S&P Global
Market Intelligence

SL Green Realty Corp. NYSE:SLG

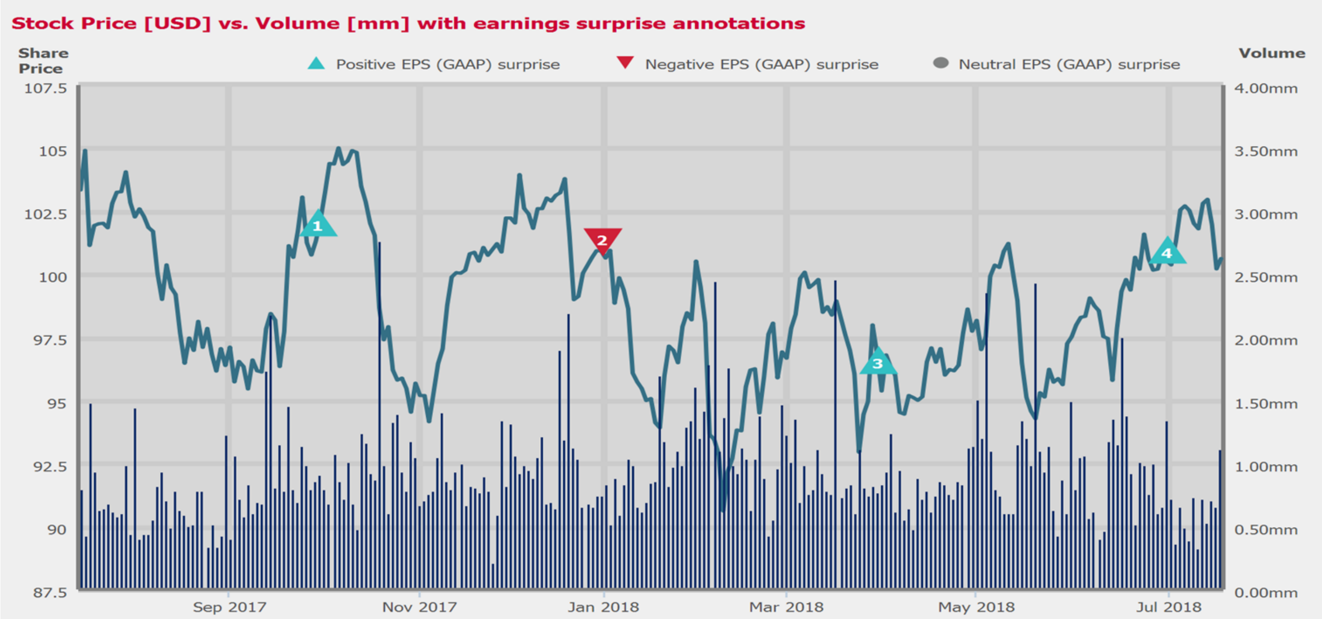
FQ3 2018 Earnings Call Transcripts

Thursday, October 18, 2018 6:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2018-			-FQ4 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.39	1.03	▲164.10	0.40	2.84	1.66
Revenue (mm)	242.47	250.87	▲3.46	242.28	970.96	983.65

Currency: USD
Consensus as of Oct-18-2018 1:44 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2017	0.03	0.40	▲1233.33 %
FQ4 2017	0.42	0.29	▼(30.95 %)
FQ1 2018	0.45	1.12	▲148.89 %
FQ2 2018	0.39	1.19	▲205.13 %

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EXECUTIVES

Andrew W. Mathias
President & Director

Marc Holliday
CEO & Director

Matthew J. DiLiberto
Chief Financial Officer

Stephen L. Green
Chairman of the Board

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

Unknown Executive

ANALYSTS

Alexander David Goldfarb
Sandler O'Neill + Partners, L.P., Research Division

Andrew Schaffer

Craig Allen Mailman
KeyBanc Capital Markets Inc., Research Division

Derek Charles Johnston
Deutsche Bank AG, Research Division

Emmanuel Korchman
Citigroup Inc, Research Division

James Colin Feldman
BofA Merrill Lynch, Research Division

John P. Kim
BMO Capital Markets Equity Research

John William Guinee
Stifel, Nicolaus & Company, Incorporated, Research Division

Jordan Sadler
KeyBanc Capital Markets Inc., Research Division

Kenneth M. Leon
CFRA Equity Research

Michael Wong
Morningstar Inc., Research Division

Nicholas Philip Yulico
Scotiabank Global Banking and Markets, Research Division

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Sumit Sharma
Morgan Stanley, Research Division

Presentation

Operator

Thank you, everybody, for joining us, and welcome to SL Green Realty Corporation's Third Quarter 2018 Earnings Results Conference Call. This conference call is being recorded.

