. You guys have had a lot of success leasing up 280 Park, 245 Park. Obviously, One Vanderbilt is filled. One Madison, on the office side, maybe hasn't made as much traction, Marc. I know you kind of leased up all the retail there, but maybe your – Steve, just kind of speak to the demand within that 1.2 million square foot pipeline that you're seeing for One Madison and maybe what's been holding the leasing back at that asset?

Steven M. Durels Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp. Oh... **Marc Holliday** Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp. So, Steve, I just want to... Steven M. Durels Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp. No, no, don't stop... Marc Holliday Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp. No, no, Steve. I got it. Well, first of all, somebody restrain this guy. Second of all, Steve Sakwa, that's quite a statement, given that we're 65% leased, over 70% economically leased, right on our original budget, which was a pre-COVID budget, right on our numbers. And the building doesn't even really open until, I think, like, November or something. So, to say the building is behind schedule or whatever words you use or not leasing or anything, no chance, my friend. I mean, we leased that building... Steve Sakwa Analyst, Evercore ISI I don't think I said that, Marc, but... Marc Holliday Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp. We leased that building, that retail is 100% leased. The tower is 100% leased. And we are, I think, three-eighths leased in the podium or something like that. It is dead on the numbers. So, we could talk about the leasing status, that's fine, but no notion of any challenge or any underperformance on that asset, no way. Now, Steve Durels, he's calmed down a bit so he can go. Steven M. Durels Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp. Steve, is it good when your boss tells you back that way?

I'm glad he's passionate about the project.

Steve Sakwa
Analyst, Evercore ISI

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### Steven M. Durels

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

Well, I think Marc gave all the highlights. It's – the building is 65% leased. The tower portion of the building is fully leased. We just signed the top floor with an expansion to FanDuel. So, they now have two floors in the building at rents that exceeded our underwrite for that last floor. What we have remaining in the building are five floors in the podium of the building. There's a 92,000 square foot floor plates. Without a doubt, it is the best building in the Midtown South submarket and everybody we tour through there loves the project.

The challenge are what we have available right now are those five large floor plates, and as no doubt you've read some of the market reports in the brokerage houses, there's been a dearth of large tenants in the Midtown South market as opposed to large tenants actively transacting in Midtown, where we've done more than our fair share of very large deals in the Midtown market. It's a matter of time before the large tenants sort of come back into the Midtown South market. And when they do, the building is well-positioned and we'll have great success.

### Steve Sakwa

Analyst, Evercore ISI

Okay. Thanks. And then, is there any update on the potential stake in One Vanderbilt? I know that was something that was actively marketed as part of your plan for 2024. I'm just curious if there's any update you can share.

### Marc Holliday

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

Yeah. Sure. One Vanderbilt continues to set the standard for the market, and it continues to receive the recognition nationally and globally. No matter what meeting we are in throughout the world, the first thing investors want to talk about is One Vanderbilt. It's fully leased. The debt is locked in through 2031, sub-3%. SUMMIT continues to outperform as a globally recognized tourist destination. We just added our second Michelin Star restaurant. Architecturally, Jamie von Klemperer and the KPF team just received, I think it was like last month, the prestigious AIA National Architecture Award for their work at the building. And by my estimation, we have in excess of \$30 a foot of average embedded rent growth, really which I look at as demonstrating the scarcity and really no comparable supply on the horizon due to a bunch of factors, sourcing the right location, long lead time, lack of affordable construction financing, some of the big anchors needed for any comparable project to this recently signed up commitments. I think you have Blackstone, Bloomberg and Citadel. And I think all these factors, they really create a moat for One Vanderbilt.

And so, for all these reasons, of course, we have very strong investor appetite and multiple offers from investors. And I know everyone on this call wants speed, but I think most important is the right investor on the right terms, and not really looking at it quarter by quarter. With that said, we are working on transaction documents, and I do expect news to share later this quarter.

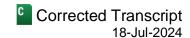
### Steve Sakwa

Analyst, Evercore ISI

Great. Thanks.

**Operator**: Thank you. One moment for our next question. Our next question comes from a line of Camille Bonnel of Bank of America. Your line is now open.

