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CORPORATE PARTICIPANTS

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

Andrew W. Mathias
President, SL Green Realty Corp.

Harrison Sitomer
Chief Investment Officer, SL Green Realty Corp.

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

Brett Herschenfeld
Managing Director & Head-Retail Leasing, SL Green Realty Corp.

Thomas Reeg
Chief Executive Officer, Caesars Entertainment, Inc.

Robert Schiffer
Managing Director, SL Green Realty Corp.

Daniel Boulud
Chef & Owner, Dinex Group

Michael Williams
General Manager & Managing Director, SUMMIT-One Vanderbilt

Edward V. Piccinich
Chief Operating Officer, SL Green Realty Corp.

Laura Jackson
Senior Vice President &Tax Director

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

OTHER PARTICIPANTS

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Anthony Paolone
Analyst, JPMorgan Securities LLC

John P. Kim
Analyst, BMO Capital Markets Corp.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Anthony F. Powell
Analyst, Barclays Capital, Inc.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Please welcome Chairman and Chief Executive Officer, Marc Holliday.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Good morning, everybody. Come on. It's a good morning. Thank you for joining us this morning at the 2022 SL Green Investor Conference. It's great to see everyone here. Again, full capacity in person not – I think we're going to need a larger room next year based on what I'm seeing – based on what I'm seeing here.

As always, we prepared for you a full, engaging content presentation, recapping our year, looking ahead to how we're planning to attack the year to come, and providing our best analysis of the broader market trends impacting our business. Last year at this time, I talked about New York City's resilience and resurgence, a city that was on the comeback trail after two very difficult years. And in many ways, our hometown continued its upward trajectory this year with young people and tourists flocking back to New York and offices and job employment actually reaching new highs relative to pre-pandemic.

But 2022 was also the first year where a healthy New York City economy didn't align with the health of the overall office sector as rapidly rising interest rates, escalating utility costs, and persistent remote work patterns made for a difficult operating environment for us and all other New York City-based commercial owners. New York is a challenging office leasing market right now, characterized by high vacancy and tepid demand, as the current uncertainty in the market has caused some tenants to hit the pause button. However, despite that, we had a very successful leasing year. We expect to finish the year with 2.4 million square feet of leases signed and same-store occupancy around 92%, a tremendous achievement that emphasizes the strength of the platform, quality of the portfolio, and commitment of our talented and market-leading leasing management and construction teams.

The rapid interest rate increases we experienced in 2022 were disruptive to the real estate debt and equity markets. However, our well-located and fully redeveloped asset base meant that we were still able to source investors, refinance maturing debt, and arrange for new acquisition financing. And we did it all on better-than-market terms due to our extensive relationships and our reputation for operational excellence.

One might expect that the confluence of economic factors would be indicative of a market with weak job growth and high unemployment. But in fact, the labor market remains historically tight. Employers are still competing for a limited pool of workers and bidding up wages despite an uncertain economic outlook.

So, it was a year of contradictions, a year where we executed the business plan we set out to achieve, but nonetheless didn't realize all of our financial goals due to the significant market headwinds and certain forces that were simply beyond our control. Given this environment, our achievements were truly remarkable. We executed to near perfection on our development and redevelopment projects, meeting our major milestones ahead of schedule and under budget, signing big new leases at One Vanderbilt, One Madison and 885 Third.

We made several strategic acquisitions to extend our commanding presence in East Midtown, far and away the best performing sub district in all of Manhattan. And we managed overall expenses to a 4% increase year-over-year, reflective of our tight controls over property operating expenses and a reduction in G&A in the face of inflationary pressures on wages. More on that from [indiscernible] 00:04:12 later on in the presentation.

We introduced the world to New York's amazing new attraction, that is SUMMIT One Vanderbilt and received a Michelin star at our highly acclaimed Le Pavillon. We reached new levels in our efforts to be guided by environmental, social and governance principles that help us implement our strategy and be a responsible corporate citizen of this great city. We are proud to be a great place to work certified, signifying the strength of the SL Green workplace experience.

And above all, we protected the balance sheet by maintaining liquidity, managing debt levels, hedging our exposure to rising interest rates, solidifying our global relationships as we continue to transition to an asset management platform. These results reflect the strength of our fortress holdings and the extraordinary work that the SL Green team has done over the years to narrow focus to the very best buildings in prime midtown locations.

Despite these exceptional efforts, this market is challenging in a way that no one could have predicted pre-COVID. While office using jobs are now 104% above pre-pandemic levels, there is no denying that day-to-day office occupancy remains stubbornly low with most days hovering around 60% of pre-pandemic physical occupancy. The hybrid work model has persisted far longer than I expected it to as some business leaders continue to justify remote work as either a cost saving measure or an effective recruiting tool. Their actions to promote hybrid work models are putting extreme pressure on other employers to similarly offer work-from-home options in a self-defeating cycle, even in the face of growing evidence that it lowers productivity and savages the work culture. Employees like to think that work-from-home somehow increases their productivity, while managers and business leaders clearly see the negative effects of a remote, disengaged and disconnected workforce and are now beginning to take affirmative measures to bring their workforces back together back to the office.

And as a potential recession looms in 2023, I expect a chorus of managers and business leaders to increasingly call on workers to put in a fulsome and physically present effort to maintain productivity and competitiveness and accelerate return to work. The good news is that every move we've made over the past five years has put us in the best possible position to navigate this moment in terms of portfolio quality, quality of ret growth, fully developed and amenitized buildings, selling risk, disposing of suburban assets, reducing our retail footprint, raising our average rental point, harvesting gains early on, partnering with global investors, and shrinking our share count. All of those decisions were correct and will help us weather these current market conditions by focusing the asset portfolio on the most commutable locations in Manhattan. That is without question, the number one top criteria for tenants today, the expedited commute, ease of commute and proximity of commute.

What I can promise you is that you are investing with the right people. We have a game plan. We will execute. There will be pockets of very significant opportunity coming out of this moment in time. And we will emerge even stronger as we've done in the past.

So, what's our plan for 2023? First, we will continue to invest in our existing portfolio and continue to outperform an increasingly competitive market. With fewer companies in the market and downsizing is occurring, the pressure to make buildings reflect what tenants want, what businesses need, commutability, high level of amenity and service is more important now than ever. We believe that we've hit on a formula for success that has helped set us apart and will be critical as we navigate the next part of this cycle.

It's no longer enough to simply be a good property manager or a good landlord. That's a foregone conclusion. Our primary mission now is to create safe, healthy, sustainable spaces that enable companies to build human connections, fostering creativity, ingenuity and productivity. Now, we must also be providers of exceptional experience, extraordinary hospitality, and elevated food and beverage offerings. We innovated the strategy at One Vanderbilt, creating a hospitality program that literally runs from the basement of Grand Central to the top of this iconic tower.

With the opening of Jōji this year, Le Pavillon, La Terrace, The Vandy Club, and of course Summit at the top, One Vanderbilt is a model for fully integrating hospitality and amenity in every corner of the building. It is an office leader, an international tourist magnet, and a regional, global culinary destination. We prove that this works by fully leasing One Vandy through the pandemic, and we're taking it now to the next level at One Madison.

This morning, we announced a new partnership with Chef Daniel Boulud to bring an exciting new French market and a stylish new steakhouse to market and a stylish new steakhouse to One Madison. These new offerings are in addition to the incredible rooftop venue, private dining, a leading-edge health and wellness facility from Chelsea Piers, and an exclusive tenant lounge. These aren't just nice amenities for tenants. They represent leading-edge curation of experiences that attract New York's best businesses and generate incremental revenues to support the added costs of these great features.

Looking ahead to 2023, we will take the same approach across more of our portfolio, upgrading existing buildings with the same level of amenity and hospitality we're bringing to our new construction. The industry will ultimately be better off as the post-pandemic forces have caused us yet again to rethink what makes for a successful office building and take the steps to ensure that we are pursuing strategies to achieve highest and best use of built space as we diversify our portfolio.

One focus of that effort is the thinking about the levers that the state and the city have available to help alleviate the current oversupply of office space while also addressing New York's dire shortage of affordable housing. An effort is already underway with our industry partners to create a new blueprint for the conversion of existing office to residential. The blueprint must be both physically and economically feasible so as to incentivize and allow for conversions of tens of millions of square feet of office to residential dwellings and to do so on an expedited basis to help address an ongoing housing crisis.

We believe in New York City's future. We expect it to continue to grow as a leading center of culture, entertainment, business, and education. But this growth means that we will have an almost endless need for more affordable housing, a need that will hamper our growth if not addressed quickly and intelligently. Governor Hochul's upcoming state budget plan will be much anticipated in January, as she promised a bold and audacious agenda to target zoning policies and other obstacles to implement a coordinated strategy for the increase in housing production. We support her efforts and those of the Adams administration to create a new framework for transforming obsolete office buildings on the periphery with commercial districts, residential neighborhoods, to create new housing in about half the amount of time that is required of new construction. A 100% win, win, win situation. We'll have more on this later in the presentation – in this presentation.

For us, though, the biggest example of thinking outside the box about our assets, which we briefly preview to you last year, is the pursuit of a full gaming license in Times Square. Times Square is a microcosm of the potential in the challenge facing New York City in 2023. Over a period of decades, the public and private sectors work together to transform Times Square into a family friendly entertainment mecca, a transit oriented tourist destination, and a bustling office district.

But the pandemic has taken a significant toll as the neighborhood is now struggling with safety and sanitation issues. We've seen major office and retail tenants leave, and there is a real risk of regression if we do nothing. We must put a strong plan in place for a better Times Square. We believe that a world class gaming, entertainment, hotel destination in the heart of Times Square, frankly, at our building in 1550 Broadway can be the catalyst for revitalizing, reinvigorating New York's and the world's number one most important tourist destination.

We will go into much greater detail about this later this morning and our casino proposal and how we've teamed up with the best and our casino proposal and how we've teamed up with the best names in the business, Caesars Entertainment and Roc Nation in an effort to make the entire district more inviting, exciting, accessible and fun. This is just another example of SLIDE Green's commitment to public/private partnership and to supporting New York's recovery and growth. We did it at One Vanderbilt, bringing an unprecedented amount of public improvements to Grand Central. We did it with food first by addressing the city's yawning need for free meals in its food crisis. We did a summit by creating unique experience that all visitors from around the world and with our Summit Foundation. We did it at One Madison with the support of the Madison Park Conservancy. And we're prepared to do it again in the biggest way possible in Times Square.

The last major piece of our 2023 strategy is positioning ourselves to capitalize on monumental opportunities in 2024 and beyond. Given the global network we've amassed and our standing as New York City's leading sharpshooter in distressed real estate opportunities, we will continue to seek out and invest in bailouts, rescues, recaps and special servicing situations and we will capitalize on it. Billions of dollars of new business opportunities will appear over the next 12 to 36 months, and we will have a significant head start on the rest of the market.

So in looking ahead to 2024, we are optimistic about a scenario where the markets rightsizes, interest rates settle, and we get off the ground, capitalizing on new, attractive opportunities. Of course, this will happen in the context of many national and global economic and political variables.

I want to reflect quickly on the political climate and how it impacts our business. With last month's elections behind us, we feel very good about the political leadership here in New York. We were early supporters of both Governor Kathy Hochul, who won her first full time last month, and Mayor Eric Adams, who is completing his first year in office. We've been in regular contact with city and state administrations about the challenges facing our industry and why the health of the central business district is so important to the future of this great city. I'm confident that we will have their full support as together we navigate a landscape for New York and our industry.

The industry also has a friend in Senator Schumer, who has emerged as the most powerful and influential leader in the Senate, the first ever Senate majority leader from New York, who has New York's business interests at heart and knows how to deliver in the form of aid for low-income household, funding for ambitious infrastructure projects, and cash earmarked for community programs.

And Representative Hakeem Jeffries of Brooklyn was tapped this year by House Democrats to be the minority leader. His elevation figures to generate benefits for New York, giving the state another powerful advocate to direct federal funding streams to New York State and New York City. The emergence of both Hakeem and Chuck as legislative leaders is a massive win for New York.

As ever, we stand ready to partner directly with our government officials to benefit all New Yorkers, as just one example, last month, I was honored to join Mayor Adams at Gracie Mansion to receive on behalf of SL Green Realty Corp, the 2022 Employer of the Year award presented by the Mayor's Fund to Advance New York City. The award recognized our leadership in the city's Summer Youth Employment Program and our focus on providing enrichment opportunities to New York City's underserved students.

2023, of course, will be challenging even as we execute in the way we do. However, with your continued support, we will once again rise up, work exceedingly hard on your behalf, on behalf of shareholders who have come the challenges of 2023 and set the table for what should be an exciting opportunity yet to come.

As we reflect on the past 25 years, we are proud of the tremendous growth SL Green has had and its impact, it's had on New York City. We remain at the forefront of the city's revitalization, investing in its future and building long term value for our shareholders, our tenants, our employees and our community. Looking ahead to the coming years, we are excited to continue forging a path for a sustainable New York, the global capital of commerce and culture, and the epicenter of an educated and diverse workforce.

New Yorkers will rally to solve the problems facing this great city, and shareholders and partners will benefit as we help New York once again reach new heights. Just know that we at SL Green have dedicated to working hard to make that happen. I'd now like to turn it over to our President, my partner of nearly 30 years, Mr. Andrew Mathias.

Andrew W. Mathias

President, SL Green Realty Corp.

Thanks, Mark. Good morning, everyone. Last year I started my presentation with a journey to the Metaverse. This guy had something to say about NFTs and apparently is not a fan of the Bored Ape Yacht Club which had the predictable effect on that square of the sandbox I showed you last year. Recall, the orange square was trading for $20,000 last year. This year didn't fare so well, down 93% per 1,500. Still not bad for an orange square in the Metaverse. Anyways, fortunately, Manhattan fared much better than the Metaverse, although Mr. Powell hasn't spared this market either and we've had our share of challenges and detours. Quarters one and two showed significant strength. Then, we saw a noticeable moderation in deal activity in the latter half of the year. You can see 2022 is the yellow line, two quarters of on pace to outpace the last couple of years. But then a notable moderation.

Digging deeper into the statistics, we saw a more notable divergence between newer and older buildings this year. This may seem obvious, but hasn't necessarily been the case in prior years, as you can see. Tenants are willing to pay up for new or highly redeveloped and amenitized buildings like this one and commodity buildings are suffering mightily from both an occupancy and net effect of rent prospective.

Buyers are obviously following this trend and focusing their capital on those new buildings, whether there are still not effective rents to be had. And there's a real lack of demand for the commodity building stock. Speaking of historically wide spreads, we've never seen an environment where public market cap rates are so divergent from private market cap rates.

Office, as you can see in the green text, is the widest spread on the page, as reprices have been slashed way more severely than private market cap rates would otherwise imply. This larger gap shouldn't persist, and we expect to see this tighten up as terror of the unknown from the Fed gets wrung from the system. There's certainly a standoff right now with investors hanging on every economic reading and Fed [indiscernible] 00:21:40 issuance. There's definitely capital waiting on the sidelines, and the amount of increase we're getting from willing buyers who have capital spend but can't get financing and they require seller financing as part of their offers are definitely increasing, which is a good leading indicator of a moderation of some of the fear in the market.

Some of the other leading indicators are moderating as well, whether it's oil prices, the dollar or the long bond. It remains to be seen whether 2022 – 2023 will provide that clarity with respect to the short end of the curve that everybody's looking for, buyers, sellers trying to figure out visibility on interest rates.

2022 also saw private capital step in in a much larger way as our typical institutions that dominate the market pulled back and move to the sidelines. Their share of transaction volume almost doubled, as did the activity of user buyers in the market this year, highlighted by our transaction at 885 Third Avenue with Sloan Kettering.

A lot of institutional capital that pulled to the sidelines is foreign. This year, we've seen the strong dollar wreak havoc on certain international players where their currencies weaken significantly. Countries like Japan and the euro region took a pause toward the middle portion of the year while the relatively strong currencies of Israel and the dollar-pegged Middle Eastern currencies kept those buyers from those countries actively shopping in Manhattan. With dollar strength easing, expect to see more activities from the areas that withdrew in the coming year as investors firm up their allocations for 2023.

Digging into some of the transactions, we see SL Green's activity highlighted to the left of the screen with 450 Park Avenue and 245 Park Avenue leading the way. Harry Sitomer is going to give you a lot more detail on each of those transactions later in the presentation.

Office volume has slowed down measurably in the second half of the year as the financing markets have pulled back, making pricing a bit inconsistent and making assumable in-place financing yet another major driver of value for buyers. Residential has not experienced as much of a lender pullback given continued availability of financing for that asset class.

As I mentioned, change of use was a dominant theme in the market today as the city grapples with unprecedented vacancy. Expect to see this continue as long as incentives are still contemplated, residential rents and condo sales continue to hold strong and office softness persists. The only market where you see a healthy volume of office to residential rental conversion is downtown where office rents are markedly depressed, as opposed to 609 Fifth, our own deal, which sold for condo conversion in midtown.

However, because of the absence of subsidies, none of the projects on this page have an affordable component as part of that business plan, which is a yawning gap as Mark addressed and which you'll hear about more in the presentation later today as well.

In addition to the three contemplated deals you see highlighted here, we're in the market now with several additional assets where we believe change of use could be viable. 2022 saw continued outperformance of SL Green sales program versus the street NAV estimates by over 20% on average as you can see in the right delta column here.

And yet, the gap to the current NAV expanded significantly at 86% less in 2021 versus our current 144% less you see on the bottom of the slide. It's very hard to explain beyond me, but we'll keep our heads down and generating value for our shareholders and hope this gap narrows.

As I mentioned, 2022 saw several notable big ticket residential sales as capital viewed these deals as financeable offering relative safety and resi's in annual leases acting as an inflation hedge. We'll hope to take advantage of this healthy market with our sale of 7 Dey Street in the coming months.

Switching to the financing markets, the stats really bear out a market that's a bit frozen at the moment. Early in the year, it looked like commercial banks were going to step in and fill the gap that a lack of CMBS buyers left when they really stepped back in January and February. You can see a plunge in CMBS volume in the latter half of 2022, taking securitization levels for the last five months to below pandemic averages. However, this summer, those commercial institutions that had been filling the gap early in the year tightened their credit policies as well and were basically dealing with a wave of extension requests on loans within their own book that slowed the new origination pipelines. Overall, a very challenging environment in the credit markets.

For the first time I've put up this slide in many years, there's not a CMBS field to be found as we survey the market for larger office financings. Club deals are the flavor of the day, and they're only available to large, well-capitalized sponsors. In these markets, we're thankful for our deep lending relationships as the aforementioned wave of loan extension requests make new originations harder to come by. Ultimately, there will be a great opportunity for non-bank lenders like SLG to step in and fill a void, but we're being extremely patient with our capital and waiting for the right opportunity. As we end the year, the capital markets and liability teams have done a great job managing our loan maturities. They're hard at work already on the 2023 maturities you see here.