At this time, the company would like to remind listeners that during the call, management may make forward-looking statements. Actual results may differ from the forward-looking statements that management may make today. Additional information regarding the factors that could cause such differences to appear in the MD&A section of the company's Form 10-K and other reports filed by the company with the Securities and Exchange Commission.

Also during today's conference call, the company may discuss non-GAAP financial measures as defined by SEC Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure discussed and the reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure can be found on the company's website at www.slgreen.com by selecting the press release regarding the company's third quarter 2018 earnings.

Before turning the call over to Mark Holliday, Chief Executive Officer of SL Green Realty Corp., [Operator Instructions] Thank you.

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

Marc Holliday
CEO & Director

Thank you, everyone, for joining us on our third quarter earnings call. We will discuss some of the highlights and accomplishments in the quarter as well as take as many questions as we can afterwards.

But first, I want to put the quarter's results into the context of the big picture. The engine behind our current strategic plan is the extraordinary value creation we've been able to generate in this current cycle, which really began after the '08, '09 recession. As many of you know, we have been hard at work since 2016 finding ways to optimize and harvest the extraordinary gains in our portfolio as evidenced by over $8 billion of total gross transaction values, dispositions, recapitalizations, which resulted in well over $2 billion of cash inflows to the company since 2016.

We've been very thoughtful and deliberate in redeploying these proceeds in ways we believe best benefit the company and our shareholders. Notably, we brought our aggregate and relative debt level down considerably in this current cycle, and we're also projecting to have record net cash balances on hand by year end.

In addition and as you know, we've been moving along a path of being among the most aggressive REITs in the country in terms of share buybacks, having bought back over 8 million shares in OP units year-to-date with the expectation and intent that we will round out our $2 billion share buyback program in the coming months.

This continues to be an area of investment that we identified by far as the most attractive opportunity in our investment horizon right now, and that opportunity has only increased with the recent sector performance resulting in FFO multiples for the company that I can only describe now as shockingly low.

As we have reduced our leverage, shed noncore investments, improved our asset quality and leased our portfolio, we have not, withstanding seeing our FFO multiple decrease to as low as 13x, implying well in excess of a 6% capitalization rate on our prime New York City office portfolio. And given the extraordinary quality of that portfolio and substantial discount in net asset value, we conclude that there is a dislocation that continues and warrants a continuation of our share buyback program.

We have also kept our eye on the ball and make sure to take advantage of a number of limited strategic new investments in 2018 as and when we saw them arise. Most notably 2 Harold Park and 245 Park are just 2 of examples where we are able to put new money to work in ways that we feel will be highly accretive to the company. And we do have a pipeline of additional opportunities that we hope to be able to expand on further at our December investor conference.

As it relates to the positioning of the company for the future, we have ongoing and future development projects that we will be devoting our time and resources to in order to continue to maintain our standing as one of the leading real estate growth companies in terms of same-store NOI and FFO per share growth metrics, which we again leave the office sector in 2018, an areas where we will continue to demonstrate leadership in going forward.

The development pipeline, which we will present in December in much more detail, will provide the new seeds of growth in 2020 and beyond as these projects begin to come to fruition irrespective of same-store rental levels between now and then because these are all inventory right now out of any same-store metric that we follow, all of which will just be aggregate incremental NOI growth as these projects complete.

Fortunately, market conditions in New York City continue to be fairly strong, such that we've been able to execute our program consistent with guidance we gave back in the beginning of the year. Taking a look first at leasing activity, our volume for the quarter was obviously quite strong work. And as we sit here today, we are 3,000 square feet shy of our 1.6 million square feet leasing goal for 2018. So maybe the rails want to get ahead of us and sign up a small lease before this call is over. What do you think, Steve?

Unknown Executive

I think that's very possible.

Marc Holliday
CEO & Director

I think it's in the bank for making it happen. So, of course, everything we do in the fourth quarter is a bonus. And more good news is that we expect to have a fairly strong fourth quarter of leasing, which should bring us to or above 2 million square feet of leasing for the year.