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#### **Camille Bonnel**

Analyst, BofA Securities, Inc.

Hi. It seems like the financing and transaction market is starting to open up this year. So, more broadly, can you talk to how investors are underwriting lease-up time lines and returns for office in New York City?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

So, just repeat - do you mind repeating the question?

**Camille Bonnel** 

Analyst, BofA Securities, Inc.

Just wondering if you could provide more color on the underwriting that investors are looking for when looking at office building.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. Look...

Camille Bonnel

Analyst, BofA Securities, Inc.

Lease-up timelines, yields – yeah.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

I would say on the fundamental side for the right assets, I think as we've always said, you can't generalize the market. But for the types of deals we own, for the types of deals we're investing in, looking at whether it'd be through the fund or through our balance sheet, the fundamentals of the real estate, investors are very easily wrapping their head around today. There isn't a lot of question about rents, downtime or even concessions at this point. Investors, again, whether it'd be for the fund or on specific deals, they have a lot of confidence in our ability to underwrite assets. We talked about 245 Park, as Marc said, we're dead-on the underwrite that we presented to our partner a year ago and that is over 500,000 square feet of leasing just in 13 months. So, there's a lot of ability for investors as we sit with them to wrap their head around those fundamentals.

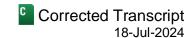
With respect to the overall transaction market, the reason we're not seeing significant number of investor transactions is really just the lack of debt liquidity today. And a lot of that is what is driving us to want to launch the fund, and the efforts that we're putting in there is to be that source of liquidity. But right now, the reason we're not seeing significant investor activity is really because investors are still trying to wrap their head around where the liquidity will come from in the debt capital markets.

**Camille Bonnel** 

Analyst, BofA Securities, Inc.

Okay. And for the benefit for those who have only started to follow your company more recently, curious to understand the kind of involvement your teams engage in when you have active assignments on the special servicing side. How much capacity do they have to take on more?

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### Marc Holliday

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

Yeah. Look, special servicing and asset management for us is really an exponentially growing opportunity. We have a subsidiary entity, Green Loan Services run by Andrew Falk, and capital providers continue to come to us for real estate services, whether that be on the special servicing side or asset management side. Right now, we have about \$3 billion – over \$3 billion of active special servicing and asset management, and another \$6 billion where we're named special servicer, which I just look at as future opportunities for the special servicing business.

In addition to that, I expect that to grow pretty exponentially over the coming quarters. We have a pipeline right now of over \$2 billion of additional opportunities, not all in New York. And I would expect very shortly to land most, if not all of those. Those figures are going to continue to grow. And as I think Matt alluded to earlier, that almost entirely goes right to the bottom line. So, that's a big focus of ours.

In terms of staff, which I think was the second part of your question, Andrew and his team continue to have the ability to take on new opportunities and use the resources within the firm. But we're constantly monitoring if we need to staff additional people on it. But again, I would expect most, if not all, of the revenues to go right to bottom line.

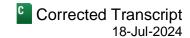
Camille Bonnel Analyst, BofA Securities, Inc.	Q
And so, to clarify, is the timing of that \$6 billion that you were designated as factored into the updated guida you provided last night?	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	A
The \$6 billion is [ph] not at all (00:36:50) factored into the guidance v	we put out last night. None of it.
Camille Bonnel Analyst, BofA Securities, Inc.	Q
Okay. Thank you.	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	A
Yeah.	

Great. Thanks. Rent spreads on signed leases increased really nicely for you guys this quarter. Can you just try to characterize kind of how much of that you think might have been more of a mix issue and lower rents on expirations this quarter versus how much of that is kind of a reflection of market rent growth that you guys have seen recently? Really, just trying to get at whether the mid-teens level seen this quarter is kind of a blip or a level that could be more sustainable.