Digging deeper on our larger loans for 2023, first up is the low leverage loan unknown 919 Third Avenue, which we're actively in the market talking to lenders about refinancing the position. 7 Dey is on the market for sale as I mentioned, so we expect to retire the construction loan on that asset as part of the sale. And we expect to negotiate a further extension on the Nike condo on 5th – at 650 Fifth Avenue. We'll need the continued cooperation of our lenders on that asset until more stability returns to the high-end retail and debt markets.

The 100 Church loan with a syndicate of four European lenders, which closed in June, is a good template for the financing available to high-grade institutional borrowers in the market. For now, gone are those good old days of low 100 spreads on non-recourse loans, fueling the Manhattan market.

Special servicing continues to be a highly active area for us as well and one we expect to grow significantly in the coming years. We took on several notable new assignments this year and facilitated some terrific resolutions on behalf of our lender clients. With over $1 trillion of CRE maturing over the next 24 months, we expect to be very active on the servicing and receivership fronts in 2023 and beyond.

And with that overview of the market, I'd like to turn it over to Harry Sitomer for a deeper dive into the several of the transactions I discussed. Thank you.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

Great to see everyone today. As Andrew said, I'm Harrison Sitomer, Chief Investment Officer of SL Green. I spent the past 10 years working on the investment team here at SL Green, and I'm excited to be up here today for the first time in my new role as CIO.

I'd like to start off my presentation today the same way I start most of our LP meetings. The map that you see behind me, which may be familiar to some of you, is not a map of New York City, but rather a map of our current and previous investment holdings. Over 124 million square feet right here in Manhattan, a footprint that is unrivaled in the marketplace, representing a 25-year track record of dominance and outperformance.

To our team of hungry investment professionals, this map represents information and data. And our team is applying this intelligence towards a strategic thesis that reduces unknown variables and increases internal accountability. And while we've spent the past three years shedding 24 non-core assets with a gross valuation at share north of $5 billion, we've also been developed a very focused investment approach to grow our portfolio through strategic acquisitions. And that focus on growth this year has been narrowly targeted towards acquiring premier, well-located office assets on Park Avenue that are highly sought after by tenants, attractive to international peers, and importantly, priced had a discount to pre-COVID trade.

So why are we so focused on the Park Avenue spine? First, this has been and continues to be in the center of our backyard. Second, it's wherever we wants to be. Park Avenue's recognition is the premier commercial submarket was further enhanced this year with the ongoing development of JPMorgan's 2.3 million square foot headquarters at 270 Park, Blackstone's lease extension at 345 Park, and the nearly completed deal with a major financial institution at 350 Park.

So with the city of options, why are we all choosing Park? Well, first, the most important amenity a neighborhood has to offer its restaurants. You'll recognize a few of our well-known spots, including Joji's Sushi, Michelin [indiscernible] 00:32:32 and Fasano. Further, the neighborhood offers residences, social clubs, and hotels like the Aman and 432 Park. No other market offers a suite of amenities like this for New York City's business community, and our portfolio continues to benefit from these well-established offerings. We are proud to announce two additions to this portfolio this year at 450 Park and 245 Park.

First, let's talk about 450. 450 is located on the southwest corner of 57th and Park. The asset is a boutique, trophy building that provides financial service and luxury tenants with a best-in-class presence. With its 65,000 square feet of vacancy at closing, the deal provided us the opportunity to add value through our high touch management approach. What made this acquisition even more exciting was the significant $100 million-plus pricing discounts the two previous trades before us. Accordingly, we signed up the deal in March, locked in two partners in Korea and Israel and financing from a consortium of five banks all at or better than the underwrite and closed on the acquisition this summer. We're excited to see these assets stabilize per the business plan in the next 12 to 18 months.

But not every deal moves as quickly as 450 did, we've been jockeying to control 245 for over five years now. The building features blue chip investment grade tenants at the Super Block adjacent to Grand Central with direct connectivity, and it's across the street from JPMorgan's headquarters. Additionally, the building provides an incredible repositioning opportunity with 30% vacancy that is well-suited for enhancement.

Let me take you guys through the timeline of this deal. 245 Park came on the market in 2016. The asset traded to HNA for a price above where we identified value. However, we did see an opportunity for our DPE program and originated $55 million of mezzanine financing, demonstrating our commitment to seeking the best risk-adjusted return. A year after closing with our foot in the door through that loan and HNA's financial distress back in China, HNA has sought us out to provide them $185 million pref-equity investment, which was over $400 million inside of their basis.

Knowing this could potentially be heading to problems down the road, we made the investment with full legal protection, guarantees and day-to-day management authority. Despite HNA's continued management roadblocks, we were still able to get close to 500,000 square feet in leasing done at the building, a testament to Ed, Megan, Steve and their teams as well as the quality of the real estate and the location. But all the success in the building couldn't prevent HNA from getting out of their own way and escaping their corporate problems and filing almost all of their assets worldwide into bankruptcy including 245.

Feeling confident that we would ultimately prevail in acquiring the asset out of the bankruptcy, our biggest focuses were protecting the collateral from HNA, expediting the process to keep costs down, and reinstating the attractive 4.3% all in fixed rate debt through 2027 in unreliable financing market. We immediately got to work on all three items, but we knew with multiple sophisticated lenders with the right to renegotiate terms pursuant to that bankruptcy, we were in for a fight. Not to mention HNA was acting nefariously along the way, trying to constantly delay and sabotage our well-intentioned plans. Despite bad behavior from HNA, one by one, we signed up the lenders to reinstate their debt on the same terms. It's in volatile markets like these where a thorough business plan, repositioning experience and deep relationships proved to be extremely valuable.

With all that debt in place, we closed on the acquisition this September. The acquisition was completed inclusive all costs, the base is still $400 million inside of HNA's bases, not to mention we did retain a $185 million judgment against HNA, which we will continue to pursue and expect to receive some proceeds here in the future.

So now that we own the asset, what is the plan? Our strategy is to deploy efficient and value-maximizing capital into the building. The program, which we have developed with Kohn Pedersen Fox, the same architectural team from OVA and OMA, will allow us to manage our own basis, while also attracting the highest caliber tenants on Park Avenue.

Let's take a look at a few of these images. First, you will see the Park Avenue entry of the building with an overcrowded terracotta facade and an extensively upgraded and enhanced public plaza on the avenue. We're only overcrowding the facade on park and extending the overcrowded returns on 46th and 47th to four base. As we walk into the Park Avenue entry, you will notice a bright and sophisticated lobby which will feature never before seen with connectivity between the Park and Lexington entrances. Further, the lobby will feature direct states, get direct access to a state-of-the-art amenity program featuring a new gym. A new wellness center and F&B run by Daniel Boulud.

As we make our way to the top of the house, you will see the brand new rooftop amenity which will serve all tenants in the building and serve as a source of ancillary income for the asset. With a total base building budget of $171 million, and the SLG management team at the helm we're well-suited to push rents, reset vacancy and retain existing tenants.

After completion of this transformative based building program, 245 will be one of the top three renovated assets on Park Avenue and our peer sat with Seagram and [indiscernible] 00:38:21 with an expected all in basis before leasing costs at approximately $1,200 dollars a foot. Simply underwriting the base 00:38:30 of the vacancy, a 10% premium to the rents achieved in the current occupied space will result in a minimum mid-teens IRR for an unbelievably well-located Park Avenue trophy asset.

As Steve and Bob get to work on implementing the capital and leasing plan, [indiscernible] 00:38:46 and the team has hit the road working to raise equity to partner with us on the deal in 2023. We received a very warm reception from international LPs seeking 49% to 75% of the asset in our basis, which even at the low end of the range will result in us not having to invest any incremental dollars since the asset and appease net interest in getting the debt off the balance sheet more or less to come in 2023.

Finally, I want to take you guys on a quick trip up to our project at 760 Madison Avenue, where a very few lucky Park Avenue executives may soon reside and shop. As a reminder, here's an isometric shot of the building outlining the flagship retail space on the first through third floors, the residential entrance on 65th Street, amenities on the first and third floor, and 10 residences on the fourth through 12th floors. Given the supply constrained dynamics for luxury boutique condos on the Upper East Side, we believe this project will command top of the market pricing. We expect to sign up contracts in Q1 of 2023 and closings in Q3 and Q4 of 2024.

We could expect net proceeds here in a range of approximate $150 million to $175 million. Given the property has no financing, these proceeds will be applied directly to liquidity for the company in 2024. In addition to that residential offering, we look forward to Giorgio Armani's rent kicking in at delivery in September 2023, with earnings kicking in in 2024 when Giorgio Armani opens.

With the retail also unencumbered and wholly owned, this asset may serve as a further source of liquidity through a JV or a financing. Thank you, guys, for your time today. We have a great speaker up next, [ph] Basha 00:40:34, conversion of commercial uses into residential use as one of the most important topics that we will be championing over the coming months and years as a win-win for both the affordable housing in the city and the least competitive office inventory in New York City.

There's a coordinated effort going on right now between the state and the city to make these conversions a reality. And to elaborate on this is [ph] Basha Gerhards 00:40:53, the SVP of Planning and Revenue. Thank you.

Unverified Participant

Hello. I am [ph] Basha Gerhards 00:41:05, Senior Vice President of Planning for the Real Estate Board of New York. At REBNY, I oversee our work on land use, zoning, development and housing policy. Prior to joining REBNY, I served as then borough president Gail Brewer, a senior land use advisor, which followed my time at the Department of City Planning. I hold a master's in urban planning and a BFA in historic preservation. So I really love zoning and old buildings. So I am pleased to be here today to discuss the challenges and opportunities presented by the adaptive reuse or conversions of obsolete office stock to residential. New York City leads the country in office square footage, but when it comes to housing production, we are sorely behind when compared to peer cities and to the need here.

Next slide, please. A report by ATRS estimated that 560,000 apartments are needed by 2030, a combination of replacing derelict units, addressing our deficit and production over the last several decades, and ensuring we have enough for continued job and population growth. To underscore how behind we are in production, in 2010, the city estimated our population would grow to nearly 9 million people by 2030. Yet here we are in 2022, we have almost met that growth target, putting us way ahead of schedule. So we are 10 years ahead in population growth and at least 10 years behind in housing supply.

Our greatest need for production is rental housing, especially affordable. We are a city of renters. Two-thirds of the population rents a higher share of renters than in any other city. And unfortunately, half of those renters are rent burdened, and one out of four renters are severely rent burdened, meaning they pay more than 50% of their income in rent.

So by every metrics, production rates, rent burden, homelessness, New York City is in a housing crisis, exasperated by a lack of supply. Without creative solutions to scale up housing production like a convergence program for obsolete office space, that crisis will continue.

New York City has a long history of adaptive reuse, of allowing its neighborhoods and buildings to change and flex to the needs of a dynamic city. The pandemic showed us the value of mixed use neighborhoods with lower vacancy rates and associated retail corridors, higher corridors, higher spending and more vibrant street life. Office conversions saw the problem of excess supply [indiscernible] 00:43:24 create an opportunity for much needed housing, but can also contribute a multitude of positives to the public good as outlined on the slide, as both Marc and Harrison have said, a win, win, win.

So on the next slide, we'll talk about the state of the office stock. An important segment of the vast Manhattan market of 400 million square feet is in crisis with DC office space facing extended vacancies at nearly 20% with asking rents nearly 15% lower than normal. There has been no improvement in net absorption as job growth continues and more square footage is estimated to become available over the next year. This has negative implications for the city's tax base and neighborhood vibrancy.

So that brings us to the opportunity. Our functionally obsolete buildings provide an amazing opportunity to create housing in one of the hardest, most expensive places to do so. But we need the right public policy interventions, the levers Marc referenced. Otherwise, we can anticipate the current pace of conversions to continue as it has for the last 10 years, with one to three projects starting a year to deliver an average of 500 apartments, nowhere near enough to make a dent in our supply problem. If regulatory changes are done at the state level with the state multiple dwelling law and to the local zoning resolution, and I'll speak more about what those changes could be in a moment.

Given the state of the marketplace that would be a value-add of market rate apartments given our supply deficits, the ability to provide affordable housing in high opportunity neighborhoods with access to jobs, schools and proximity to a world-class open space is an established fair housing goal for the city that has lacked an implementation plan. If the public policy calibration has done well, we could see thousands of affordable apartments in Manhattan below 59th Street as Manhattan below 59th Street as a result of 20 million square feet or more of office space converting. However, as I describe in the forthcoming slides, these changes are not easy or straightforward. It is helpful to break out the functionally obsolete office market stock into typologies in order to determine the regulatory barriers and challenges with conversion.

Generally speaking, as you go up in building size and enter what I refer to as the new or older buildings, of 1970s and 1980s, you encounter more regulatory and financial challenges and considering a smaller building that predates 1961. The decision to convert is highly individualized to four key factors on a building-by-building basis.

Location of the building and whether it is on a struggling commercial corridor or not, proximity to a transit station or not, the floor plate size and if there is a large podium timing which refers to both time to comply with regulations and to empty a building and the facade with curtain walls adding extra cost. Smaller, older buildings have an easier time meeting these barriers, while larger floor plate buildings from the modern architecture era do not.

Regulatory hurdles must be tackled as part of a successful convergence program. These different levers will determine how much of the obsolete office space can come offline. They can be classified into three buckets. First, the state multiple dwelling law or MDL, which was adopted in 1929 to replace the Tenement Act, controls what New York City can do or not do in its own zoning.

New York City is the only city in New York State and the country to have the state mandated residential floor area cap, further limiting our housing supply. The MDL also establishes light and air standards in places an age limit on which buildings may convert. The MDL can only be amended by the State Senate, State Assembly, and those changes must be signed into law by the governor.

Second, the zoning resolution, as authorized by the state MDL, further restricts the geography in which conversions may occur. Lastly, the building code presents challenges to conversions, especially for multiple uses and at stage gate requirement for operable windows for living spaces.

So, let's look at a floor plan for a podium post-1961 building to demonstrate where these challenges lie. These types of buildings tend to have curtain walls and no operable windows, so the replacement or hard costs are much higher for these structures. This makes buildings larger than 500,000 square feet the hardest to convert. A key part of today's rules is the inability to have a living space without an operable window with access to light and air, which precludes the ability to place bedrooms further into the interior.

This is purposeful. The MDL was adopted to prevent the substandard housing inclusive of windowless bedrooms of the tenement time. With today's MDL requirements and zoning rules, you can't utilize much of the interior space, resulting in a significant efficiency loss despite advances in ventilation and fire suppression, which I believe this slide will show you in a moment. There we go. Even with MDL and zoning amendments, these types of buildings would still need financial incentives as compromised units will command lower rental rates. And we'll bring those up in a moment, so you can see how much of the typical apartment layout you would lose due to these different rules.

So, everything that attached basically of your efficiency loss due to the MDL and zoning rules relates to slide up there. Okay. So, it's helpful to look at what has been done in the past in terms of determining what type of public policy levers we can pull and what the different incentives need to look like.

So, let's move on to a historical incentive known as 421-g. A tax tool is absolutely necessary for the private sector to build and maintain affordable or income restricted housing as they represent a permanent restricted housing as they represent a permanent loss in revenue.

For example, a 60% AMI unit, so this is area median income, that lot – that rent is set at $23 per square foot versus market rate rents commanding in Manhattan right now are upwards to $90 per square foot. It is instructive to look at past and current tax programs and thinking through how best to convert the highest number of obsolete office space given the broader public policy gain. Lower Manhattan in the early 1990s was in crisis, with vacancy rates over 20% for over a decade and buildings boarded up. In response, 421-g was created by the state in coordination with the city and changes to the state MDL and zoning resolution were done to provide greater flexibility for conversions. This program is credited with creating over 10,000 apartments in a decade, and the program had a very rich benefit that also permitted owners to utilize other programs, including liberty bonds and historic tax credits. I will note the program had no affordability requirements and, therefore, would be politically untenable today.

Moving on to 421-a, this was a 50-year tax tool used for housing production and over the last decade was responsible for nearly 70% of new construction. Unfortunately, this program expired in June. While not a convergence program, it is useful to note the length of the exemption and abatement period as compared to 421-g that was significantly longer. However, this program also had significant affordability requirements as a share of each project, in addition to wage standards and the related complicated reporting requirements.

Currently, we have HONDA, the Housing our Neighbors with Dignity Act, was passed in 2020 to facilitate the conversions of obsolete commercial office and hotel buildings by the State Assembly and Senate. HONDA has very onerous requirements as compared to other programs, down to requirements around refrigerator sizing to the cubic square foot, and can only be used for the creation of 100% affordable or supported housing. This is functionally useless to the private sector, and I would also note that not a single project has moved forward since adoption for the not-for-profit sector either. This is what happens with no private sector stakeholder involvement and a program that falls short on delivering much-needed affordable housing.

So the political landscape is as complicated as changes to the MDL and the zoning resolution. Figuring out the right calibration of flexibility in the MDL and zoning and the right abatement value to spur affordability is ultimately influenced by many stakeholders debating on several key issues.

First, this is not a real estate-only issue. Doing nothing with Class B office space is a public policy fail given the housing crisis, the need for tenants to have affordable options, and the adverse impact of allowing these buildings to further drop in tax revenue value to the city.

One of the challenges in the public policy conversation will be around affordability. Affordability means different things to different stakeholders, and the appropriate AMI or area median income band, the percent share of a project that should be affordable, and the duration of that affordability are all hot-button issues.

A second challenge is wage standards. In many ways, this is a math problem, not an ideological one, but higher wages do bring increased costs. Those increased costs, in combination with the permanent or even semi-permanent reduced revenue as a result of an affordability requirement, will require a financial incentive to make projects feasible. There is an important broader question around housing supply that is occurring as well, and conceptually there are a number of key stakeholders who support conversions as part of the answer.

On the city side, you have Mayor Adams, who has consistently voiced the need for more housing and conversions as a path to doing this in his public remarks. The City Council adopted a local law to create a task force to examine office adaptive reuse and consider a financial tool for the creation of affordable housing. The task force involves multiple city agencies inclusive of OMB who need to determine whether such a tax tool is worth it to the city's tax revenue. Any zoning changes must be adopted by the City Council as part of the land use review process.

Governor Hochul has also expressed consistent support for conversions as recently as last week, stressing this would be one of many tools to address the housing crisis, which will include the state housing agency. However, this is not as simple as governor support. Ultimately, it is the Senate and the Assembly that must first pass statute changes to the MDL that will authorize the city to make the zoning changes the task force will be recommending.

With that, I'm happy to answer a few questions.