We want to remind everyone that when looking at statistics like mark-to-market with same-store mark-to-market NOI and the like, they are highly dependent on the leases rolling in any given quarter. And right now, we are rolling off of a lot of leases that were signed in and around the 2007 peak. They've escalated pretty substantially over that 10-year period. So the fact that we have positive growth off of that, I think, is quite extraordinary. Notwithstanding, we may feel a little shy -- may feel a little shy of our ambitious goal at the beginning of the year of 6% to 9% same-store NOI growth -- I'm sorry, same-store mark-to-market on leasing, and we will track that closely.

It will be dependent on a few leases that we make hopefully by December and may trip into January. But there is certainly a possibility that we'll be at the low end or just under the 6% to 9% range of the original guidance.

You might recall that we had hoped to see stabilizing of concessions in the firming of rents in the second half of the year, and I think we've got it pretty much right. There's been clearly stabilization in TIs and concessions that we see in the portfolio now, we think, with the rental market is very stable and demand is quite good.

So all in all, I would call it a healthy leasing market, which is, I think, reflective of a very good New York economy, and I'll have more to say about that momentarily.

And good news, [indiscernible] is that we have lease results have been occurring, while new product from the West side and downtown has been coming online. So we've shown an ability to absorb this new inventory, keep the vacancy rate roughly in check and maintain stability in these key leasing metrics, which we do think will only get better as the available inventory is going out.

Another big part of our big story is the success we are having with our development at One Vanderbilt. Construction continues on a pace ahead of schedule and under budget as steel has now reached our 39th floor of construction, well ahead of our original goal for the year. Reflecting really a lot of hard work by a thousand construction workers that are on that site day in and day out. We have a worker appreciation last week attended by all, and you could see the passion in their eyes and how proud they were. Not only to be working on a project of this magnitude and this importance, but also how proud they were that it's been the job has been going like well oiled machine. It's really a great job by the team.

And if you haven't been to the site recently, I would encourage you to do so as the beautiful terra-cotta curtain wall and 10-foot glass panels are now installed up to around the eighth floor and is really truly spectacular addition to the cityscape of East Midtown.

Tenants demand for the project continues to accelerate on the heels of signing our lease with Carlisle for approximately 1,000 feet in the middle part of the building. And the fourth quarter pipeline of deals I mentioned earlier certainly has some more activity included within it that will hopefully bring us well ahead of our goals for One Vanderbilt come year end.

The project continues to reinforce the basic themes, which drove our decision to pursue it initially, which included a dramatic addition to the Grand Central submarket, leading the way for other new development projects like JPMorgan's announcement of the their 2.5 million square foot new headquarter project, providing over $200 million of funding for critically important public realm and transportation improvements and the delivery of state-of-the-art new construction right in the heart of Midtown to provide tenants with the best-of-class choice near New York's greatest transportation hub, which will soon see 100,000 additional riders a day from the completion of Long Island railroad East Side access.

We will continue to monitor the New York City economic indicators and reveal directionally our thoughts for the market environment in the coming -- for the coming year at our December investor meeting. The job numbers right now are a bit scattered and hard to get a precise read on. The nonseasonally adjusted numbers are quite strong and almost on par with last year's nonseasonally adjusted. However, the seasonally adjusted numbers diverged from that fairly significantly albeit all still positive numbers, bringing in to question whether there will be significant revision sometime after the year that bring those 2 closer together.

In either case, Wall Street profits were nearly $14 billion for the first half of the year and are on track to eclipse the city's projection of $20.5 billion for the full year. And furthermore, the big 5 banks that have already reported their third quarter earnings show this 6% year-over-year increase through September '18, proving that the banks are benefiting more than I think expected from the overall absolute rate increase in the lending environment and keeping those earnings still on an upward trajectory.

Tax withholdings are some indications that 2018 will be another strong year of compensation levels in the city. And retail sales, which were tracked by the state, show that retail sales tax is up around 7% for the year. That includes bricks-and-mortar and online sales for which the state collects taxes.