Blaine Heck

Analyst, Wells Fargo Securities LLC

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#### Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. I mean, the mark-to-market, when we put out our guidance and then reported first quarter, people questioned how do you correlate down in the first quarter to a positive 2.5% to 5% for the full year. The mix and the quarter quarterly activity is going to bounce all over the place. So, to-date, yeah, we had a good quarter, and we expected the quarter – second and third quarter to be relatively strong just based on the mix of leases that we expected to do in those periods. I think we're still on a trajectory on a full-year basis to hit our targets. That'll be a function of the mix that happens for the back half of the year. But I wouldn't read too much market movement or anything like that into what we've achieved thus far. Volume, yeah, you could do that. But the mark-to-market, no.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Great. That's helpful. And then just second question, any update on the casino bid that you can provide?

Marc Holliday

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

No. I don't think anything – I mean, if you're asking about casino timing, then no, I think everything is out there. In terms of the decision that's in front of the governor right now as to whether to expedite the process by calling for the submissions, forming the CAC and getting past the first stage of process, which is the hyperlocal stage. We, of course, are strong advocates of expediting. We think there's a number of reasons not to want to see the process drag out indefinitely, really because of the jobs that will be produced in the aggregate by three casino licenses will be extraordinary and impactful on the construction trades and the industry in order to get what will undoubtedly be tens of billions of dollars of construction underway.

And in addition, there's – after they're built, there's significant number of operating jobs, good-paying, excellent, newly formed jobs that New York City hopefully will be the beneficiary of, not just one, but hopefully, two licenses. And I think there's a lot of reasons also on the taxation front, because there's certainly upfront monies that the state stands to benefit from for the upfront license fees, and then obviously the significant ongoing taxes that will be projected to be earned by the gaming operations. So, a lot of good reasons to expedite. We're certainly ready. We have our building. The building is built. There's really no displacement issues or interruption issues. We have a great bid that will uplift all of Times Square, and also the city as a whole because of the way in which we're working with Caesars Rewards to solicit hundreds of coalition supporters into the bid, who will all benefit from the fact that the Times Square Caesars Palace Casino will be really outward-facing when it comes to things like retail, restaurants, hotels, and entertainment.

It's like one of the most compelling community development, economic development projects I can think of in New York City. So, we're hopeful to prevail and we'd like to see the process get going. With that said, I think that there's still a decision pending up in Albany as to when exactly the bids will be called for. And when they are, we'll be ready.

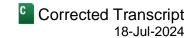
Blaine Heck

Analyst, Wells Fargo Securities LLC

Great. Thanks, guys.

**Operator**: Thank you. One moment for next question. Our next question comes from the line of Anthony Paolone of JPMorgan. Your line is now open.

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### **Anthony Paolone**

Analyst, JPMorgan Securities LLC

Thanks. I'd like to go back to the transaction market and understand the lack of debt out there. But as you mentioned, you're the balance sheet partners and have been able to get that. So, I mean, what would levered and unlevered IRRs have to be for you, all, to put capital out there to do something on assets that you find attractive?

### Marc Holliday

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

[indiscernible] (00:42:22) unlevered in order to – well, for what kind of business, for which type of – I mean, everything's got – there's – obviously, we're doing lot of – we intend to be doing a lot of debt and preferred equity. I think you talked about the growing pipeline, most of which is intended – all of which is intended for the fund. And those returns, I think, we've talked about in the past in terms of – well, I think the market for that product can range anywhere from low teens to high teens on average, depending on the type of asset, the location, the credit. It's very hard to extrapolate from that because every deal is so different, has its own nuances. But I think for subordinate lending, I feel safe in saying, low teens to high teens is a good spread.

And in other activity, obviously, all the fee-based activity that Harry spoke of, that's – it's very capital-light. So, the returns there are extremely strong. And we'll be committing some dollars in that towards building out the platform with additional resources, and in some cases, taking some capital positions. But that's very high-margin business. The expansion of SUMMIT is a very relatively high-margin business, which is return for having spent years and years building brand. And so, therefore, it's a higher return activity.

And in terms of new property acquisitions, we're really development-focused right now, because we see that as being strength in the market. And we are looking at doing residential conversion, conversion of office to residential, 753 being the first of that program that we're intending to roll out. We're already in design development. We've retained our professionals and our team. We're making headway on the design and programming of that building. We intend to be in physical construction sometime in early 2025. I think it's going to be, sort of – it's going to set the standard, if you will, in terms of conversions of that vintage of office building in Midtown to something that I think will be a real destination.