QUESTION AND ANSWER SECTION

A

A question for you [indiscernible] 00:54:12. A question for [indiscernible] 00:54:13, we won't be sticking around till the end of the presentation. Just on the limited issue of office to resi conversions, first time we present it in this format. Thank you, [indiscernible] 00:54:23. It was tremendous job. And if anyone has questions, we can take one or two now on this or if not that's fine. But if anyone does, just show a hand.

Q

Hi. I was just going to ask about the likelihood you think of getting through all those political hurdles and maybe timeframe as well.

A

So this is the third legislative session that a governor has talked about putting forward a conversion plan. Governor Hochul put forward a convergence program last legislative session at her state budget. The previous governor also put forward a conversion program in his budget language. So, I want to be cautiously optimistic. Unlike prior years, you have the mayor and the governor aligned on the fact that we have a housing crisis and that conversion should be part of an overall plan for how to deal with that. You also have alignment from the city council in that they are the ones who created that local task force explicitly to look at office adaptive reuse with provisions for affordable housing and the financing necessary.

So in terms of the major players, we have everyone expressing public interest and grasp of what the technical or financial challenges may be for success, for success in generating such a program.

Q

Thanks. Do you have an idea of how much office space in Manhattan could feasibly be converted like a square footage amount?

A

So of the 400 million square feet in Manhattan, I think it's safe to say about 20% of that is in a functionally obsolete range. We reference, we think approximately conservatively 20 million to 22 million square feet could convert. When for 421-g was implemented at the time the real estate board is going to be happy if there were 2 million square feet that converted and ended up being 13 million square feet. So, simple.

Q

Yeah, thanks. And I don't know if this is a question for Marc, but when you think about the economics, I mean that each cost basis is different for each owner and the cost to convert is different for each building. Can you just help us think through the economics of that conversion process and kind of whether the cost basis in today's owners work or how much do building values have to come down?

A

We'll take that question at the end.

I'm going to have a combination of Rob Schiffer really address that who's done all the financial work in our portfolio and in the market about looking at what different types of buildings at different basis are convertible, the easiest to convert, obviously require less capital in and if you can achieve the higher rents based on where those buildings are located, then the threshold is higher. So it – we'll step through that.

I mean, the bottom line is, with the tax incentives and with the zoning changes, this is highly feasible. Period. We've – it's – I think there's no question who [indiscernible] 00:57:43 Bosch is, but we think it's highly feasible. I think $20 million is a minimum estimate. I talked about tens of millions. So, I mean, accurate but I put that at the low end. If it's done right, if it's done with the right incentives, there's an 80 million square foot potential pool that Bosch identified. And this city is full of economic animals, so if the incentives are right, it's a very quick lever to create new housing. I think that the government is all over this right now because there really is almost no opponents to this other than trying to figure out what the right set of economic financial incentives are to make it happen and make it happen quickly. But we'll go into more of that Q&A.

A

I would just add that other cities, when they have tackled these programs, always matched regulatory relief with financial incentives. Chicago recently announced their program. They're looking for 30% affordable, but they are providing very rich abatements in order to do that because, again, there seems to be a general understanding that affordable housing has a permanent reduction on revenue and you need to be able to offset that.

The other thing that's important to keep in mind with a conversions project versus new conversions project versus new construction is the timing. Typically conversions can happen on a much faster timeline than new construction, especially in New York City with the permitting process. And we believe this also represents cost savings on the hard cost side as well as you are working within an existing building. So it sounds like you'll have more detailed answers later on. But again, this is – from the examples we've seen across the country, this is typically less expensive than new construction and there's a lot of added public policy wins in doing this work.

Q

Yeah, yeah. Just quick one. In the senate assembly, who were the major players there and do they change the election and how would they view this issue?

A

The players have not changed drastically, but Democrats control both houses. Again, I think the biggest political risk may be that there wasn't really drastic changes within both houses. You have a significant component of both houses that are considered very progressive, a number of actual DSA backed candidate and they may not be interested in private sector involvement or incentives for private sector when it comes to housing or affordable housing production. This is going to be part of a much broader housing supply conversation as the governor alluded to in her speech last week.

Unverified Participant

Please welcome Executive Vice President, Director of Leasing and Real Property, Steven Durels.

Steven M. Durels

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

Nice job [ph] Asha 01:00:27 May we live in interesting times. An ancient Chinese saying, which wasn't in reference to New York City commercial real estate nonetheless, rapid changes in our market do make this an interesting time.

I've worked in New York City leasing for almost 40 years, and throughout that time I've experienced numerous market disruptions caused by high interest rates and higher inflation, the savings in loan crisis and oversupply of new construction in the early 90s, of new construction in the early 1990s, the tech wreck, 9/11, Superstorm Sandy and the Great Recession and now here we go again. It's become cliché to say the pandemic accelerated changes that were already emerging but it's absolutely true. The densification, employee mobility and emphasis on health and sustainability, the introduction of amenities and hospitality and tenant desires for new construction were all things we began to see before COVID. However, the pandemic accelerated each of those trends. How tenants use their space and what they expect from their landlord is driving change and landlords are competing for a smaller number of tenants and tenants are uncertain about the economy and their role in future real estate needs.

I'm convinced our portfolio will come out on the winning side as our buildings are well-located near major transit hubs and we've invested in them to provide amenities, high quality service and a healthy workplace. The good news is that fear of COVID is no longer a tenet discussion topic. We're responding to the current market much the same way we did in 2008 in order to keep our buildings full. We're laser-focused and have a solid proactive game plan. But before we look forward, let's first look at where we outperformed during what was otherwise a tough 2022.

We're starting leases at One Madison Avenue with Franklin Templeton for 347,000 square feet and IBM for another 328,000 square feet, bringing leased occupancy to 55% 12 months prior to construction completion. We signed a 414,000 square foot lease with Memorial Sloan Kettering which will convert to a 21 floor condo sale at 885 Third Avenue. We signed a quarter million square feet with office sites at 100 Park Avenue and we signed 7 leases at One Vanderbilt Avenue raising occupancy to 99%. In total, we signed 135 leases covering 2.1 million square foot year-to-date and have another 23 leases being negotiated for more than 430,000 square feet, which puts us on track to far exceed our initial projections, a significant achievement by any measure.

The overall market remains unsettled, but there are areas of opportunity. Most projections indicate that Manhattan should end the year with about 32 million square feet of leasing activity. That's roughly 10% above last year, but on the low end of the five-year pre-COVID average. Leasing velocity has, in fact, slowed over the past three months, and current demand is primarily driven by lease expirations, and tenant sentiment has shifted to be more defensive than it was this time last year, leaning more short-term lease extensions. However, this will change as tenants gain better clarity on the direction of the economy.

On the positive side, new and legacy trophy buildings continue to be in high demand. East Side Access is scheduled to open by the end of the year, which will divert 50% of Long Island railroad trains away from Penn Station and bring 160,000 Long Island commuters directly into Grand Central Terminal. That is a game-changer for the Grand Central submarket.

Recently, we've seen more small- and medium-sized tenants engage in the Tier 2 part of the market. These are buildings which are a step below new and trophy-class buildings. And if this continues, it's an equally big positive since this has been the weakest part of the market for a significant part of the time. There are presently 318 active tenant searches being tracked, covering almost 19 million square feet, two-thirds of which are in the FIRE and TAMI sectors.

Looking forward, there's 85 million square feet of lease expirations over the next five years, or about an average of 17 million square feet per year. That's compared to only 14 million square feet in 2022 and 9% of expiring leases between 2023 to 2027, our 0.25 million square feet or larger as the majority of those are between 10,000 and 100,000 square feet. Our portfolio is particularly well-positioned to capture those larger tenants, given that we have four of our best buildings with contiguous blocks of high quality space. Two of the nine midtown submarkets are within 100 bps of equilibrium supplies tightened in the Park of Sixth Avenue submarkets, where many of our buildings are located.

And as mentioned earlier, leasing activity in the Tier 2 buildings is on the rise. There's a 10.7 million square feet, almost 50% of year-to-date leasing done in Tier 2 buildings. That should lead us to well exceed the prior two years for this essential part of the market. Through the third quarter, the most active part of the Tier 2 leasing market has been in the Grand Central submarket. Additionally, Sixth and Park Avenue have exceeded leasing activity compared to the year prior to the pandemic.

However, on the other hand, downtown remains exceptionally slow. There are large blocks of space downtown that can't be leased at any reasonable rents. Leasing in Tier 2 buildings is dominated by small-to-medium sized tenants, with over 60% of recent leasing being done with tenants smaller than 25,000 square feet.

And it may come as a surprise for you to learn that 25% of the Tier 2 leasing is with financial service tenants, which I think many people assume only go to Tier 1 buildings. Our goal for 2023 is to maintain portfolio occupancy of not less than 90%. Almost 15 million square feet or 50% of the portfolio is long-term leased, with a weighted average occupancy of approximately 96%. We have eight buildings which are under redevelopment.

625 Madison is well-located for new construction or change of use. We expect to finalize the ongoing ground rent arbitration early next year and then evaluate the site for a variety of possible strategies. We have 29,000 square feet of office space at 185 Broadway, which is the office portion of the combined resi office tower, 7 Dey Street. This newly constructed residential tower is well placed and will be marketed for sale earlier in the year.

The majority of 7th 53rd Avenue is currently vacant and the building's mid-rise and tower floors are shallow center core design, which as you heard from [ph] Bhasia 01:07:30 makes them ideal for residential conversion. Consequently, this building, too, is a sales candidate.

At 2 Herald Square, we expect WeWork to surrender its 184,000 square foot lease and pass the full amount of its security deposit and corporate guarantee. Thankfully, this now ends our limited exposure to WeWork. Because the building has uniquely shallow floors with many windows, we expect to convert the space for either residential or extended stay use or possibly expand the existing dormitory use that is already there.

And as Harry covered earlier, 245 Park Avenue will undergo an exciting redevelopment program which is already generating inbounds-headed inquiries. And in another of our recent acquisitions, 450 Park Avenue, we have a plan to renovate the existing lobby and install a luxury tenant-only wellness facility, which I think will set a new high-end standard for this type of building amenity. We're in active dialogue with several [indiscernible] 01:08:29 tenants and hope for some early day success.

One Madison is scheduled for completion in the fourth quarter of next year, and like One Vanderbilt, it will redefine what it means for an office building to provide an exceptional workplace experience. We have two pending tower flow leases and are on course to finalize an extraordinary combination of amenities, which you'll learn more about from Rob and Chef Daniel Boulud. My goal is to finalize those pending leases and then secure a second anchor tenant for the podium of the building where IBM is located.

And finally, 5 Times Square is a big undertaking. We recently acquired a 31% interest in the building, which is of light new construction quality. As part of the acquisition, we've taken over responsibility for leasing and are in the process of implementing a new marketing program to reintroduce the building into the marketplace. Like marketing new construction, this will be a comprehensive undertaking which first starts with educating the brokerage community, followed by presentations to the tenant community. It'll be – it would be great to land an anchor tenant right out of the gates, but I think it's more realistic to expect that most of 2023 will be setting this table for leases to sign in 2024.

We'll be replacing all of the building super signage with new static and state-of-the-art LED. And we're also finalizing a redesign of the building's hospitality program, which will include 64,000 square feet of conferencing and an amenity floor designed by world-class architect David Rockwell. We have a long road ahead of us, and we've recently seen an uptick in tours as we begin to get our message out onto the Street. And as you'll see from our design, it is a best-in-class execution.

Let me quickly take you through the building with these renderings starting in the lobby, then going on to the amenity floor, beginning at the concierge reception into the club lounge for the grab-and-go, and the beautifully-designed wellness center. The office floors are equal in quality to new building construction with superefficient floor place and 13.5 foot ceiling heights, and you can easily see how the floors work for any type of business, whether it be financial services, legal, or the creative industries.

The balance of the portfolio is where we suffered the greatest impact from the pandemic. These buildings are working their way back to full occupancy, and they'll be – and they'll be the biggest beneficiary from the return to market of the small and mid-sized tenants. We've completed recent upgrades with new lobbies or amenities at 919 Third, 100 Park for 61 Fifth and 4020 Lexington Avenues.

Other buildings, like 1185 AofA [indiscernible] 01:11:16 27 will compete by aggressively meeting the market with competitive rents. We do, in fact, live in an interesting time and we're hyper focused on continuing to work harder than any other real estate team and executing a winning strategy to outperform the market. With that, I'll turn it over to Brett Herschenfeld.

Brett Herschenfeld

Managing Director & Head-Retail Leasing, SL Green Realty Corp.

Thank you, Steve. You guys ready to take a little break from real estate and talk casino? First things first, the title change. Mark and I have been hard at work on this project for over two years now, and it's exciting to finally reveal some details for our shareholders and why it will do so much for SL Green and New York.

The title for our project is not the project itself, but one that celebrates SL Green's overall mission, which is to deliver extraordinary real estate projects that do great things for our neighbors and community. In this case, that community is Times Square, the center of global entertainment, and our project will create an even greater long-term tourist attraction as well as we reinvite New Yorkers back to Times Square.

Let's get right into it with some images of the project. Here's the existing view of 1515 Broadway, and here is what it will become. You can see this is not a Las Vegas image. This is a design that fits in Times Square. A New York project, we lead with Broadway Entertainment on the ground floor and on the left side, a Broadway theater interactive map showing up to the second ticket opportunities. Times Square has always been the leader in signage technology. The first illuminated sign was located here. The first interactive sign was located here. Remember the camel smoking sign? The first moving sign was here and the first digital sign. But now other cities, for example, cities within Asia have new 3D signage technology or images leap off the screen and are tourist attractions in and of themselves [audio gap] 01:13:25-01:13:35

The signs you see here will take that technology to the next level and be the largest combination of three dimensional signage in the world. Times Square will be on top once again. Here's the existing view facing south. Here you see recreated at Caesar's Palace, Times Square. Once again, it fits into the context of the district. Moreover, it elevates it. Here's the current image of Shubert Alley on the west side of 1515. And here's the entrance to the hotel on 45th Street, a completely upgraded and beautified Shubert Alley with fountains and lighting enhancements worthy of this prolific location.

Lastly, here is the HERO image, the tallest building in the bow tie. Caesars Palace, Times Square. Oh, have I got your attention now? Our gaming partner in this project is Caesars Entertainment. Tom Reeg, the CEO of Caesars, will be joining us to discuss his plan shortly. I can tell you this will be operated as a Caesars Palace brand, the only other Caesars Palace in the world next to Las Vegas. The hotel will be a five star hotel, which is an objective set The hotel will be a five-star hotel, which is an objective set of criteria for quality of operation. We chose to partner with Caesars for many reasons, but to highlight a few they're a publicly traded institutional company and they share our belief that urban gaming done right can have significant, positive economic impact on surrounding businesses. Caesars is the North American gaming leader in a number of properties, number of rooms, annual revenues, and annual entertainment shows. They're already vetted and licensed by the New York State Gaming Commission, and perhaps most importantly, a Caesars Rewards program, which gives our project access to a database of over 60 million rewards customers. Tom will share more on Caesars Rewards later.

We are beyond excited. I think the world really took note this morning when we introduced our entertainment partner for the project, Roc Nation. Roc Nation is the world's preeminent entertainment company founded by Jay-Z, Jay and his CEO, Desiree Perez, our New York City ambassadors. They share our mission in delivering world-class projects that have a positive impact on the neighborhood in which they are sited, creating jobs and boosting local businesses. Roc will work to reimagine arts and entertainment in Times Square in a way that will not only bring tourists, but also cause New Yorkers to return to the bow tie and check out a highly curated entertainment environment with a new energy that only Jay-Z can bring.

Let's now go through the project. Remember, SL Green has invested in over 12 million square feet of real estate in Times Square. Our properties and you, our shareholders, will benefit most from a project that greatly enhances the neighborhood. There's no better location in New York State for a mixed-use casino than Times Square. It's the world's top tourist attraction, and our casino will generate over 7 million net new visitors. Those new consumers have real disposable income and will not only spend money gaming at Caesars Palace Time Square, but will also spend money at local retailers, restaurants, hotels and Broadway. The revenues we generate from gaming operations will allow us to invest back in Times Square in the form of a public private partnership to greatly enhance quality of life and attract office users, retailers and other businesses to lease space in Times Square.

Lastly, from a city planning standpoint, the intent of Times Square is to bring large format entertainment, amusement, signage and light. This is where our casino belongs. I'm going to share a first cut of numbers with you. We'll drill further into these numbers in the months to come but this is a hot off-the-press look at the economic impact that the project will have.

First, the halo effect. No other competitive gaming site bidding for a license will come remotely close to our project in terms of the economic impact on surrounding businesses. Because we are space constrained and can only accommodate about a third of the projected hotel room night demand inside our facility, the remaining two-thirds of net new demand will go to other hotels in and around Times Square, driving 636,000 room nights per year to our hotel neighbors. That also creates jobs.

Because we can only accommodate about 10% of the dining demand within our facility, the vast majority of visitors to Caesars Palace Times Square will eat at restaurants outside of the venue. 7 million new meals will be purchased at local restaurants as a result of our project and jobs. SL Green is perhaps the largest owner of retail in Times Square. AKRF predicts $166 million in new retail purchases outside the casino because of our development. It's going to be the catalyst for national retailers to pour back into Times Square and lease spaces in our buildings.

Non-Broadway entertainment will be the beneficiary of $55 million in annual spending. Transportation I have to believe the MTA loves hearing that there will be $95 million annually in additional public transit spending because Times Square has the largest subway hub in New York City. We will use that mass transit to bring people from all over Times Square in an environmentally friendly way. That also helps one of our most crucial city agencies.

And Broadway, because we are developing Caesar's Palace, Times Square, [ph] AKRF 01:19:07 projects 400,000 net new Broadway tickets will be purchased every year. That's just the halo effect. Additionally, the casino will commit to directly invest in Broadway to the tune of $117 million over a 10-year period. Since the largest, most successful theater owner has publicly stated, Broadway is doing perfectly fine. Those funds will be geared towards Broadway workers, actors, stagehands, musicians, and smaller theater owners and producers who have told us they need the support.

They will go to purchase tickets for children and families in underserved communities to come to a Broadway show for daycare to support Broadway parents, mental health awareness programs and for educational uses. We love Broadway. We're happy to give back in a massive way to reciprocate all the industry has done for Times Square.

Onsite job creation is massive during development. It's $2.1 billion in economic activity, and once we are open, there will be over 3,000 onsite job positions from a wide range of occupations, paying real living wages that would be offered to our surrounding communities throughout Manhattan and New York City. And lastly, just a little teaser to close this out, when you combine revenues from the project operations with the economic impact outside of the casino, we project over $3.2 billion in annual economic activity on an ongoing basis.