So we have this extraordinary New York City economy that's operating right now with a 4.1% record low unemployment rate and it keeps moving along, while population growth year-over-year has been somewhat muted. But you have people rejoining the workforce that have been on the sideline. That's what's contributing right now to the job growth. And it's like with our leasing portfolio. As you get towards full occupancy, they're not as many jobs that can be created and filled. And as you get towards full capacity, there is not as many tenants that are available to sign, so there's not many spaces. I think you will see a little bit of the same thing in the jobs picture. You have sequentially lower job growth, but it's still indicative, I think, of a very so economy, which is almost at full employment.
So with that, I would like to stop there and open it up for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Craig Mailman from KeyBanc.

Craig Allen Mailman
KeyBanc Capital Markets Inc., Research Division

Just curious, Marc, you kind of mentioned that you have a pipeline of opportunities here that you're going to explore at the Investor Day. But just head of that, you guys have been active on the buyback. You sold a lot of assets. Just curious from hereon out how you're kind of weighing those buybacks, the potential kind of pipeline of assets to sell? And thinking about other financing options, such as JVs and some of your larger assets to kind of unlock these sources for some of the usage you're going to be talking about at the Investor Day?

Marc Holliday
CEO & Director

Well, okay, I mean, I guess instinctively, I want to say let's wait til Investor Day because we're going through it in detail. But I'll give you a sort of framework within how we think about it. Assets, we can sell recap or otherwise monetize tax-efficiently lends itself towards the buyback program because we get to retain all the proceeds o most of the proceeds. And that's right for reinvesting in our stock, which we think is the best or single investment opportunity. Then there are transactions we have slated that may be somewhat less tax-efficient. And in those instances, we would typically reinvest those proceeds in other new opportunities whether they be acquisitions or new development. And by doing that, we're able to shelter the gain. We've been doing that for 20 years, so that's not a program or a strategy that shouldn't sound new to anybody on this call. Because that really, prior to the buybacks, have been our stock and trade was buying, adding value, monetizing, reinvesting the gains into higher growth opportunities and moving on. So those 2 investment opportunities, I think, are somewhat parametered by whether we're generating tax-free or taxable gain on execution. That's one element of it. Then there are other elements that will guide ourselves towards looking at strategic investments that may have return attributes that are as strong on a risk-adjusted basis as the stock itself. And where we do that, you'll see as be active as we always have been. We try to maintain never an on or off approach in every market. We're selling, we're buying, we're investing in our stock at this moment, and that -- we are not looking to call the market. What we're looking to do is simply buy low and sell high, reap the benefits of our arbitrage of that -- in a tax efficiently, be it in our stock or our new investments.

Jordan Sadler
KeyBanc Capital Markets Inc., Research Division

Jordan Sadler with a follow up. Just on 10 demand in the wake of the new stock regime, Mark or Steve. This year, we saw a pretty big headlines from AllianceBernsteins plans to move to Nashville, seemingly one-off. But maybe can you speak to trends you're seeing, if any, in terms of tenant migration plan, either into or out of Manhattan as a result of sort of the tax burden on employees?

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

No, I think there's been the rare occasion where you see that that's maybe influenced. But it's hard to draw any kind of conclusion that taxes are having negative impact on the leasing environment, given the fact that Midtown leasing is 6% ahead of last year. It's going to have its best leasing year since the last 12 years. So in the face of that, velocity is extremely strong. We're seeing it within our portfolio. And where we have the majority of our portfolio or surrounding Grand Central Terminal, it's one of the best of markets from a leasing velocity perspective. So I think it's all cylinders are firing straight ahead.

Operator

Our next question comes from Manny Korchman with Citi.

Emmanuel Korchman
Citigroup Inc, Research Division

Can you give us your updated views on the co-working space, especially following the recent announcement largely based on New York?

Marc Holliday
CEO & Director

Sure, Manny. I think view are still consistent, which is the thriving part of the market. We generally you view it as a positive. We work as enormous consumer space in the market, and that certainly helped keep things tight in the market. And it's going to be a portion of our portfolio we anticipate as it has been for the last 20 years, whether it's with an HQ or ridges, a New York office suites or other tenants, an emerge 2 1 2, which is our own co-working business or one of the more recent guys like we work on a hotel.

Emmanuel Korchman
Citigroup Inc, Research Division

And, Steve, any updates on the lease with Polo?

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

No, nothing to report at this point in time.

Operator

Our next question comes from John Kim with BMO Capital Markets.