And the levered returns on a project like that will be mid-to-high teens levered. And that's – I think for residential, which is very in vogue and attractive these days, I think that's a very compelling return. And that's because we're going the affordable route in order to be able to do something really good for the city and produce what could be 100 units or more of affordable housing in just one project, and at the same time, being able to generate returns that we think we'll be able to attract debt and equity capital that we can go forward with. We'll be working on that capitalization throughout the balance of this year. So, probably in December, at investor meeting, we could shed more light to exactly what those returns look like. And I would think those would be prototypical returns.

### **Anthony Paolone**

Analyst, JPMorgan Securities LLC

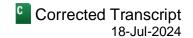
Okay. And then, just – my second question, maybe just a detail one for Matt. Matt, if my notes are right, I think in Investor Day, the guidance for other income for the year was, I think, \$84.5 million, and I think it included \$17.5 million for SUMMIT, if I got this right. And so, just wondering what that new number might be because it sounds like part of the guidance bump was changed there.

### Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

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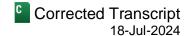
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No. Well, a little part of the guidance bump was other income. We increased guidance by \$0.10. I'd say, half of that is fee income, the rest is SUMMIT and NOI. So, that \$0.05 is roughly \$3.5 million or so. That's the incremental fee income. So, we're not running that far ahead of our anticipated other income levels overall. But there's the potential to do better than that depending on how special servicing assignments play out over the balance of the year. But I think we're trending exactly where we expected to be, maybe slightly ahead. And we'll expect to see similar levels as we head into next year.

Anthony Paolone Analyst, JPMorgan Securities LLC	Q
Okay. So, just make sure I got that right about \$0.05 from the other income running a little ahead	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	Α
Yeah.	
Anthony Paolone  Analyst, JPMorgan Securities LLC	Q
\$0.02, \$0.03 from SUMMIT, and the rest from the core?	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	А
Correct.	
Anthony Paolone Analyst, JPMorgan Securities LLC	Q
Okay. Got it. Thank you.	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	A
Yeah.	
Operator: Thank you. One moment for our next question. And our next question comes from the line Griffin of Citi. Your line is now open.	ne of Michael
Michael A. Griffin  Analyst, Citigroup Global Markets, Inc.	Q
Great. Thanks. I wanted to go back and touch on leasing for a minute. Steve, I think you mentioned call that some of the vacancy you're seeing in the market is those bottom level, not the tower floors. led to believe that particularly Park Avenue is as strong as it's been, wouldn't you expect kind of great demand to come from those lower place floors? And then, you mentioned concessions as well. I'm or you've seen any change in net effective rents, given it seems like face rents have been increasing, plot of properties in that submarket.	But if we're ater leasing curious if
Steven M. Durels  Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.	A

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Well, when I referred to the vacancy being heavily weighted towards the balance of the buildings, I was speaking to the overall market, so that was not limited to Park Avenue. That was all buildings in the Class A sector. Park Avenue, overall, if that's what you're really asking, I mean that has a current vacancy of less than 9%. So that is a landlord favorable submarket, which is why you've seen us raise rents in our Park Avenue buildings for – at 280 Park, 245 Park, 450 Park. And I don't see any let up as far as tenant demand for those quality buildings on Park Avenue, irrespective of whether those spaces are located at top or bottom of the building.

Concession wise, as I spoke to earlier, I haven't seen any change. I'm a believer that right now there's an ability to push rents as opposed to tighten concessions. With the passage of time, you'll see concessions get reeled in a little bit. But first thing will come up, there will be some of the free rents. But I think build-out cost for tenants is still very expensive. That's why the tenants are leaning heavily on the landlords and expect to get the TI allowances, while they sort of cover it in the form of a higher rent.

#### Michael A. Griffin

Analyst, Citigroup Global Markets, Inc.