But we want to do more. There's So we want to do more. There's an opportunity to take revenues from the project's operations and invest in the neighborhood to deliver higher quality of life. Public/private partnerships, much like [ph] ASCO 01:20:48 REIT investors in and around One Vanderbilt, in coordination with the Grand Central partnership are the way forward to greatly upgrade our city.

We will work with the Times Square [ph] line 01:20:57, our security consultant [indiscernible] 01:20:58, city organizations, homeless outreach programs like Breaking Ground, and others to fund needed investments that will uplift Times Square and make it a community that will thrive for decades to come.

We've heard a lot of chatter about congestion. We want to be clear, a solution to congestion is not to tell businesses that will bring foot traffic not to come. The goal of commercial neighborhoods is to increase foot traffic and use proven mitigation methods from around the world to reduce congestion. It starts with safety investments that we are committed to, so that consumers utilize mass transit. We'll invest in lighting and street beautification to encourage pedestrian travel in between mass transit centers.

We will commit to drop off zones on the perimeter of Times Square grid, much like it's done at stadiums, airports and large entertainment venues. This is environmentally friendly because for hire cars will no longer sit idle in traffic for hours at a time, within the Bowtie, and through NYC omni-technology, our patrons will receive incentives to ride the subway system, not just trip credits, but also rewards for doing so.

Examining peak hours of traffic in Times Square from 5:00 PM to 7:00 PM, because Times Square is already an entertainment district with complementary uses to a casino, [ph] AKRF 01:22:18 projects only an incremental 9% increase to congestion as a result of the casino. And when we implement all of our mitigation solutions, traffic comes down to nearly half of the existing congestion that exists in the Bowtie today. And we get all of the positive impacts that our project will have on the community. That's traffic mitigation done the right way.

I want to close out I want to close out by talking about early supporters for our project in Times Square. This is a key group of key – this is a group of key businesses and stakeholders that have personally met with us, learned about our project, and recognized how beneficial will be to their livelihoods. It's a combination of restaurants, retailers, landlords, labor organizations, hotel and Broadway organizations like Actors Equity and Local 802.

Once again, there is no other competitive bid that will receive this type of support from surrounding businesses because other gaming bids will be geared to bring customers inside and not let them out. Our bid is the opposite. It's a New York bid, and we're proud of what we'll do for the community.

Here's a series of quotes from local supporters that you can read online, but I want to highlight one from a labor union discussing why they support our project over others given all projects will bring labor. Chazz Rakowitz from Local 79 points out that yes, his union got this scaled construction project to work on, but as a result of that project being located in a commercial entertainment area, other locations being proposed for a casino project can be developed for housing, affordable housing, schools and parks. And his members will not only have a place to work but will also have a place to live nearby rather than be forced to find housing in the suburbs. That's the right way for New York to approach this decision on where is appropriate for a gaming license.

This is why Times Square is the best location in all of the Empire State for a casino done the right way and by New Yorkers. It's the most responsible from a planning standpoint. It will do the most for local businesses. It has the infrastructure in place and can be generating revenues for the city and state years ahead of other bids. And for New York, Times Square must remain the crossroads of the world for the next century. The support is growing every single day. Can you imagine a world-class gaming destination in the center of Times Square? We can. And we're going all-in to make those New York City dreams a reality.

We look forward to sharing more in the coming days on Caesars Palace Times Square. Once again, Tom Reeg is the CEO of Caesars Entertainment, and we appreciate him taking the time to be here today to speak with you. Thank you.

Thomas Reeg

Chief Executive Officer, Caesars Entertainment, Inc.

Thanks, Brett. As Brett said, I'm Tom Reeg. I'm the CEO of Caesars Entertainment. For those of you who are not familiar with us, I want to give you a little bit of background on Caesars. We are the largest domestic gaming company. We have 51 properties in 16 states in Canada, over $10 billion of revenue. Our market cap is over $10 billion, and our enterprise value is over $30 billion.

We've got a proven track record of development and development in urban areas. As an example, right now, we're in the middle of a $400-million-plus expansion of our project in our property in New Orleans that is adjacent to the French Quarter. So we have experience in operating and developing in urban environments, which is going to be important here.

We also have the largest database program in the casino business. Caesars started what was then Total Rewards two decades ago, developed it as a hub-and-spoke system similar to your airline frequent flyer programs, unique in the casino business. And because of the scale of Caesars, that database has grown to over 16 million people.

So if you think about the way that operates, we have properties across the country where customers go on a frequent basis. Multiple times a month, they generate points in the program and they use those points primarily for destination trip. And in our current network, that's Las Vegas, Lake Tahoe, New Orleans, Atlantic City, Caesars Palace, Times Square will certainly be a crown jewel in our network.

We're also already an existing player in New York, known to the state, licensed in the state, a top three player in digital sports betting. Today, those of you in New York know that you saw thousands, tens of thousands of Caesars Sports advertisements last year with JB Smoove. So, we're very well known in the in the state. We have existing partnerships with MSG, with the Knicks, with the Rangers and with the Bill.

And if you – in terms of where we were coming from here, we were kind of a free agent, did not have a partnership, didn't really know where we're going to pursue a New York license. There's a lot involved in pursuing a project of this size and scale in New York, and we wanted it to be the perfect opportunity for us. So, we talked to a number of potential partners, some of which now have others, some of which have had buildings that they wanted to show us. There was nothing close to what SL Green has at 1515 Broadway.

As someone who worked early in my career in Manhattan office buildings, when – when I was going out to see the building, I was expecting the columns everywhere, very difficult to imagine it turning into a casino. And I can tell you that the spaces here are really what got us super excited about the project. You can really see what we can do here. As Brett said, this is going to be entertainment facing on the ground floor. The casino will be the second floor and up.

But we can create experiences. And you saw in the pictures, the renderings that Brett showed. We can – as an example, we can create a separate entrance for our highest volume players, our most valuable players, send them up to a private gaming salon and then out to a terrace that overlooks the bowtie, overlooks the ball drop on New Year's Eve. These are the types of experiences that we want to create for our customers.

The latest we've done is we've got Adel in Las Vegas who started a couple of weeks ago. That's the type of experience that you can only get with Caesars and Caesars Palace Time Square fits right into that. And then I'll finish with this is clearly a competitive process. So what's going to be important for the state in our opinion? We've worked through a lot of these horse races in the past. What's important to the state? How quickly can you get open? Brett talked about the zoning that we've got here. This is already an entertainment district. You're not looking for a zoning change. You've got an existing building that we're converting. This is not a greenfield brand new construction from the ground up.

Those allow us to get open quicker than a lot of our competition. Why is that important to the states, they start earning their tax Why is that important to the states to start earning their tax revenues quicker as well. The connection to the city is important. Obviously, you have SL Green, all of you know their commitment and activity in New York. We've added Roc Nation with [indiscernible] 01:30:51 that is New York through and through. We're an existing partner in the city, also important. So we set up well from that standpoint.

Yeah. New York is going to as it should will have social responsibility, the social aspects of a casino front of mine. Caesars, three decades ago started the first responsible gaming program in the industry as the largest and most developed. We've got a litany of corporate social awards and we have a well-developed CSR program, we just published our latest CSR report. There is no one in this industry that has a better CSR story to tell as well.

So – and then as can we, can we get it done? We have $3 billion of current liquidity. As I said, we're over $30 billion enterprise value. You know SL Green's resources now we bring in Roc Nation. There's no question that we are well positioned to be the right choice here. And as Caesars, we are super, super excited to get going.

And with that, I'll turn it back to Brett.

Unverified Participants

Please welcome Executive Vice President, Robert Schiffer.

Robert Schiffer

Managing Director, SL Green Realty Corp.

Well, I'll say that Caesars Palace Times Square, is a hard act to follow. Good morning. In 2022, I leaned into three things. First, transitioning my role in Summit to Michael Williams, completing the development job I started some 17 years ago. Michael, who you'll hear from shortly, has expertly overseen what has become a global phenomenon. So global, in fact, that we have had inbound inquiries and guests from around the world ask us to bring Summit to their city. So I spent the second half of 2022 travelling to major cultural destination cities around the world to kick off what we're calling Summit Global. And I'm pleased to report that we're having meaningful discussions with our top targets in those cities.

Finally, when I'm not on a plane, I've been helping our SVP of Construction, Bob DeWitt, where I can on One Madison, a project that I've been deeply involved with since 2017. We're in great shape at One Madison as the One Vanderbilt band that never fully broke up, relabeled themselves under Bob's tireless leadership.

Let's take a closer look at the construction progress. This is where we were – sorry, go back one. This is where we were at last year's investor conference. We demolished floors 10 to 16 and the core of the historic structure. And we were deep in the hole, excavating bedrock and preparing to go vertical. After an incredible effort by the team, this is where we are today.

Overseen by John Krush on a day-to-day basis, a world-class team that includes Hines, Tishman, KPF, Vulcan and dozens of other consultants, it's hard at work delivering a product under budget and ahead of schedule that in many ways will rival the award winning One Vanderbilt because this is what we do. Raising the bar is in our DNA. This is the 10th floor IBM's amenity floor with the signature architectural feature of the building, the trust that converts the load path of the tower to the beefed up column grid of the podium.

This is the 11th floor, Franklin Templeton's amenity floor. Already clearing the neighboring buildings, providing expansive views with its massive 22-foot slab-to-slab height and column-free interior space, it will serve as FT's hub for its consolidated headquarters. Here's a typical tower floor. The views over Madison Square Park. Some of you might remember our guest speaker from last year, Robbie Schiffer, head of real estate for a forward thinking Fast 50 fictional company called Technion. They still haven't made a dollar but they're spending real time on One Madison and Robbie has been circling around one of our last available tower floors. One Madison checks all of his boxes. Robbie, I think we're going to need to see some updated financial statements.

Our completely re-imagined podium floors with the new 81-foot square windows and the new curtain wall above the reinvigorated Madison Avenue entrance. Moving down to the lobby, you see that we have removed floor slab to create the eventual home of the tenant-only amenity space we call the Commons, shown there. The reimagined Madison Avenue entrance with the park just beyond. And finally, this photo taken last week, which is essentially a live feed of the site as the team is eagerly preparing for topping out.

Let's take a look at the past TCO. In 2022, the critical path of the project ran through the core of the building. The concrete core structure rose out of the bedrock through the podium ahead of the steel, the completed podium window installation, and commenced erecting the steel structure. As the steel frame for each floor was completed, we poured the concrete floor slab in fireproof steel members. Now, the concrete core is complete and by the end of the year, the steel superstructure will top out. And we'll celebrate that milestone with a beam signing and a trade appreciation day on December 13 with the hundreds of tradespeople who have helped us build the project.

As we look forward, the completion of the steel structure installation allows us to proceed with curtain wall installation and MEP installation as that is completed and louvers are installed. We make final connections to the MEP system all the while elevator installation is ongoing. It's an incredible number of workers working on various different trades simultaneously and as the fall approaches, the team will be in overdrive to accelerate our TCO Day from November to October.

A quick recap on the budget and funding sources, we currently stand at 75% of the $2.3 billion project committed, 65% of which has already been spent and the balance will be funded by our $1.25 billion construction facility. We're happy to report our trades are 100% bought out and that 20% of our trades were awarded to minority and women-owned businesses, surpassing our goal of 15%. We call it TCO. Our JV partners will fund us the balance of their required equity commitments, totaling $577 million, bringing the total third-party equity investing in the project to $761 million. Finally, we expect to finish the product with total savings of $60 million, a portion of which will be reinvested in the amenity program that we will discuss later on in this presentation.

Now, let's turn to leasing progress. As Steve already walked through, we announced Chelsea Piers in October of last year, our first lease, for 72,000 square feet. In March, we announced IBM, 328,000 square feet and in September, we announced FT for 347,000 square feet, bringing us to all 54% leased. We are currently in negotiation with two Singapore users for the 26th and 27th floors, as well as a pending expansion by Franklin Templeton of 7,000 square feet on the B2 level. And we're also really close to signing a lease with a retail restaurant destination.

In 2023, we'll look to sign leases for floors three and four. That would bring us to an occupancy of almost 73% by the end of the year, along with our TCO and will put us in a great shape to execute a refinancing of our construction facility midyear 2024. After taking into consideration the encumbrance of IBM and FT's option floors, at TCO we really will only have one unencumbered podium floor and one unencumbered tower floor left to lease.

And finally, we have our amenity program, the crown jewel of which is a rooftop addition. One Vanderbilt has set the stage for building amenitization. The amenity program is a proof-of-concept that an elegantly designed and curated set of third spaces managed by dedicated professional hospitality team and great – can greatly enhance the office experience. It's a rich ecosystem of dining options – Le Pav, [ph] Giorgi 01:40:16, La Terrace, all of which provide a counterbalance to the various meeting spaces here to just the space we're currently in.

But given our DNA of One Madison, we're going to exceed what we've built here. We're going to improve the global standard with a more robust offering. As we look at the floor plan of One Madison, you can quickly see we have all four corners of the block covered, on 24th and Madison across the street from 11th Madison Park since the Edition Hotel, home to Stephen Starr's Clocktower Restaurant, the retail destination will anchor the north east corner of the block on 24th and Park Avenue South. Chelsea Piers anchors the southeast corner of the block. And with Italy across Madison Square Park, this area of town will remain New York City's epicurean center.

Together with the commons had we stop there, we probably would have the most amenitized building in the city. But we did it. The balance of the spaces you see here reflect this morning's announcements. And to reveal our ideas for those spaces, I'd like to welcome our partners, Chef Daniel Boulud and CEO of the Dinex Group, Sebastian Silvestri.

Chef Boulud is widely celebrated as one of America's leading culinary authorities and restaurateurs. Since arriving in the US, he has continually evolved his cuisine and expanded his reach while winning multiple awards for his achievements and building a significant media and social media presence.

Sebastian has been the CEO of Dinex since 2019, joining the company with over 25 years' experience in the hospitality industry. His focus is on defining the next star of the group, collection of restaurants and brands, expanding the brand portfolio, all while maintaining the excellence of his existing operations.

Together, their Dinex Group is one of the premier fine dining restaurant groups in the world. And Mr. Boulud and Mr. Silvestri have grown Dinex from one location in New York to multiple owned and licensed venues around the world. Chef and Sebastian?

Unverified Participant

Hello. Thanks. Good morning.

Unverified Participant

Hello. Good morning.

Unverified Participant

Good morning. All right. Thank you, Robert, for the kind introduction. We're honored to be here today. I'm here with Chef Daniel. And for us, it's an exciting time because we're presenting something very special to you today and something that we have been working on for the past year. So I want to turn you to Daniel. Daniel, talk to us about One Madison market and the inspiration.

Daniel Boulud

Chef & Owner, Dinex Group

Well, first, good morning. And usually, I'm downstairs here at the second floor, of course, cooking at the Pavillon. My – of course, my partnership with SL Green, Marc Holliday and Andrew Mathias started five years ago when we started to work on the Pavillon and all that. And we have happened to great success and now we are looking at our next venture. So it's very exciting.

And as many of you know, I am a New Yorker for quite a while, couple of decades and – but I'm originally French. And of course, I grew up in Lille, a city known for its greatest food market there and in the world. And at One Madison Avenue, there will be a new type of market, something new to offer to the city. I think we're not in short of opportunity to go shopping, to go eating, to go. But I think we are – we want to create a market with that as culinary delight. It's all freshest products, seafood that we often get in our restaurant that we want to be able to also share in that market. And there's baked goods and find meat from either local farm or find ranches around the country, chocolate and pastries. And from morning to night that basically, there'll be enough flowing all day. And they'll also be – it become really a central meeting place, a true heart in the city. And that's what is a true heart in my city, in France, but also in Europe. It is really this market is part of the ascent of a neighborhood.

And so, I'm very excited to be involved with that. I've been doing retail before. I've been doing retail with Épicerie Boulud for more than 15 years now. And so, I understand also that portion. I have a catering company. So, besides being a chef in a restaurant and we – may you may have – I may have cooked for you, but I think I'm very excited to also be involved in this project as well.

So, the opportunity with that is also to work – beside working with local suppliers, is to be able to create all kind of dining opportunity within the space by having sort of what we call [Foreign Language] 01:45:35, which is counter dining, it's affordable, is delicious, it's very fresh, it's in and out. It's – there is a large portion of a café also inside. And so – yeah...

Unverified Participant

Let me talk to you about the format. So, there – you saw the beautiful market hall, the format is 7-foot kiosk, one functional café that is kind of the highlight of the room. And all this seven different cuts going to be activated. So, it's a living, ever-changing marketplace, we'll showcase freshness, seasonality, artisanal, tradition, culinary creativity. And the idea is for the market to be as good as what New York is. So, Daniel, talk to us about the look and feel and the design.

Unverified Participant

Well, we want the market to really feel lively, bustling, and we choose designers that architect and designer, David Rockwell, who is a long-time friend, a long-time professional in the hospitality industry and the food industry. And so, we feel that with David, we can create a real sense of welcoming in the space, but of a sense of circulation that create liveliness. But also, it's a comfortable shopping and yet, it's not a supermarket. It's not at all a food court either. It's a combination of many together that make you feel like it's the perfect place to. We want with David to really create a sense of hospitality within a shopping and dining space.

Unverified Participant

Thank you, Daniel.

Unverified Participant

Here's the rendering of the markets today.

Unverified Participant

Yeah.

Unverified Participant

So, if you see the activation and all the different station on the plan. And then we're going to take you through pretty much all of them, so you have a better idea exactly of what we're going to be preparing there. So one of the first one is [indiscernible] 01:47:41 so think about it almost as a fish market. People can sit there that kind of they can have oysters, they can have lobster, they can have crudos. But they can also take things home with them that they can put out themselves or they can get some dish that are already prepared.

So that will be one of the first station. Another one, classic French brought to One Madison, [indiscernible] 01:48:03 and the charcuterie. So artisanal cheese, charcuterie, something people consider that kind of they can order different type of cheeses. We'll sell some bread that have been baked here in-house.

Unverified Participant

And also a lot of sandwiches and things around those projects as well. So between prepared and eating and to go and take home, it's all in one.

Unverified Participant

And there is not a French market or European market without a bakery and that's La Boulangerie. So old baked goods will be baked in-house, so some baguettes. In the morning, we'll do other croissant and the different garnishes and savory sandwiches, like Daniel says paninis out of the bakery.

The next one would be [ph] Le Protégé 01:48:50 Daniel?