John P. Kim
BMO Capital Markets Equity Research

Question on your DPE. One of your objectives of the year was to keep your DPE balance flat. But I was wondering if there was an update on this, just given your balance sheet that shrunk considerably over the last year? And would may continue to do so?

Matthew J. DiLiberto
Chief Financial Officer

John, it's Matt. Our guidance was actually to have the balance be lower by $100 million year-over-year, and we're on the trajectory for that, while meeting our target of $200 million of income from that portfolio. So from quarter -- from second quarter, third quarter went down as we anticipated. I expect there to be modest amount of more diminishing over the course of the fourth quarter.

John P. Kim
BMO Capital Markets Equity Research

Can you just discuss your appetite to pick it on further and potentially get some more earnings dilution because of that?

Matthew J. DiLiberto
Chief Financial Officer

Well, I don't know -- i don't think we look at it as appetite for earnings dilution. So I have to piggyback having to answer that question. If the question is 2019 plan, where do we see us taking that, might it be lower, I think you have to wait for December for that. And we're going to lay that in the context of all the other planned activity we have for 2019, not really in isolation. And we'll have guidance for you then, but clearly, no one say our target or constraint, but are self-imposed cap, if you will, something to the effect of 10% of total asset value of the company, we are certainly below that. So within the range of whether we are 6%, 7% or 8%, I don't think there's a magic number. The answer is we have a portfolio stands today at about $1.9 million-or-so?

Matthew J. DiLiberto
Chief Financial Officer

A little over $2 billion.

Marc Holliday
CEO & Director

About $2 billion.

Matthew J. DiLiberto
Chief Financial Officer

Completely scalable.

Marc Holliday
CEO & Director

We have -- we believe in an asset value that certainly, which would put that under 10% even on enterprise value. So it's really going to be something we'll look at and look at the opportunity set and decide whether to size down further or maintain.

Operator

Our next question comes from Alexander Goldfarb of Sandler O'Neill.

Alexander David Goldfarb
Sandler O'Neill + Partners, L.P., Research Division

Just 2 questions. First, one of your recent investor , you guys commented on doing another $300 million of capital for One Vanderbilt to reduce their equity. Will this be bring in an additional joint venture partner expanding the current JV partner? Just what are your sort of thoughts are as you're looking in that project, especially as it leases up, presumably you're getting more inbound call from interests?

Matthew J. DiLiberto
Chief Financial Officer

Yes. Specifically, we talked about a refinancing, which we're undertaking as we speak for the in place construction financing. We've -- obviously, the project has gone very well, exceed a lot of our expectations along the way. And so we are looking for p to optics $300 million that could come in the form of financing or could come in the form of additional equity. But the refinancing we're undertaking right now would result in additional proceeds longer term, lower rate and last recourse as we anticipated.

Marc Holliday
CEO & Director

Yes, I would add to that. That refinancing was unintended and is a good news aspect of just how well this project is going and evidence of the project's success that we are in front of the group of banks for the refinancing, interim refinancing, unplanned and will be highly accretive to the deal and the joint venture. And really just is an affirmation, I would say, if we can get that done.

Alexander David Goldfarb
Sandler O'Neill + Partners, L.P., Research Division

Okay. And then the second question is just in some of the local press, Marc, there's been talk about city council being up commercial rent control. I know it's come up in the past. Just sort of curious in today's environment what your view is? If you think this is real as of the past, specially if you think about Midtown rezoning where the city is trying to encourage redevelopment, this would seem to be the opposite?