Great. That makes sense. And then, maybe one, Matt, for you, just on the capital plan. Given I think where the equity is currently trading, could you look at maybe issuing equity as kind of an arrow in your quiver? Or is the plan to kind of maintain the outlook for your capital needs laid out at Investor Day?

#### Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

I like the analogy to an arrow in the quiver, part of the – beauty of being a public company is that it's available to us. We don't see as we play out over the course of 2024, on our base case plan, the need for any equity, because we're – our balance sheet is in good place, our liquidity is in good place. The plan that we laid out in December is playing out as expected. I think where we might see an opportunity to top up liquidity is if we saw additional investment opportunities. So, we'll keep – we always keep our eyes out for stuff like that. But that's what it would take for us to really look at the equity as a source, because it is still relatively expensive.

#### Michael A. Griffin

Analyst, Citigroup Global Markets, Inc.

Great. That's it for me. Thanks for the time.

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

#### Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

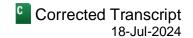
Great. Hey, just one quick one for me. Just on the same-store NOI, just thinking about the guidance at the Investor Day and comparing to where you're trending sort of year-to-date, that suggests there's sort of a big acceleration in the second half of the year. Just am I thinking about that right that the same-store sort of could be two, three in the second half? And any sort of puts and takes as we're thinking about the second half and going into 2025? Thanks.

#### Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

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Yeah. Let's clarify that. And I'm sitting next to Steve. He can reach me, if he needs to. So, our guidance for same-store NOI was down 1% to 2%. A certain CEO next to me said four goals and objectives kind of tongue in cheek that we would be up 1% to 2%. Now, we are trending ahead first half of the year, so that's good. I think to reach the goal would be – I'd love to see it. That would be outstanding. But as we sit today, we're trending a little bit closer to our original guidance as opposed to the objective.

Marc Holliday

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

А

Yeah. Look, those are stretch goals. We never hit all of them, nor should we, although we'd like to. But the goal is to hit as many as we can. And I believe in having a target that is an ambitious target in all levels. When I look at those goals and objectives for the year, midway through the year, we're tracking really well on many of them — most of them certainly, not all. There was a scenario where we could have been in that 1% to 2% range. There still is a scenario where we can be in that 1% to 2% range with a big second half a year. But it's going to be pretty tough. And we may or may not hit that particular goal, but I'm confident we're going to hit the vast majority of those goals. And the important thing on this end is to try and shoot lights out on all these leases that we do. We do dozens and dozens a year, probably over 100 a year actually. And let's see how the second half of the year shapes up. And we're going to try and push the bottom line as much as we can and squeeze down our expenses as much as we can in the second half of the year without sacrificing any quality in order to try and make the goal. But it's too early to say one way or the other. But I said it — we said it in December, this one was going to be a push.

**Ronald Kamdem** 

Analyst, Morgan Stanley & Co. LLC

Great. And then my second one was just there is – you guys have a lot of properties where you've been looking to do JVs or redevelopment right from One Vanderbilt, 245 Park, 2 Herald Square. Maybe could you just talk about what the sort of level of demand interest from local US buyers, international buyers and sort of your conviction in getting a lot of those deals through the finish line? Are you building conviction? Just any comments there would be helpful.

Marc Holliday

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

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Yeah. Look, the demand from foreign buyers today is very strong. It hits on what I said earlier. There's – the assets we own today, investors believe heavily in the fundamentals of those assets. And the good news for us is in many cases, as you know, we're working through our plan to extend our debt across all the assets. And that makes assets more attractive for investors to invest. So, there's a lot of belief from the foreign market in the fundamentals of our real estate, and we'll continue to see new joint ventures over the next 50 years.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Thanks so much.

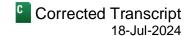
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**Operator**: Thank you. This concludes the question-and-answer session. I now like to turn it back to Marc Holliday for closing remarks.

Marc Holliday

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

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Okay. Well, for those still on, thank you for participating and listening in. We appreciate it. We like the questions. We love the constructive feedback. We'll take it to heart. Everyone, have a great summer and we'll speak again in Q3. Thank you.

**Operator**: Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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