Daniel Boulud

Chef & Owner, Dinex Group

Which will be a focus on vegetable as well, a lot of vegetarian options, and a lot of healthy things – salad and smoothie and juices. And at Le Pavillion, we purposely created a menu that was 50% seafood, 40% vegetable, 10% meat. And it really worked very well. A lot of people appreciate that in their sort of daily life of nutrition and diet. And so, that will work very well. And those also – you can also take some very specific vegetable like, during the season of white asparagus, we will peel the asparagus for you, but you can take home the asparagus and you can take the sauce and you can feel like you're cooking. You boil water, you cook your asparagus, and you eat it warm and with our sauce. So it's all things like that where many dishes may come in a kit that you can finish at home and we'll give you the instruction, the recipes. And also, it's very important that you feel very comfortable coming for many opportunity in the store and coming for coffee and living with a full bag.

Unverified Participant

I think it's getting you hungry by now.

The next slide is La Rotisserie. So the idea here is to have another La Rotisserie...

Unverified Participant

Patisserie.

Unverified Participant

...La Patisserie. So all the desserts, something we have our corporate master chef, our pastry chef team making all the desserts there. Same thing, people can just sit there, enjoy the desserts and the patisserie or take the patisserie, the ice cream, the sorbet on. And another great things about the market, [indiscernible] 01:50:35 $0.90, it will make also crepe to order to the guests. So...

Unverified Participant

And we know that today family love to take their children to this type of place, because I think it's part of the real community in a way. And that will be – the suites, for sure, the kids go crazy.

Unverified Participant

The next station, [indiscernible] 01:50:59, so not only a pasta station, but lot of grains, a lot of flatbread. We'll have a wood oven there so you can see our chef making the fresh pasta or making some grain, some risotto.

Unverified Participant

And that's also the seasonality going into it as well. We cook very seasonally. And so, of course, there'll be simple, easy but to order kind of made food. So even if you want to eat it and go to the park, to one [indiscernible] 01:51:32 park and to the park and eat your lunch, at least it'll be freshly baked for you.

Unverified Participant

[indiscernible] 01:51:41, which is the butcher shop, so some idea, finest selections of meat for people to take home or either to sit there at one of the counter. And we can prepare the steak. We can prepare Daniel's famous DB Burgers and a lot of other things that...

Unverified Participant

And we'll have for each – for each store, we'll have a book, a booklet that you can have if you become, let's say, a member, a preferred member to the store, you'll have a booklet of recipe for every station that when you buy something, you know what to do with it. It's very important.

Moving on to the café, so traditional French café, and that's a place that is going to be activated all day long. In the morning, it's coffee, cappuccino, croissants. And in all throughout the day we can have an operative of cocktails. And it's really a central point not only for the tenants but for the people of New York that wants to come to the market and experience this experience, this European market experience here. And here's a rendering of the locket, so beautiful, stunning. So I think, yeah, it's old class Europe but in a very new picture, a market in Leone, [indiscernible] 01:53:04 in London. I mean, very European in a way of the blend of the offering, but also the blend of the feel of the place, I think.

Moving to another super exciting project at One Madison will be The New Steak concept by Chef Daniel. So, Daniel, how did you come up with that? Well, of course, it's not because we wanted to focus on seafood and vegetable vino that we didn't neglected meat. And I love meat, and we are getting better and better at getting the finest meat in America in a sense of it don't matter if it's beef, chicken, lamb. We have amazing farmers, amazing growers as well, and ranchers.

And so I always wanted to have the opportunity to create a steak house. I mean, since I'm here, I love Steakhouse. I love the classic, classic steak house.

I go to Keens. I go to Luger. I go to Wolfgang and all that. And – but I think it's always like, how can we extend the experience? And here we are looking at creating a French-American steak house. We're not going to get you lost on the fact that you are going to a steak house, and you can't get your steak the way you like it.

But there'll be all kind of perks around it that also will create from the vegetable, from the appetizers, to also the sauces, which is very important, the seasoning of the steak, the techniques of cooking the steak, which we are looking at that. We want to add also some wood fire or charcoal fire to the cooking.

So they'll be very Euro-American, I would say. And sometime even why not a little bit of touch of Italian or South American into a steak. That I want to really not make it a global feel on the food, but really exciting and something personal as well, like every one of our restaurants.

Unverified Participant

Very good. Some imagery to give you a little bit of a concept and the atmosphere that you can experience in the steak house, [indiscernible] 01:55:36 the layout of the space design that if you see the layout right now, every table is a good table. That was kind of the idea in mind. We have a very comfortable buy and lounge for the people that are in the building, for the tenant, but for the people that also wants to come to the steak house.

And then the space transition, we have a beautiful dining room, and all the tables are good table overlooking somehow the kitchen, open kitchen, open flame. So there is a lot of entertainment when you're sitting there.

And then the element needs warm wood, rich colors, mix metal and our plan is to create this all enveloping experience that really transport the guests and enjoy the fine steak and seafood and cocktail.

Unverified Participant

And we.

Unverified Participant

We're rendering.

Unverified Participant

Yeah.

Unverified Participant

More rendering of the space...

Unverified Participant

And,

Unverified Participant

...and the operation.

Unverified Participant

And I think the location when Marc and Andrew approach us to work together on this project at One Madison Avenue. I really felt the location is this is the epicenter of New York, I thought One Vanderbilt was but this one is where really midtown made downtown the sort of downtown active cultural life and the midtown business are really the central point there. So, I think it's exciting to put a restaurant like a steakhouse and we have done our study, there's not too many people around there that have a good steakhouse so.

Unverified Participant

Thank you, Daniel.

Unverified Participant

So that was a good steakhouse and listen we're reaching the last piece that to me is like crème de la crème, the One Madison rooftop. As you can see this is something pretty spectacular, you can see the villa in front of you. The views are from both indoor and outdoor that amazing. David Rockwell designed this and really the idea for the tenant is almost you own exclusive private club that can convert into an event space, so we've been creating the food and beverage option. Obviously, we want to compromise the tenants for the day. They're meeting their needs through casual meal cocktail events. And honestly, I believe this, I mean, it is truly above anything beyond what can and can't find anywhere else.

We're all committed to delivering that an excellent experience for the tenants and beyond that of quality and life opportunity to use the space for private event, corporate event on the evening, on the weekend when the tenants, I'm assuming, are using it. The idea is to match exceptional cuisine with exceptional space. And in this case, we really could not ask for anything better than this. I believe this will meet or even exceed experience will offer. We worked with a lot of luxury brand like Four Seasons and Ritz and Rosewood. And I think what we've developed there is more than beyond.

So, look, we cannot wait to welcome the tenant of One Madison in [indiscernible] 01:58:28. And we...

Unverified Participant

And I want to say also, one big thank you to Marc Holliday, Andrew Mathias, but also Mr. Green, because Mr. Green is a little bit like me, is always in the store, in front of the store. We see each other a lot. And I'm very proud to be your partner. And I'm looking forward to the new venture we have together because if there is one company that is committed to quality, to excellence and to bring something new for the community, I think it's Marc, Andrew and SL Green. They're really – and as long as I've been in New York, it's the first time that they really did in partnership, something like that.

And it has been the most rewarding thing. So, thank you, gentlemen.

Unverified Participant

Thank you very much.

Unverified Participant

Thank you. Thank you.

Unverified Participant

Please welcome General Manager and Managing Director of SUMMIT-One Vanderbilt, Michael Williams.

Michael Williams

General Manager & Managing Director, SUMMIT-One Vanderbilt

Good morning. We're going to start with a question. Stop and ask yourselves. How many times in your career – actually how many times in your life are you given the opportunity to be part of something, to help leave something that will forever change the landscape of a greatest city in the world like New York City? That's the question that I was first asked by Marc Holiday. When we first started talking, I was brought on board to be with Summit and run the exceptional team that we have in place.

My name is Michael Williams. I am the General Manager, Managing Director. I'm very fortunate to lead a tremendous, very passionate, very driven team of individuals that oversees Summit every single day. I had tremendous, am very fortunate experience to work for some of the greatest brands in the world, from Disney to the NFL to Formula One, just to name a few. And it's that experience. Everything in each of those different venues, in each of those different verticals that will ultimately brought me to the opportunity here today to run this global destination.

So when you think of Summit and you think of what it offers, the true is unique. And the journey itself is something that's different than anywhere else you're going to find in the world. People go other places to see it. They literally go up and they see it and they look it out. At Summit, people come to Summit to feel it. Everyone's journal journey is personal and unique amongst themselves.

When you have people walk away and say they feel like they were in a glass jewelry box or dreaming in a kaleidoscope, well, quite frankly, you've done something right. How many here have been up to Summit? So you everybody here knows exactly what I'm talking about. For those of you who haven't been up here to Summit, I'm going to give you guys a little look of what you've been missing. We'll show the video, please.

[Video Presentation] 02:01:26- -02:02:28)

It never, ever gets old. To steal a line from Willy Wonka, at SUMMIT, we are the music makers. We are the dreamers of dreams. So we set the tone fewer because a lot's happened. But take us back a year. Last October, why does the country in New York City was facing new mandates, the second wave of a global pandemic, vaccine checks, mask mandates, everything else being put in place, we came forward and we forecasted 1.5 million guests coming through the doors with $91 million basically being generated revenue. Well, we not only met those goals, we exceeded them.

Under those circumstances, that's pretty remarkable. Understandably, news of SUMMIT spread all across all different media outlets across the globe, from print to TV. There's one thing for sure, everyone knew that there was a must do destination on the scene, SUMMIT One Vanderbilt.

We quickly became one of the top things to do in New York City. And even more incredible, when you stop and think in an area where social media is king and content is that that goes across all different platforms, being named one of the top and most instagrammable locations in the world definitely has its perks.

We've had people from all 50 United States come through SUMMIT. And even though a lot of folks, they visit us from the Tri-State area, the fact is, is we have people from all across the country to make sure it's a point to come to visit something when they come into the city.

The UN recognizes over 190 countries in the world as of right now. And of that, we've had over 130 different ambassadors from different countries come through our doors, all of them leaving away with a sense of awe. The fact is when you say it in French, Korean, Portuguese, German or English, one thing is the same for everyone, SUMMIT transcends all languages, and it turns every single person into a storyteller.

In a world where celebrities and influencers are not easily impressed, and we all see it, the fact of the matter is SUMMIT offers something special, unique, an opportunity to share something authentic and magical. The content they create on their own has been generating excitement and driving awareness for SUMMIT across all different areas of the globe to the tunes of millions and millions of people.

Athletes, musicians, entertainers, musicians, movie stars, all of them have one thing in common, they love to be seen. But what makes this unique is they all want to be seen at SUMMIT. Other brands usually have to pay for this sort of endorsement, this involvement, if you would. One of the things we have to deal with daily is just managing the constant flow of requests to come in to our staff.

From concept to execution, when you're building out a brand, part of that that's so incredibly important is that organic growth, especially being involved with a vested and engaged community. Take Instagram for instance, one of the biggest platforms in the marketplace right now. While other New York observation decks who have had accounts for 10-plus years, within one month, 30 days of opening our account, we surpassed almost all the social communities throughout all the different New York observation decks. And when you consider our unique content that no one else can do and our current upward trajectory, we expect to be at the top of that social media mountain in no time.

In total, SUMMIT has been featured in over 1,500 placements across the world in media outlets, reaching 62 different countries. Over 700 celebrities of influence have come through, by the way, which we paid for none of them. That's never heard of. No one else does that.

How do you do this? How do you deal? What does that mean? It's about reach. In our instance, we talk about impressions, 27 billion of them, [indiscernible] 02:06:27. Pretty remarkable. That's from all around the world. And all the buzz about SUMMIT has done a couple of things for us, which created an incredible amount of awareness, 42% of awareness within the New York City DMA within a year.

For those of you who live here in this market, you know it's crowded, it's expensive, and it's not noisy. To break through that noise is an accomplishment in itself. To do it at 42% awareness is even a bigger accomplishment, and even more when you're talking research with people coming from all around the world. When they talk about coming to the city, we have 28% domestic awareness from those people. When they come to New York, they've not only heard of SUMMIT, but they want to come here.

You want to know what else? As positive as that is, we haven't even really hit our stride yet. We haven't even really started going at this point. It's easy to stay up here and tell you about all the great things that have happened within SUMMIT. But the point is, life is also about the journey, from concrete whiteboards, starting at the very beginning, to open our doors a year ago. The amount of work that has been done here to bring SUMMIT to life is nothing short of exceptional.

It's no coincidence that the SUMMIT actually runs more streamlined and more efficiently than other destinations worldwide, and that, in those examples, these people have been doing it for years, in some case decades, but they don't run with the same seamlessness or diligent efficiencies that we do here after only one year. We are only going to continue to get better.

We want to make sure that we have the right pricing strategies in place. We do this for multiple reasons. One, we want to increase demand, optimize conversion, and make sure we encourage people to revisit. Every timeslot, everything you come through, no matter what the day, the weather and/or the instance, what you come through, SUMMIT is so much more than just a tall building with a great view. You come through an exceptionally impersonal experience.

It's also extremely important for us that anyone who comes to our doors has a great time. Anyone. We work with a select group of individuals who have offered us accessibility partnerships of programs to make sure everyone has a great time no matter what their background is, who they are or where they come from. It starts and stops with training. The staff that we have are the best in the business. It all starts with them from that guest, their public-facing guest experience, if you will. We've not only learned from the best bringing in folks such as Disney, etcetera. We've also developed our own proprietary materials, allowing our team to take ownership of what it is that they're doing and anticipate those guest needs.

We've established different dynamic staffing models. It's not just the same group every single time. So as you can see from the lights and flashing on here, depending on the floor plan, depending on the day, depending on the projected attendance, we are able to ultimately fluctuate the number of team members in the areas, in the floors, in those experiences to do two things, one, deliver a best, better guest experience; but then, two, also improve labor cost.

We have a strong process in place to make sure that we're able to communicate and listen to all of our guests that come through the space, across multiple channels, depending on what their preference is. Timely, courteous, consistent, what our guest tells us matter. And we listen. We look at every single thing that we hear as an opportunity to improve, to get better with every guest that comes through our doors.

Data, data and data, we know everything that's happening within our space. We drill down on key efficiencies looking for efficiencies across everything that happens. We piloted our own technology that helped us learn how to optimize the travel of guests as they're coming through the space, reducing wait times, but also increasing the throughput, higher visitation satisfaction, monitoring and measuring everything. That equals positive growth across all the different verticals that we have within SUMMIT.

To our third-party and our other brand extensions, if you would, we're making improvements to our menu of photo opportunities or merchandise, all of which are extensions of our brand. We're doing this based on consumer insights, but also purchasing patterns. We do this as we can continue to grow our revenue as we head into 2023.

How do you market something like this? Well, we've had two phases now. So, first of all, how do you market something that's different than anything else anywhere in the world? Well, we did just that. When we rolled out our Reimagine campaign and accomplished what we were looking to do by educating the market on the SUMMIT before we opened, but also creating intrigue, creating and teasing an opportunity in the market itself.

Now, where do you go from that? You go forward. You go forward with the opportunity to take the genesis of creativity, of innovation, of all the things that happen within the marketplace. But you do that by being taken a step further, not by what we say, by what our guests say. For that, I'd like to show you the new direction we're heading with our marketing. If you would, let's roll that video, please.

[Video Presentation] (02:11:30- 02:12:53

There sure is a certain brilliance and beauty that comes with marketing a space such as SUMMIT. When you can have guests to come through your space, evangelize your brand for you, you've had a whole new plateau, a whole new height, if you would because it's not just what we're telling you, it's what they are – they in turn becoming brand ambassadors. They are the ones that are carrying the message for us when we do that. A multicentral campaign, where the foundation of the message itself is grounded in what our guests say after they go through.

It felt life allows us to captivate audiences not only with stunning visuals, but strategically connect with them in the platforms, in the messages that they write, that they like and they ultimately been eventually force in the marketplace. It effectively communicates the breadth of what SUMMIT is and how different we are from everything else, allowing us to reach a whole new set of diverse audiences. But we do a lot more than that. Public-facing efforts are important. They absolutely are. But it shouldn't overshadow some of the things we do in the philanthropic and community outreach side as well. And for that, we created SUMMIT Foundation. We look at it as another further extension on what we do on the brand side to give back to the community, give back to those areas within New York.

For this reason, we've committed to donating 1% of all gross ticket sales to local charities through the New York marketplace because we are New Yorkers. We want to make sure that we get back where it's needed.

There is so much more to the future of SUMMIT. If you think that's exciting, what we've talked about so far, you can't even imagine what the future holds. It's going to be quite incredible when you stop a thief, the presentation for New York. It's not even back to where it needs to be. But guess what? It's coming. Going into 2024, we know the levels of inbound tourism is going to be back to where they were prior to pre-pandemic limit levels. And we're ready.

Next year, we projected to do over $100 million and we're going to walk them over 1.7 million guests. And by the way, that surpasses our original revenue projections but with a lower guest count. Why is that important? Because to us, unlike other destinations, we're focused on the experience, maximizing the experience with every single person that goes through, not just driving a number, not just driving attendance.

Importantly, as you here, more and more markets open up. We're going to optimistically spend money where we know it's going to drive results. Going out and specifically talking about specific chosen market, internationally when those things become available because we know those – those people are going to come to New York and when they come to New York, they're going to want to see SUMMIT.

Lastly, you heard Rob say there was an overwhelming amount of interest coming from people all around the world who have an interest in bringing to SUMMIT there. Well, we're ready. We strategically built the brand and the infrastructure of SUMMIT to make sure that we can translate to make sure that we can translate what we do to all new locations, agile, learning-oriented. We have the processes, technology, and the right team to be able to springboard into this, to accelerate that global growth.

I started with one quote. We're going to end with another by someone who knows a little bit about experiences of magic, Walt Disney. It's kind of fun to do the impossible. Appreciate your time today. Next, I'm going to turn it over to Ed Piccinich, Chief Operating Officer and Executive Vice President. Thank you.

Edward V. Piccinich

Chief Operating Officer, SL Green Realty Corp.

Good morning, everyone. I'm Ed Piccinich, Chief Operating Officer, and this year I celebrated my 20th anniversary with SL Green. I usually have the coolest presentations with videos, BIM models, all the bells and whistles. But I must be on Santa's naughty list because my topic won't be nearly as flashy as what you've seen.

So when I was asked to present on expenses, a boatload of diligence items came to mind, along with the pressure of realizing I would be challenging [ph] Killer Mack [ph] 02:16:50 for his title belt for one of the driest presentation topics ever. It's a pretty substantial topic, to say the least. And because of the market we're in, it cleared the way for me to highlight our historic thoroughness and, in short order, demonstrate how and why our approach is of seminal importance.

I've been in this business for nearly four decades and experienced major events that tested our resilience. Laid here on our SL Green stock price are some notable periods in our nation's history, some of which fed into economic breakdown at the time. Whether it's physical attacks to our buildings, or the six who died in 1993 who worked just down the hall from me at the old World Trade Center, or when I was called out for an impromptu meeting in California the day before 9/11, only to learn I would lose hundred more friends. These tragic events triggered changes in security technology and building operations to what we consider normal today, everything from access controls to turnstile, to bollards you name it.

We can look back more recently to points of financial recession. In 2008, we achieved credit and lacks lending fuel to housing bubble in 2009. Regardless of the situation, I've led an ever growing team of professionals who take pride in preparing for anything that comes our way and quickly respond when this business needed us the most. It's always something and it's never what you expected to be, now today's [indiscernible] 02:18:21 is inflation and I spur that our strong planning has prevented us from hitting head on. The fact of the matter is New York has been here before and has pulled through economic turmoil, coming out of it bigger and better than ever. We got this and I'll show you how.

You've seen high level versions of this data in the past but now allow me to bring a more detailed perspective into the fold. This pie chart shows our 2023 pro rata share of operating expenses is $477 million, nearly half or $193 million is influenced by our powerful containment measures. The remaining 59%, $284 million shown in gray are relatively fixed expenses and although assumes uncontrollable, trust me, we do our part to actively manage them as well. I'm confident you will soon have a better understanding of the management muscle and exceptional results behind this nearly $200 million that falls under my responsibility annually.

We have a toolbox in place to maintain our cost across all expense categories as shown here on this grid but I will only touch on a few. Under payroll, we directly hire cleaners to save on sales tax that would otherwise be charged by third-party cleaning contractors. We are actively involved in collective bargaining agreement negotiation, which covers the lion's share of our building employees and provides us with a greater degree of wage predictability and accurate budgeting. Our collective influence as owners under the realty advisory board umbrella further strengthens our effectiveness. For R&M, we train and deploy our in-house field labor to complete work, steering clear of contractor overhead and markups, thereby avoiding major capital expenditures.

Moving to contracts, we leveraged the scale of our portfolio through bundling opportunities for both construction and R&M projects, realizing material savings and benefiting from these discounts. Hats off to Megan Gill and Bob DeWitt, who run our operations and construction group respectively for leading this charge. Our intense bidding process across all lines of business allows us to partner with preferred vendors and execute multi-year service contracts with attractive locked in rates. And under utilities, our portfolios aggregate electric load provides competitive pricing during the RFP process. We also audit building consumption, strategically invest in energy efficiency projects and implement energy curtailment events like nobody's business.

So here's how this master plan is performing with the actual results. Building payroll is the largest expense life accounting for 15% and sees regular year-over-year increases. The right margin details exactly what's included in each category. We extrapolated our pro rata share over the past five years, projecting into 2023 for our same-store portfolio, excluding One Vanderbilt. We've simulated a normalized projection at a 1.7% inflation rate using a stabilized year, 2019, with physical occupancy hovered around 80%.

2020, 2021, and 2022 were non-normal years because of the effects of COVID and low tenant population. We were one of the first companies to reduce staff in line with occupancy levels, which drove the large reduction in payroll during those periods.

Next year, 2023 performance is expected to be well below the historical trend of 1.7% and significantly below the current 7.7% CPI. Our goal is always to outperform our budget by making vital decisions during the year to mitigate financial exposure and protect our bottom line. They are an [indiscernible] 02:2226: immigrant, which is 5% of our OpEx pull and close repairs and maintenance outside of capital expenditures.

In other words, we may not be replacing a cooling tower, but we may change some of its parts to bring it back to its former glory. In this line, there are no significant year-over-year savings compared to payroll, given occupancy is not a major driver for R&M. Instead, it is dependent upon the makeup of our mechanical equipment, typical HVAC parts of supplies, interior and exterior repairs, and telecom.

In 2020, we deferred several R&M projects and further bolstered the use of our in-house labor market outsource – rather than outsourcing. Our engineering massive migration [indiscernible] 02:23:13 and our extremely talented local 94 engineers have been a huge part in managing these expenses. In 2020, we elected to suspend several cleaning contractors due to the decrease in foot traffic.

Metal, marble maintenance and window cleaning weren't as crucial. And we carry this forward into 2021 without compromising our ability to deliver best-in-class services.

Although, we budgeted for 70% occupancy in 2023, we will make necessary adjustments to scopes of work and frequencies to better align with tenant and building profiles.

What's amazing to see is that in almost every case, the story is the same, 2019 and 2023 are nearly equal. While it may look like our expenses are up year-over-year when compared to a normal year, there has been little to no increase. One of the largest components in service contract is the security officers, who are overseen by our Director of Security, Ari Mahairas, a 25-year FBI veteran. Unfortunately, we've seen a high turnover with our army of guards post-COVID, mostly driven by pay disparity. Many employees are shopping and comparing their prospective employers' rates and benefits, or leaving the security business entirely for higher-paying jobs.

So, in order to attract and retain high-quality labor, we, along with other owners in the city, have had to increase our minimum wage rate by roughly 13%. We may be up in this category, but we will never compromise tenants' safety. Our buildings are known as the most secure in the city, and this is an area where we will not cut corners.

Moving on to commodities, which has been a hot topic this year. The impact has been visible at the pump and on your home utility bills. Steam and water account for less than 30% of our utility costs and are paid to the provider based on market pricing. For natural gas and electric, half of our expense is transmission and distribution, which is a fixed cost controlled by the public service commission earmarked for infrastructure upgrades.

We actively manage the supply portion of these utilities by executing long term 12- to 24-month locked-in rate contracts. In some cases, like 2019 and 2020, for electric, we paid slightly more on supply than if we were charged market rates. But over the five-year period, we actually saved nearly $2.5 million across both gas and electric. We developed a comprehensive program, taking into consideration external drivers such as weather, geopolitical policies, natural gas reserves, base building energy-efficiency projects, occupancy and building profiles.

A shout-out to [indiscernible] 02:26:04 who drive these pivotal decisions with input from our market-leading energy consultants and mobilized ESG team. Although this year we had to renew in an energy market that wasn't in anyone's favor. The good news is we are locked in for 2023 and expect to remain relatively flat in 2024. And we'll continue our energy saving efforts, reducing consumption and creating efficiencies wherever possible.

Here is a summary of all the categories I detailed but rolled up on a per square foot basis. We are passing expenses through to tenants in accordance with lease terms to maximize recovery and have entered into a multiyear contract taking advantage of preferred pricing. My team knows I am an unsatisfied optimist when it comes to our results, and we're determined to press forward on all fronts. They're like a platoon fighting a guerrilla war in the jungle when it comes to our expenses. They know culture eat strategy for breakfast every time. Bottom line is that the people implementing the plan are the ones that make all the difference in the world.

All right, ladies and gentlemen, you can all wake up now, don't just snooze the button, because I present to you the one and only welterweight champion of the world, a boring topic, [ph] Matthew 02:27:25 [indiscernible] 02:27:26. All right. They're awake. They're all yours.

Unverified Participant

Thank you. Thank you.

All right. Throw away. It's all yours.

Unverified Participant

Thank you. Thank you. All right. Thank you, Ed. Historically very accurate introduction. I don't think there's anybody here that's going to dispute. You've got the belt that was a mind numbing, very informational, but you walked around to at least show you're human, there's no plugs, USB ports or anything like that, but step it up next year and do something on like the science of paint drying or though take it up a notch.

Thank you all for joining us here at One Vanderbilt, [indiscernible] 02:28:01 all along. That's typical for us. I would say, in person, but, Steve, you're sitting so close to me. It's like face to face. So we're doing kind of one on one meetings here for 25th year in a row, in person. So appreciate you all being here.

I'm going to start with a discussion of liquidity and liability management. Obviously, two topics are always front and center for us, but particularly so in this environment. Starting with liquidity, one year ago, I showed you our plans to maintain at least $1 billion of liquidity in 2022, which we did successfully achieve, albeit in different ways than we might have expected a year ago. And the backdrop of a more challenging financial market, complementing over $300 million of FAD dispositions that generated nearly $1 billion headlined by the sales of vacant condo at 85/3.

The successful financings that generated nearly $600 million, particularly the upsized mortgage of 100 church insured, Andrew talked about, and our new unsecured bank term loan. This cash was directed primarily to $1.1 billion of debt repayment, including all 800 million of our public bonds, as well as 200 million of share repurchases and unit redemptions, slightly less than we originally expected as we pivoted capital from share repurchase to debt repayment. And then we spent around $150 million a little more on acquisitions, which, given all that we acquired, is actually a very nominal amount.

Going forward in 2023, we'll be bolstering that liquidity stockpile even further bolstering that liquidity stockpile even further over the course of the year, because in this environment in particular, liquidity is not only our best protection but our best ammunition. As has been the case for several years, we expect to be very active on the dispositions front, generating over $2.4 billion through a combination of outright and JV sales, the most significant of which is the 75% JV of 245 Park Avenue.

We'll also be receiving, as Rob said earlier, almost $600 million from our partners at One Madison when we get TCO in the fourth quarter. With that liquidity, we'll get back to opportunistically buying back stock at a steep discount, expecting to complete our $3.5 million of current authorization while executing on the largest debt reduction in the company's history in any one year, which I'm going to touch on more in a second. After all of that activity and funding our reduced development of first-generation capital, we'll end the year with almost $1.6 billion of liquidity.

As to our debt levels, in the second quarter of 2022, primarily in response to rising rates, we pivoted our capital allocation strategy away from buybacks and [ph] VPE 02:30:33 investing to debt repayment, particularly corporate debt. We used the proceeds from asset sales to pay off $300 million of bonds that matured in October, then we repaid another $500 million of bonds in October – sorry, $300 million in September, $500 million in October, with bank financing, not a new bond issuance, as I originally telegraphed last year.

That leaves us with no public bonds outstanding. Now, we do believe public bonds will be a fundamental part of our capital structure going forward. But in this environment, particularly as a short-duration financing tool, they simply aren't efficient. At that point, we were on a path to reducing our debt by about $360 million. Then we took on these two assets, strategically acquired, very high quality, both of which had been levered prior to us taking an interest in them. That had the effect of increasing our total combined debt.

So, in 2023, our plan is to dramatically reduce the debt load. The most impactful part of that plan is obviously the 75% JV interest sale at 245 Park, which alone would reduce combined property level debt by $1.3 billion. We sell at 75%.

In addition, the funding from One Madison has been earmarked entirely for debt repayment that will help bring a revolving credit facility balanced down to zero, where we always prefer it to be. And the execution of this plan will not only bring our combined debt balanced by down by $2.4 billion over this past year, but $750 million lower than it was at the end of 2021.

And turning our attention to the most talked about topic this past year, the [indiscernible] 02:32:05 and the world's richest man buying his favorite video game took the headline interest rates. This is the curve today as compared to what it was presented one year ago. 360 basis points higher at the end of this year than it was projected to be when we presented this one year ago. We had to take swift action to mitigate the effects of this curve. The capital allocation pivot. The debt repayment was part of that plan. It also involved an extraordinary amount of hedging activity, starting with $1.8 billion of current or forward starting swaps. These type of terms that generally match the debt that they hedge and go as far out as January of 2028.

If we were to enter these swaps today, some of the rates that you see here would actually be 100 basis points higher than when we locked them in. Based on the forward curve, this saves us about $17 million of cash interest expense next year. Then, we did $1.5 billion of LIBOR and sulfur caps, primarily on JV floating rate debt. All these rates have been hit or will be hit by the end of the year, making this debt fixed for as long as the curve remains above the cap rate.

And we may – we plan to maintain these caps all the way through 2024. These caps save us an additional $40 million of interest expense after factoring in the upfront cost to put them in place, which has gotten a lot of attention.

This debt repayment plan and all that hedging activity leave us just $800 million of projective forwarding rate debt at the end of this year. Going down the $500 million at the end of next year, equating to only 6% of our total debt after factoring the hedging factor for our floating rate DPE position well below our typical target range of we always say 15% to 20%. Note this is what's left our primarily JV positions, we don't unilaterally control the hedging strategy, suffice to say that if we did, these would likely be fixed as well.

Moving on to earnings guidance which was issued in an 8-K this morning, so if you haven't seen the reconciliations and go back to that, looking back at 2022 to start given all that transpired in the year of incredible volatility, it's quite a testament that we still expect to maintain or expect to remain within our original guidance range, albeit at the low end of that range. Just the rising rate drag alone costs us almost $50 million compared to our original guidance. We also have reduced PPE income at a higher share count as a result of that capital allocation pivot away from new originations and share repurchases to debt repayment. These drags were offset primarily by incremental other income. Again shows our ability to source ancillary income streams that take advantage of the scalability of our platform, as well as lower G&A resulting from reduced executive compensation.

Moving on to 2023 and building up the components after completing just $200 million of share repurchases and unit redemptions this past year [indiscernible] 02:34:59 before we pause the program, we've assumed that we will opportunistically get back to buying stock to close out our $3.5 billion authorization using just the proceeds from asset sales. Given the extraordinary discount to NAV, I expect that when we expand this program we'll be back considering an expansion of the program further.

In the real estate portfolio GAAP NOI of $751 million, reflective of occupancy that lags in the office portfolio in the first half of the year, while positioning the portfolio in this market allows us to improve in the second half. This occupancy drag comes as we swim against the – swim upstream against rising expenses, the dynamics of which Ed just took you through, real estate taxes that are again on the rise, 3% in the same-store portfolio excluding One Vanderbilt which obviously going up by a lot more.

Specific to Manhattan office portfolio that's over 94% of our GAAP NOI these days, One Vanderbilt is expected to move into the same-store portfolio, GAAP NOI increasing to $122 million at our share, while cash NOI increases more dramatically at our share to $105 million. This gives effect to the 10% to 15% potential JV interest sale that could happen sometime over the next year. And we expect to finally get our hands on previously reserved receivables that I had telegraphed we would get in 2022. We were unable to because it's in a core process. While on the downside we have the impact of those increasing operating expenses as well as the drag of larger lease expirations that cause our same-store occupancy to hover around 90% in the first half of the year while recovering in the back half.

The depot void space at 919 Third Avenue expires in February. That's 47% pre-leased, with the new tenants don't generate revenue in 2023, the NHL space expired just a couple of days ago at the end of November, that 1185, and Amazon expires in April at 1350 Avenue of the Americas. Both of these spaces are in the process of being leased up.

Now, because Manhattan office generates 94% of GAAP NOI, I don't need to do the buildup as I typically did of all the smaller yet material components of our operating portfolio. We don't have much beyond office now, so I'll just use a table. In the development of redevelopment portfolio, we generate cash NOI – I'm sorry, GAAP NOI from 750 Third and 625 Madison, with the entire portfolio taken as a whole generate negative cash NOI in the High Street retail portfolio. This is really two assets 650 Fifth and 1552 that generate virtually all of the retail revenue these days and retail NOI. That's ahead of 760 Madison coming online with revenue recognition expected in 2024.

Suburban residential portfolio's, top column of portfolio will only have one of each. There's an uptick in NOI as a result of seven-day coming online during the year, ahead of its expected in sale later in the year. Some housekeeping on the same-store portfolio, two assets coming in, One Vanderbilt enters the pool with significant growth as tenants continue to take occupancy at 220 East 42nd Street makes an appearance again after it was removed, following a 49% JV interest sale in 2021.

On the other side of the coin, most of the assets that we expect to bring to market for sale are not within the current same-store pool, 110 Greene and 719 Seventh are exceptions. Recall 719 Seventh is currently vacant. It does not generate any NOI. And 2 Herald moves into an alternative use of redevelopment strategy after we were expected early termination of 184,000 square feet of office space.

In same-store NOI following a strong year in 2022, north of 4% growth. We see moderation next year to 2.5% to 3.5%, driven by One Vanderbilt's enormous growth, along with the Suntory List at 11 Madison signed back in 2021 that now generates cash rent. Offset by the same-store occupancy, I've talked about a couple of times that drifts lower in the first half of the year is around 90%, driven by the tenant rollouts at 919, 1185 and 1350, along with the effect of rising operating expenses. And we also have a comparability difference because we recovered some operating expenses in 2022 that are not replicated in 2023.

The same-store GAAP NOI, the tenant rollouts have a more dramatic effect driving the larger negative.

Moving on to other components, over the last several years, we have strategically reduced the debt and preferred equity portfolio to the lowest it's been since 2011. Turn slightly lower next year, we expect the repayment of a $60 million position with no new originations. Although we are looking at a lot of new deals, I would expect maybe a stretch goal to maybe do some originations, but we have not projected any in our guidance. That gets our DPE income down from a high of $213 million back in 2016 to just $44 million next year.

Now, we have the ability to scale this portfolio to whatever size we want it to be based on where we are in the cycle and the opportunities we see in the market. The subordinate lending business is a competitive advantage for us, gives us an immense amount of access to information on the market, along with access to some of the best assets in the market as we sell with 245 Park Avenue and 5 Times Square. So do we see this business growing again? Definitely.

In other income, our ability to consistently generate and grow high-quality ancillary income streams is now clearly proven. These are not onetimers. Stop backing them out. And then Steve. And in 2023, that number is expected to grow to $82 million. Recall, in 2022, we expect the number to be around $40 million, and it grew to $68 million. We're growing that number to $82 million next year.

The asset management model continues to generate more third-party management, leasing and construction fees. We're sourcing more special servicing assignments, keeps the asset management team very, very busy, and SUMMIT, you heard from Michael, hitting its stride. The operator entity next year contributes over $12 million, several million more than this year, and that's after paying substantial rent for One Vanderbilt, which shows up in NOI.

Layer on top of all that lease termination income of around $17 million, $11 million of which we have already identified.

In interest expense, I'm not going to spend a lot of time because I already walked you through the efforts we have taken to mitigate the effects of rising rates, including an extraordinary amount of hedging activity. But the overall cost of debt being fixed or floating, coupled with higher debt levels in the first half of the year before we reduce in the back half of the year, contribute to an expected increase in interest expense of over $1 a share. This is net of $148 million of capitalized interest on our development and redevelopment projects.

So where do we capitalize interest? Down from nine properties, just eight next year, the projects at One Vanderbilt and 7 Dey are completed, so they come out. We also sold 609 in two-thirds of 885 Third. They were in redevelopment and capitalized in 2022. They come out, we add five Times Square 245 Park and 2 Herald to the list. While it's a shorter list of properties, it's higher capitalized interest next year as a result of higher rates on the property level debt that's capitalized as well as a increase in the average consolidated debt cost of the company. That's what's used to capitalize debt on the equity investment in these projects.

And finally in G&A, the $3 million of savings we achieved in 2022 by making substantial cuts to both cash and noncash executive compensation carries through to next year, along with other cost-containment measures. We have a rather austere investor conference these days compared to what we did many years ago. That's part of the cost cutting. Sorry. We have a almost a 10-year low in G&A achieved next year. That's even after the inflationary pressures on wages and a material increase in our office occupancy costs because in this space where we don't own 100% of the building, we do pay rent.

Rolling up the components, we get to a projected FFO midpoint of $5.49 a share, just a year-over-year reduction that reflects a more conservative view of the leasing environment, as well as historically high increases in expenses along with a lower contribution from our DPE portfolio, and most impactful, of course, a dramatic increase in interest expense. All things considered, we weather what we believe to be a reset year in 2023 really well, and more importantly, what you've heard throughout the day today, we feel very good about how we are set up moving forward. That [ph] 545 02:43:37 midpoint helps us establish our guidance range, 30% range, [ph] 530 02:43:41 at the low end to [ph] 560 02:43:42 at the high end, which of course, we look to build on in the years to come.

And finally, everybody's favorite, FAD, which is what most people considered to be operating cash flow [indiscernible] 02:43:54 happens to be the benchmark for our newly established dividend level. Our conservative view of FFO coupled with increased second cycle capital spend as we fund two years of enormous second generation leasing, but we have taken a hatchet to other discretionary projects at the properties we cut back like we did in 2020, all nonessential work at the properties to retain as much cash flow as possible.

This is a reference slide for later. This slides do live on in static form on our website, if you want to look at them later, hopefully minimize calls to me. Here are the – some of the larger fundamental assumptions in our guidance range. Notice I said limit the calls to me. And concluding with – I get to make an introduction to a – I have spectacular team that works with me every day.

We have a new addition to that team, our Senior Vice President and Tax Director, Laura Jackson. She's going to discuss the dividend in more detail. She's going to tell you a little bit about herself. We were thrilled to have her join us. She is one of the masterminds behind our very complicated, intricate, profitable tax strategies over the years. She led the SL Green tax team at FTI for almost two decades and we're thrilled to have her join us on the other side of the table.

With that, Laura.

Laura Jackson

Senior Vice President &Tax Director

Thanks, Matt. So great

Unverified Participant

Thanks, Matt. So great to be up here. As I'm sure you can imagine, when I got the call to join this impressive leadership team it was impossible to say no. As Matt mentioned prior to joining SL Green, I spent almost 20 years working at STI Consulting focused on complicated tax structures and tax compliance for refund family office and most importantly to SL Green. I co-lead the STI tax team of 90 plus individuals, had a seat on the STI Women's Global Steering Committee for the women's initiatives and served as an ambassador for the diversity, inclusion and belonging group.

I spend my limited spare time focused on DEI initiative which was a selling point joining SL Green as Marc, Andrew and the team are so passionate about New York City community involvement and philanthropy. I witnessed this firsthand through the support I received when I explained to Marc and Matt this year that I wanted to work with [ph] She Build 02:46:08 the group of women in real estate that I founded to convert a vacant plot of land in the Bronx into a community garden to address the food insecurity our Bronx neighbors are facing. And now I lead our tax group and I'll be covering the dividend today.

As was announced this morning, we'll be reducing our annual ordinary dividend 13% from $3.73 to $3.25 per share. The dividend will be paid all in cash and we'll be continuing our popular monthly payment cadence. Our objective continues to be providing investors with a meaningful, sustainable, ordinary dividend while maintaining substantial liquidity and paying down debt in a rising interest rate environment. The 2023 dividend of $3.25 per share aligns with our current business plan, representing a 100% distribution of projected 2023 FAD and a 60% distribution of projected 2023 FFO.

While we ran various scenarios reflecting a lower percentage distribution of FAD comparable to prior years, our decision to move the dividend to 100% of FAD was a balance of pairing cash management with a projected 2023 taxable income, which might require a special dividend. Based on our closing share price on December 2nd, the dividend results in a yield of 8%.

You may be wondering about the correlation between distributing FAD and the REIT requirement to distribute taxable income, so I'll walk you through that now. By law, REITs must distribute 90% of taxable income, but practically REITs distribute 100% of taxable income as otherwise the remaining 10% would be subject to tax.

As Matt already walked you from FFO to FAD earlier, we'll start walking through FAD. To get from FAD to taxable income, we first reduced for cost recovery deductions such as depreciation. We adjust for our tax entity structure such as activity included in a taxable REIT subsidiary, and we adjust for differences in capitalization between GAAP and tax. And lastly, we add capital gains generated by assets sold to arrive at REIT taxable income, the amount that has to be distributed.

While we've established our new dividend based on projected FAD, if we successfully execute our current business plan for 2023 and we wouldn't be presenting it to you if we didn't expect to achieve it, our ordinary dividend will need to be paired with a special dividend to distribute 100% of taxable income and cover the additional capital gains generated from asset sales.

So how does our dividend yield stack up against our office REIT peer set? You'll see here the current dividend yield of our office REIT peer set utilizing the 2022 dividend. And after factoring in our new dividend of $3.25 per share, we have one of the highest dividend yields in the office REIT sector, which is partly reflective of our undervalued and underappreciated stock price.

One of our peers has explicitly said they will lower their 2023 dividend, and if other peers follow suit, the chart may look very different. And if you compare directly to our New York City office peers, our dividend yield is at the high end of the range, which, again, does not reflect any dividend cuts that our New York City office REIT peers are planning.

And now I'd like to welcome Marc and Andrew to cover our annual scorecard. Thank you.

Unverified Participant

Okay. Thank you, [ph] Laura 02:49:26 Welcome to the team in your first investor conference presentation. Well done. All right, so. Noon, we got through – we need the presentation. We're going to wrap up, as we always do, with a look at scorecard and 2023 goals and objectives. Score, so I make up a little bit of time so we can get some Q&A. Scorecard, we adhere to these stretch goals every year.

I think this year we had 20 different stretch goals that we set out for ourselves back in December and tough market as you heard. But we had a good year and met as many as we could, notwithstanding change in market conditions. So we'll go through them in detail. Here's the, I guess, the reveal of the full scorecard in terms of where we succeeded, where we missed, and ones we're going to leave your discretion. Those are the yellow ones.

In leasing, you heard from Steve Durels earlier that we've signed over 2 million square feet already. We expect in the year 2.4 million square feet. Unfortunately, even with all that, leasing wasn't enough to hit our growth goal of 94.3%. For same store occupancy, we expect to be between 91%, 92% by year-end. I think we're at 92% at the moment and we – I think did reasonably well at holding the line on rents which were down. It was like 6%, but outside of our goal of keeping them relatively flat. On share repurchases, we announced early in the year our pivot from investing dollars actively to more retirement of debt. You saw the effects of that when Matt went through the balance sheet. But we did not deploy $250 million or more into share repurchases. Acquisitions, obviously, Harry walked you through some major investments we made at 245 and 450 Park Avenue. So there we easily exceeded our goal there. And on the disposition front, we were very active again. 885 Third Avenue was a welcome opportunity that came up that was not in our plan for the year. So we'll close over $900 million of dispositions this year. On the DPE front along with the share repurchase, as we pivoted away from DPE and made no new originations this year.

A

On One Madison, we exceeded our goal by quite a bit, signing not one, but two anchor leases, totaling 675,000 square feet of commercial office, putting us ahead of schedule. And we feel very good heading into this year, 2023, to be able to meet what will be our stretch goals coming up shortly. We not only commenced the [indiscernible] 02:52:23 above the 10th floor by November 22, but as you saw, we're going to be topping it out, I think, December 13, which is an amazing achievement, well, well ahead of schedule, testament to the team, the planning, the execution, everything.

7 Dey, 95% leased overall was the goal. We're at 95.7% overall.

A

Overall. Overall.

A

And it would be closer to 100%. But the process and the paperwork of getting those 60-some-odd affordable units leased up with the various city and state agencies, tough. And so there's no lack. On a demand basis, it's oversubscribed. On a processing basis with the affordables, we are over 95%. We'll shortly be at 100% in the next couple of months.

On obtaining permanent financing on 7 Dey, as I mentioned, given that we're putting the asset on the market for sale, we didn't lock in rates on the asset. We'll give a buyer maximum flexibility. There are some all-cash buyers out there for residential, so we didn't want to encumber the property and then have to go through the cost of un-encumbering.

760 Madison, our goal was to obtain New York State Attorney General approval and launch marketing of condos, which comes after that approval. That approval was submitted last week. It was delayed a bit by some change in plans requested by the tenants and some optimization of the residential layouts. But we're highly confident we're going to find a lot of demand for that product in 2023.

And then on community, we're going to reach 1 million meals served by Food1st. That goal was achieved by the team, did an amazing job reaching out and helping a lot of the food-insecure New Yorkers.

On – this was called max performance. Same-store cash NOI growth was projected to be 4.5%. Man, we almost made it, which actually pretty extraordinary, came up just 0.1 point short, 4%, but fell short of the goal line. We're going to issue $100 million of unsecured bonds. We didn't issue any unsecured bonds, but rather, as Andrew says, pivoted towards issuing half that amount through a very good bank facility that Matt was able to put together and not only put it together but put it together on very acceptable economic terms for us. And he walked you through the rest of the debt plan and how we're going to pivot around that. But as it turned out, that was more than sufficient for what we needed this year.

And TRS at the, let me say, probably stands out as the source point for us, if anything up here on the screen. The metrics are all very meaningful to us, but this one stands out the most. We're all – we [indiscernible] 02:55:44 management standing shoulder to shoulder with shareholders. On total return, it was kind of a disastrous year, if you will, for all New York based commercial landlords, which on the one is very disappointing; on the other hand, makes me very optimistic for the gains that I think we can make going forward from here.

On ESG, [indiscernible] 02:56:07 score, 92. This one again, a little tough because we improved our score on every metric from year-to-year. But there were 20% new participants. So the scaling was such that most companies went down by a point, we stayed at the 89. So even though we gained in all the subcategories, our overall score, score as weighted and scaled didn't meet the 92 that we hoped to get. But we did improve in all areas.

There were some. Further to diversify the board, we added, Carol Brown has been a terrific resource on the board of directors, has some great insight this year. We did achieve that goal and then obtaining the down stake casino license, the state has not yet issued its RFPs for those licenses that's expected to happen I think in the first quarter of 2023 now, right, they're not...

Unverified Participant

Yeah

Unverified Participant

...they're likely rolling at September but should be out shortly and as you heard earlier from Brett and the team, we're very teed up with our group and ready to compete aggressively for this license.

Unverified Participant

Okay. So that brings us to 2023 goals and objectives and put our necks out there with some stretch goals that stretch beyond the budgets and the assumptions that Matt has taken you through which formed the basis of today's guidance similar categories but not all the same. Leasing we are looking at stretching the amounts that were in submitted by Steve to 1.7 million square feet of leasing which will hopefully drive occupancy above where it is today, so net gain for the portfolio for the year 92.4% same-store and again do it at a mark-to-market that we're stretching and saying we can keep the rents roughly flat year-over-year and we would look at increased occupancy and holding the line on rents and big volume is collectively a very good job for the year.

On the investments front, I think as we complete our liquidity goals we should be able to complete the share repurchase this year, so that's $122 million remaining on that program. Before we consider going to the board and seeking additional authorization for share repurchases to take advantage of what I showed you earlier is a very depressed stock price versus the sale prices were achieving in street NAVs. Acquisitions and dispositions we don't really have any acquisition targets on the horizon. But as you saw this year, things do pop up, so we put a modest goal of $200 million. For acquisitions and dispositions, we intend to have a very active year with $2 billion of dispositions, helping fund that big deleveraging that Matt spoke about.

And then on the DPE front, originations, as I mentioned, the market is ripe for nonbank lenders right now right now. And we hope to put out $100 million or 12% which is reflective of 150% increase in expected return from – and 8% sort of average on our program to what we think. Now, it's moved out to 12% or so.

All right. On One Madison, just to kind of bring this project home, we look to ensure there were two floors of podium leasing we look to sign. On a stretch basis, 265,000 square feet leasing would bring us almost to 75%, if we can get that done. And Rob alluded to it earlier that we – notwithstanding years ago through, said before COVID, and interest rates and supply chain and everything's set a target, TCO date of November 2023. Looks like we're going to get that done in October 2023, so one month for what could have been a six-month away. So, an incredible achievement to not only complete on time, but accelerate.

760 Madison, we're going to turn over the retail space to Armani so we can then start the clock on a very substantial lease that we did there several years ago. We think we will get that done in Q4 2023. So, that's a 2023 event. And we hope to be in contract for at least half the units by the end of the year, hopefully more. But half would be ahead of our original projections.

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245 Park Avenue, Mr. Sitomer and [indiscernible] 03:01:13 have been canvassing the globe and have a very busy first quarter ahead. We hope to sell 50% to 75% of that asset. We put here selling a 75% JV interest in 2023. And on 15 Beekman, we delivered the commercial space, so the classroom space at the base of the building to pace actually within the last couple of weeks. The balance of the building is dormitory, which is heavily under construction now. We're targeting turning over that space to pace, getting rents started there in the third quarter of 2023.

On financial performance, same-store cash NOI growth of 3%, so returning to positive growth there. And reduction of debt, Matt talked about the largest reduction of debt in the company's history, taking $2.5 billion off the balance sheet this year in 2023. TRS, our goals do not change. We hope to deliver a 10% total return to shareholders, and we hope to exceed the Dow Jones US Real Estate Office Index by 250 basis points, as we do each year.

Unverified Participant

So on GRESB, we're going to take another run at it because we think we can. We think there's a little bit more room to squeeze out. We're already at the top of the peer set, and there are diminishing returns, but [indiscernible] 03:02:41 team are unhappy we didn't get that number increase. So they came back and said we're going to get 90 this year, which would put us in a five star category, which we're already in.

From a community standpoint, this year, the community is the casino.

It's not a bid really on behalf of SL Green and Caesars Roc Nation. It's going to be a bid on behalf of all the Times Square stakeholders. That's how we're going to structure it. We're going to have investors. We're going to have beneficiaries, direct beneficiaries, indirect beneficiaries, halo effect.

We want all of Times Square in on this bid. So we look back five years, plus now, and just appreciate all the good that a project can do of this scale to help really transform a neighborhood in a positive direction, and that would be, in our estimation, one of our great gifts to the city.

And lastly SUMMIT. You hear Mike Williams. We already exceeded our attendance estimates for last year, and we're going to go up by more than 10% for this year with 1.8 million in attendance. We can do more, capacity-wise. But you heard Mike earlier. We're not looking to maximize attendance. We're looking to maximize experience. And we think this 1.8 million is the right balance between above-average revenue generation profitability and still no diminution in experience. And hopefully we'll be standing here next year and able to identify one or more global locations for next SUMMITs.

So, with that, that brings us to the end of the presentation portion. We have some time for Q&A. I'll just take a moment now to thank the entire team rallied up in the board room over there. There's probably 50, 60 people who had a hand in helping to prepare everything you saw today, a team that was flawlessly executed. I know you are listening back there. Well done. Thank you. And I guess you can either ask for the mic, submit the questions in this way, we'll take as many as we can do. After this, there's lunch and I know 90 or so of you are going to pause through in groups and go see SUMMIT, have fun and should be a great time and appreciate all the attention.

Unverified Participant

That's all the presenters up from today.

Unverified Participant

No questions. I'm going to [indiscernible] 03:05:21.

QUESTION AND ANSWER SECTION

A

Okay. We have everybody up. Who is the first question? Looks like this gentleman on my left.

Q

Yes. Thank you all for the deep dive again today and every year. My question is more of what kind of economic scenario is built into the 2023 guidance in terms of mild recession or anything of that nature?

A

Well, what's hit rents will hit interest rates, Matt, first on interest rates. What's built in?

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

A

Forward curve. I mean, you know, the forward curve says it all, it's a dollar a share of interest drag. We mitigated as much as we could. And mercifully, we don't have a lot of debt maturities this year. We have one significant one [indiscernible] 03:06:11 we've budgeted that the rate on that goes up pretty significantly but otherwise it's forward curve, so a steep rise.

Q

So, I mean, we tend to be view neutral as everybody knows on interest rates and economic forecast and model the curve. On rents Steve, how would you – I know it's a bit of a broad question because it gets district specific and property specific. But in general, what are we expecting for this year?

A

Yeah, we think the rents are going to stay stable. We think this, as I said in my presentation there's a bit of a defensive nature by tenants right now because they're looking at what's going on in the broader economy. But the commentary from a lot of those tenants is if I hit the pause button, I actually expected back in the market by second quarter of next year. So I view that as most people saying, I'm uncertain, but I'm sort of leaning more towards we're going to get through this without a whole lot of damage and we're back into a good spot by midyear.

A

And true, the debt markets...

[indiscernible] (03:07:13)

A

acquisition and DPE, we have zero acquisitions and zero DPE in the budget. Obviously, the goals I put up are stretch goals of $200 million of acquisitions and $100 million of DPE, but those are not in our base budget. Those will be opportunity-based.

A

Is that covered or? Yeah. Yeah. Okay. Next?

Ronald Kamdem
Analyst, Morgan Stanley & Co. LLC

Q

Hey, Ron Kamdem from Morgan Stanley. I'm just following up on the $2 billion disposition plan for next year. Can you just provide a little bit more details in terms of pricing? Obviously, some of those assets are vacant. Is there a timing that we should be thinking about as you're putting through your assumptions? Thanks.

A

The biggest – the biggest one of those is 245 Park. So I don't want to steal Harrison's thunder down there. But as Andrew said, he and his team already circling the globe. They started a few weeks ago trying to get that lined up. Our goal is 75%. Whether that happens in one tranche early or two tranches spaced out over the year, we'll see. The reception has been good. In fact, I think Harrison is here and about to go to a meeting after this to discuss 245 Park. So the reception has been great. That's the biggest we model kind of a mid to late year execution, which is why I say debt loads are higher in the first half of the year and then reduce in the latter half of the year.

The other executions are – they run the gamut. There are smaller assets vacant like 719 Seventh to some 750 Third has been out. That's a potential conversion opportunity. So there are quite a few assets out running the gamut. I don't want to give per foots because it would be generalizing on a pretty wide variety of assets we're going to have out next year.

A

Generally transactions are taking longer because financing is taking people longer to line up, source the lenders and really structure the package.

A

I would just add that on current trading, our implied cap rate I think is over 12%. So we think this is a market that's anywhere from 4.5% to 5.5%, 5.75%, depending on asset quality, depending on location, for stable assets, not for development deals. And so there's it's kind of hard to. We think we'll be able to transact for buildings like that, unless it's a change of use kind of situation. Andrew said a lot of buildings that are trading change of use right now, whether it's health care or resi conversion or life science or whatever it is, those will be priced more dollars per foot kind of pricing.

We're trading at an implied – I can't see what the [indiscernible] 03:09:58

A

$330.

A

$330 a foot, which I'm confident to say we're going to significantly eclipsed all that in the deals that we have lined up for next year's dispositions. Next.

A

We have a text question.

A

What's the plan for 625 Madison Avenue? Well, we're a leaseholder there. We continue to be in rent arbitration with our leasehold position, and then we have our debt position. That position matures in June of this year. So yeah, I think there'll be a lot more news on this asset after June to see what the borrower under the debt, who is the fee owner, is able to accomplish on a refinancing And we should have the results of the rent arbitration we'd hope, in the first quarter of this year or late – early second quarter. It's not up to us. It's in the hands of an arbitrator. So, a lot more clarity. Sorry if that's murky, but again, this is a little bit of a situation that continues to evolve. And it's tough to really elaborate on any specific plan until we have a couple of those inputs straightened out.

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

Thank you. Tony Paolone, JPMorgan. How much does the pursuit of the gaming license cost? And what's the order of magnitude of investment to get what you showed on the renderings?

A

What was the second question, Tony? What was the...

Anthony Paolone
Analyst, JPMorgan Securities LLC

Q

How much does it cost?

A

How much does...

[indiscernible] 03:11:36

A

Pursuit costs and what is the cost to generate what's on the render.

A

Okay.

A

What's the cost to...

A

Pursuit cost is – don't quite know yet. It depends how long this goes and how much we have to put in it. But between us and our partners, we'll be sharing those costs and we've allotted in our budget for a certain amount of pursuit costs that I think are a fraction of what others are spending, that I mean a fraction based on what we hear about the expenditures of other.

I'd put it in the $3-ish million total category before splitting amongst partners. So, I would almost call it nonmaterial to us because again, the building exists, the team has made, we know the plan and we are already developing images. So...

A

And the infrastructure as well.

A

Yeah.

A

A new location, transportation, mass transit, all the things that would have to go into literally building a new city.

A

So, I don't want to minimize those costs. It's maybe $3 million, $3.5 million, $4 million in that range. I think others may spend $10 million, $20 million, $30 million. Pursuing it, that's not our style. And it's not necessary, I think, because we have the best location, the best plan, the best partners. And so our view is let that speak for itself. And so, hopefully, we can keep it contained within that model.

Second question, what does it cost to? It's a little early, Tony. I mean, we've – if we get this award, it would be sometime around midyear, next year or longer. We have budgets. We're not prepared to go long yet on what our view is of total cost for the project, because the total cost includes not only the cost of what you see up on that screen, but it also includes what will be a bid license fee. That's going to be one of the material financial items in the RFP. You're bidding upfront license fee. You're bidding tax rate. So, more to come on that.

But suffice it to say that our costs to convert 1550 for change of use is once again a fraction of what it will cost others to create resort style casinos, not on a 75,000 square foot footprint, but on a 10-acre, 20-acre, 30-acre footprint, which is what some of these are going to be, more like a resort sprawl, if you will, as opposed to what we're all about, which is vertical, dense-efficient, carbon-friendly casino in a compact, but completely sufficient amount of space that's serviced by more mass transit than probably all the other sites combined.

A

Next question.

A

We have another text question but also there's a microphone on the far side of the [indiscernible] 03:14:46

A

I'll take the one on the screen here. Any thoughts on increase demand for SLG assets from increased east side access? Well, they're projecting – MTA is projecting anywhere between 100,000 and 160,000 incremental [indiscernible] 03:15:01 a day. It's seismic. It's like right here and yet if I ask average person on the street, one and three even know about the fact that the Long Island railroad is going to start, they have direct service to Grand Central station starting supposedly in January of next year, they're going to start running some trains.

I don't think they're fully operational but they've committed to running train. And whether that's Jan, Feb or March, the point is in 2023 we're going to have that direct access and anywhere between 100,000 or 160,000 passengers and commuters who used to go to Penn Station are now going to come to Grand Central, that's the old projections, it's an enormous benefit to our portfolio, to enormous benefit to this district and to commuters from Long Island because it'll cut estimated 40 to 55 minutes a day of people's commute who used to commute into Penn Station to work on east side. Next?

John P. Kim
Analyst, BMO Capital Markets Corp.

Q

Good afternoon. John Kim at BMO. Can I ask you about the mechanics of the $570 million payment you expect to receive from your partners at One Madison and how does the rising rate environment impact the final payment too?

A

Who's got the mechanics?

A

We present them with evidence of TCO and I believe its 10-day window. That's it.

A

TCO. 10 days. I mean.

A

10 days. It's not a fact that the number is committed.

A

Yeah, there's no.

A

The number was committed back when they made the initial [indiscernible] 03:16:37 they got the deferred upfront purchase price.

A

There's no variability.

A

There's no variability

A

There is no variability. It was based on an agreed upon amount back in 2021.

A

Mostly deferred purchase price.

A

...for 2020, if not for purchase price.

A

I think purchase price at the time was...

A

Those are unexpected by rates are...

A

[indiscernible] 03:16:52

A

...economic environment.

A

Correct.

A

So, it was done a cost, done cost. There's – that money coming in.

A

Yeah.

A

Sorry. I mean, this – our partners are thrilled beyond thrilled with their investments in One Vanderbilt, One Madison, as many of you come in early. I'm just kidding.

A

Next?

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

Blaine Heck from Wells Fargo.

A

Where? Where, where, where, where?

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

Can you just talk about what gives you guys confidence in the flat mark-to-market this year given that you were negative in 2022. And does that assume some sort of...

A

Yeah.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

...some level of market rent growth?

A

Okay. You – I'll blew it. I forgot to mention that we do it.

Blaine Heck
Analyst, Wells Fargo Securities LLC

Q

It did.

A

Put it in concept that even though we showed some down for our mark-to-market this year. And we did a 135 leases orders was. Did you split out one big release that moves the needle, we would have been well within our targeted goal, roughly flat mark-to-market. So – and I think that's as good a barometer about where the current market is and where we see the market sort of – on a stabilized basis as we look forward. And that's what gives us the confidence to hit that number.

A

Well, I just wanted to – that's a stretch goal. I want to – that's a stretch goal. I mean, everyone gets – those are stretch goals. That's – it's what we have in the model that forms the basis of the guidance and that which this team is going to have to try to achieve. So, I just don't want – don't confuse those two.

We've – we model more conservatively in arranging for our earnings guidance, fair guidance and we'll get there. Earnings guidance and basically a dividend. But then we try to overachieve. And what you're referring to And what you're referring to is an overachievement number of flat.

Another question?

Connor Mitchell Q

Hi. Connor Mitchell, Piper Sandler. So I have two separate questions. First, regarding the Times Square redevelopment, the casino license. If you guys don't have to win the license, then would you still go through with a entertainment redevelopment? And then second question, unrelated, why would private apartment development landlords step up given the appearance of changes from the 2019 rent law as the consequences of that – any government incentives will be used later against the private owners.

A

Okay, first question. We're in this to win it. So your question of what do we do if we lose? We don't talk about that much. But I would say that a lot of what we are developing as part of this bid, most of it contingent on the casino because the casino is the funding source. The private-public, like the private funding source to work with that public-private partnership to make a lot of this happen. And it's also the economic generation and that halo effect of bringing something seismic into Times Square that can help lift up all stakeholder businesses.

So without that, more challenging. But that's not to say that the work we're doing on traffic mitigation and safety, in particular, and sanitation, we couldn't work with the alliance and the alliance is already on this. But work with the alliance with some of these new concepts and ideas or concepts they previously considered. But now maybe we'll have more support to try and enact it with some private funding that would come from other than the casino. But...

A

You have a – and studying a big signage plan because we get the rights to all frontage going up to the top of the podium with or without the casino to put something brand new, dynamic, interactive. All those rights come back to us starting in 2024. So that's being studied right now and we would do that in either scenario.

A

Right. So the asset is – the asset is fully leased. So, yeah, in the absence of a casino just continues as a stabilized asset.

A

Right. But I think we would still try to help improve the area however we could. But again, let's stay positive. We're going to get this thing and we're going to really put full effort into it.

A

What was that question again?

A

The second question was on residential. There were very aggressive buyers out there who still view Manhattan residential, given how well rents are holding up and the annual lease roll as a great inflation hedge and a great sort of protector against different market conditions. So I showed you some of the major institutions. They're out there still buying residential. There's been a lot of trades recently and it's still relatively financeable. Commercial banks are still financing residential more aggressively than office, and the government agencies are still financing residential, albeit at higher rates than a sort of like the peak of low rates last year. So, I don't think the governmental regulation or the 2019 rent regs have cooled that market. And I think landlords can still run residential very profitably, which is why you see it trading so actively.

A

We're going to go to a text question. Can you please clarify why not cut the dividend more? We could cut it more, but we didn't feel the need to, and we thought it was prudent to do it where it was, I think, for stated the dynamic between targeting Fed and also preparing for expected – significant expected tax gains as we embark on this disposition program. Matt, do you want to...

A

Yeah.

A

...add more [indiscernible] 03:22:51?

A

The reality is we – you could ask the same question why not leave it as is, because if we execute on our business plan, as Laura said, [ph] $325 million 03:22:58 is not enough to cover taxable income. So we do have to distribute more. So the debate became where do we set it? We settled on Fed. That's seemingly a [indiscernible] 03:23:07 benchmark for operating cash flow. It's ours as well. We figured we traditionally paid somewhere around 80%. We're going to 100%, which is a stretch for us, but prudent given the measure of operating cash flow. We'll not be sufficient if we exit our business plan. So we debated both. Got more, leave as is. Leave as is, sales more the taxable income situation. We will ultimately have to execute our plan. Of course, [indiscernible] 03:23:32 right, we wouldn't put the business plan out there, which feed the guidance [indiscernible] 03:23:35 we'll execute on it.

A

Question here in the audience.

Julien Blouin

Q

Hey, Julien Blouin from Goldman Sachs. This feels like the kind of environment where maybe we would expect you to accelerate share repurchases and DPE origination versus recent years in order to seek out best risk adjusted returns on capital allocated. Are projects like 245 Park, your acquisition of 450 Park, and your redevelopment projects, you're talking about really superior on a risk-adjusted return basis?

A

Well, on a risk-adjusted basis, we feel they're on par. 245, we think, is going to be extremely profitable transaction. But remember, our approach to that asset and 450 is that of kind of an asset management – assets under management program where we're bringing in substantial third-party capital to make the property returns and fee enhance, as well as wanting to have our money working in those deals because we feel that, you know, the potential upside on those deals on park could be very significant. Just a year or two ago, they were probably $2,000 foot assets. This building we're sitting in here today is a $3,000 foot asset. We're going to be all in on 245 at 1,200-foot carry that we set. And I don't know the corresponding of them, 450, but [indiscernible] 03:25:02. So, there is – there's a lot of runway on those assets is what we do.

We feel very confident on our ability to execute and we have great partners to invest shoulder to shoulder with this on those assets. As we go through the dispositions throughout the year, and January, hopefully a lot of net additional liquidity, a lot of it is going to be oriented towards kind of a onetime rightsizing, if you will. Although, today's environment with increased interest rates of the debt book down to the levels Matt talked about. And all incremental, whether it's this year or second half – sorry, whether it's 2023 or second half 2023 or 2024, there will be money that we will put into stock buyback and DPE that was something I mentioned is I want to be clear on at.

We're – those are both stretch goals for next year and fully intended for 2024. Whether it's the 13th month or the 9th month or the 8th month when we see it, I don't know. We're not going to be doing necessarily tomorrow just because we have a priority of things that we need to do. And, two, we have to get these dispositions done. It's more a timing of disposition as much as anything.

More questions? [ph] Eddie 03:26:25?

Q

Thank you. So, your commentary on potential opportunities in 2024 with distressed or conversions or in 2024 with distressed or conversions or putting capital to work, there's an article today about Silverstein looking to raise $1.5 billion fund. They were quoted as saying there's $10 billion of potential conversion opportunities. I mean, how do you think about the potential scale of that in 2024 and beyond? And then what's your desired capital structure for those kind of deals? I mean, do you...

A

Yeah.

Q

Is it mostly partner money?

A

I'll let Harry sort of address the structure and how we're going to attack it. I always think people expect in New York in times like this that there's going to just be unlimited amount of opportunity. I don't think we usually see that or feel that way because this market is so resilient, and there is so much capital that wants to be here at all times. Even right now, this is – I mean, these guys have spent the past three months just meeting with global capital investors almost on like a constant basis, all of whom are expressing interest and putting money to work in this environment.

So I would temper. I don't think things ever get really as distressed as people think they might. Other parts of the country, maybe. I don't think you'll see that here. Plus, of all those opportunities, we're going to be hyper selective. We're not just – it's not a volume shop. We're going to look to pick out strategically our best opportunities to maximize return on capital, make sure our partners make out well and we make out well.

So we'll be – we are always amongst the most active in that space. I think we'll continue to be. But I don't think it's unlimited, and I don't think it's going to be something that we can't accommodate within our current capital structure, along with some partner equity.

A

Can you mic Harry, please?

A

Yeah. I mean, in terms of structure, look at 450 Park as the perfect model or an ideal model for what we believe we can accomplish. To echo Marc's point, the inbounds that we get when capital partners come to New York, it's almost like endless. The brand, we may be a New York company, but the brand is really known everywhere, whether that's Middle Eastern investors, whether that's Asian investors with a particular focus on Korea. But as we did with 450, that was a 50% Korean partner, 25% Israeli, 25% SL Green. That was a mid-teens IRR type deal with several hundred basis points of accretion for us through management fees, promotes, and leasing commissions as well. So I think that's an ideal candidate to look at and something we'll try to emulate at 245 as well.

Q

Take one off the screen. What happens if we win the casino license fee existing in place tenancy, will – not prepared to talk about that now. We obviously have a plan and we'll share that as and when the time becomes relevant. But as shareholders in the company, which I hope most of you are, I would hope you can sort of lean with us and respect that we're putting 100% more information out there now than any of our competitors in that casino bid have and are doing.

We do it because we want to keep you up to speed with what we're doing and want the market to know what we're doing, but some of this stuff has to unfold over time. This is probably three to six months more of work and activity before we might get to a decision. And so, more to come. What's next?

Anthony F. Powell
Analyst, Barclays Capital, Inc.

Q

Anthony Powell, Barclays. There are two questions. Number one, on the casino license, if you win it, are you pretty happy with the current [indiscernible] 03:30:24 structure? Would you bring in a partner like a casino REIT to maybe monetize that further. And two, on cap rates, we're they're gone broadly? I know you're pretty popular on your cap rates for selling. But as the cap rates have expanded broadly, so where do you think the average Class A and Class B and Class C building in Manhattan would trade it right now?

A

Well, I don't think it's linear. So I think on we will call Class A and trophy assets and /or new construct or highway redeveloped, I think they've had the smallest movement in cap rates from what routinely was sub-4%, 4% – I mean 4.75%, maybe 50 basis points, 75% basis points max. Something I mentioned on my – on the last earnings call as it relates to, what I'll call top tier properties, as you move down the spectrum, I think we're modeling those cap rates out 75 to 100 basis points in both our internal projections of net asset value and as we evaluate the market. But our goal is always to have individual, asset by asset, estimates evaluation that we have a high degree of confidence in. So we go to the market, where meeting or exceeding those numbers which I think Andrew mentioned we did throughout 2022, We expect to in 2023, and obviously those numbers dramatically exceed the implied valuations with our stock where it is today.

The first question was?

Q

[indiscernible] 03:31:57

A

Oh, capitalization. Brad, you want to work about that?

A

There's a lot of structures that are out there as it pertains to property and operations as well. We're evaluating all of them. We've had inbounds from all the major players, in the property REIT space asking and saying, not only are we in this space and there's New York [indiscernible] 03:32:21, but oh my gosh, this real estate is far superior to everyone else.

this real estate is far superior to everyone else.

On the OpCo side, there's inbounds all the time. It's obviously a very highly sought-after license to have. So there's going to be a multitude of offerings that are out there. We're speaking to everybody. There's no stone that will go uncovered and then there'll be more to come.

Q

One last question...

A

Well, we're going to start to wrap it. We'll take a few more, but we'll start to wrap it up.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.
Q

Hey there. Michael Griffin with Citi. Matt, you explained in one of your slides about the other income streams. Now that's growing and the market may not give it enough credit.

A

Yes.

Michael A. Griffin
Analyst, Citigroup Global Markets, Inc.
Q

How far do you see that growing if we're talking a couple of years from now and why do you think those cash flows are more stable and we should be giving it more credit?

A

Well, I mean, it's part of the asset management pivot, right? I mean the growth in that stream is directly correlated to the pivots, the moves we're making. We're expanding our JV platform. 245 Park is now going to come into that 75% JV if that – the full year effect of that in 2024 will grow that line item. Special servicing, we toyed around with setting a goal for all the special servicing assignments we could get in 2023 because we're getting so many. That income stream will grow. We're obviously not embedded in the share price getting value for owning 50% or 100% of the assets that we typically did. We're making more money on less invested capital in the asset management model. We're just going that route. So we set the stage for it last year. We executed on it this year. We're expanding on it in 2023, likely to continue into 2024. So you're going to see that line item go up.

I make the joke about it being onetime, ask everyone to look at other income as onetime. If it's management income, construction management, whatever it might be, leasing income, on the assets we own an interest in, it's not onetime. It's our bread and butter. That line item will continue to grow.

A

Question here.

Q

Yeah. Could you maybe just talk about renewals over the next couple of years and how those conversations are going with tenants on either expansions or downsizing?

A

Steve?

A

Well, I mean, we've – as we sit here right this moment, I think we're seeing tenants default more the decision to do short-term renewals right now more frequently. What that means can be anywhere from a one- to a five-year deal, depending on the size of the tenant and what they're thinking broadly beyond that.

We've had a lot of success on retaining tenants in our portfolio. There's no doubt that there's a continuing trend of tenants as they reassess how much space they need, and I could say uniformly I don't think there's a tenant out there that really knows what their ultimate footprint is going to be, like they're as afraid of having too much space as they are afraid of having not enough space. So I think it's very much a fluid situation, and that story still needs to be fully written.

A

Financials – a financial tenant generally renewing and expanding...

A

Financial tenants – yeah. Financial tenants are continuing to be a strong part of the market. They are growing, they are active in the market, and we're seeing it throughout our portfolio with a lot of very good examples. I mean, we have 280 Park Avenue, 3rd Street, 280 Park Avenue. And I'm certain 245 Park Avenue is going to have a big year this coming year.

Unverified Participant

Time for maybe a couple more.

Unverified Participant

If there are more. Is that it?

Unverified Participant

Okay. All right. Well, that's a wrap for this year. Thank you. We actually have a lot of work to do between now and the end of the year. But this is – big effort goes into this. We hope it was – met your expectations. We got a lot of work cut out for us in 2023. And for those of you going, I hope you enjoy trip to the SUMMIT today. And don't miss your opportunity to grab a little [ph] joji sushi 03:36:22 on the way out. Thank you.

Unverified Participant

Thank you.