Marc Holliday
CEO & Director

Well, look, this is something -- this is many builds that's come to counsel in some get past and many don't. We'll see where this shakes out. There's been some form of these hanging around out here, I think, for decades. And I honestly think that it's there are undergoing issue. Retailers today, as you know, are having problems unless they're very well capitalized and very well situated. But a lot of these are smaller, less credit worthy. What will be called small business or mom-and-pop businesses are having a hard time, but it's not the rent. And I think that will be the debate on the floor. It's all the other things that don't seem to be in that bill, which a lot of these small businesses are coming out and talking about now, such as the increase in minimum wage, which is great goal for the city. But it has with it the intended impacts of raising operating costs. It's real estate taxes. I mean, the real estate rents are down almost in all submarkets of retail anywhere between 10% in the low end and 35% in the high end. But all the while, real estate taxes keep increasing and keep increasing annually at very, very high compounded annual rates. And the regulation, the things these retailers have to do to open up businesses and maintain their business is stay compliant. When you put that all together, it doesn't seem to be the rent to us. We have adjusted our rents in ways that have met the market and have been almost immediately reactive to the system. Now in real estate, nothing is immediate. It's not in a nanosecond, it's not in a day. But over the course of the past 12 to 18 months, we as along with other landlords, retail landlords, have repriced their portfolio generally to meet the market. And it's been sizeably down and quick as demand has dropped, and yet even with that, a lot of vacancy remains projections between 20%, 25% in some submarkets. Now rent is only a piece of it and the rent is corrected quickly. It's probably the only parameter I mentioned that went down and went down significantly. Everything else, more regulation, higher wages and high real estate taxes, they're going to have to figure out a way to solve that issue, I think, in order to make meaningful progress on these points. And I think the rent for economically motivated people will take care of itself. I'd like to see possibly inserted into the build some kind of incentives for landlords to give breaks to tenants. We do it with affordable housing, why not do it with small business retailers?

Operator

Our next question comes from Jamie Feldman with Bank of America Merrill Lynch.

James Colin Feldman
BofA Merrill Lynch, Research Division

I wanted to talk about rents for a minute. So it sounds like you think you're trending below your original target of 6% to 9% growth. Can you just talk about what's different than maybe at the beginning of the year that you're on this trajectory?

Stephen L. Green
Chairman of the Board

It's not that the rents have moved lower than expectations. It's just really that when we focus only on mark-to-market and compare the rents that we're signing against the rents that are burning off from those select leases where there's being filled with 12 months sort of less than downtime, it gives a distorted view of the rental landscape. If you look at our mark-to-market, which we posted at 1%, if you spun out the 2 leases of all the leases that we signed, there are only 2 leases that really had a negative mark-to-market that water down the overall performance. If you pull those out, we would have posted a 6% positive mark-to-market. So I see rents that are still going up modestly. As we've said all along, we projected it at the beginning of the year, but we are seeing around on the depreciation. But when we focus on the mark-to-market, it's just, I think you can say, a distorted view of rents.

James Colin Feldman
BofA Merrill Lynch, Research Division

Okay, that's helpful. And then I guess for Andrew, just in thoughts on the investment sales market, cap rates and asset values and then it looks like you took a $0.01 impairment on a debt investment that was repaid. Can you talk about what happened there?

Andrew W. Mathias
President & Director

Sure. Investment sales, there's going to be a lot of price discovery because there are a lot of assets in the market now. So I think fourth quarter, we should see quite a few assets clear and get a much better sense. But we still see a lot of demand from foreign and domestic investors. Obviously, we're -- we announced the sale of a development site on 72nd Street and an asset that came back to us through the debt portfolio on Third Avenue. Being able to quickly sell those assets and redeploy that capital is an indicator that not just quarter income-producing real estate, but also development-oriented real estate. It's still quite a liquid market for us. So I'll let Marc comment on the impairment.

Matthew J. DiLiberto
Chief Financial Officer

Yes, that's more of an allocation than anything else that we have a multifaceted transaction in the REIT side, assemblage sale 12 31 that has multiple aspects to it. It's a matter of basis allocation, and we've taken an impairment on the partner loan inside of that deal.

Just one other point, operator, I want to make to Jaime in answering the first question that he asked to Steve. Steve referenced a couple of deals that were done in the quarter that brought our mark-to-market for the quarter down to 1%. I think Jamie was asking about our guidance of 6% to 9% for the year. Another factor is we had, in our initial expectations, a rather large early renewal couple hundred thousand-plus square feet that may or may not make and may or may not be this year. We expected that to be this year, in which case, will be squarely within our guidance range. If that does not make it easier, I would expect this to be below our 6 -- the low end of our guidance range of 6% to 9%, and that deal could make next year.

Operator

Our next question comes from John Guinee with Stifel.

John William Guinee
Stifel, Nicolaus & Company, Incorporated, Research Division

As you know, cost of capital is everything in this business and there's a lot of very inexpensive JV equity out there, which is obviously available to you, guys. Big picture, what do you think is the spread now between cost of JV equity on an asset-by-asset basis and issuing stock? Or said another way, where would your share price need to be that you would find common equity of more attractive cost of capital than JV equity? And then the second question is any update on 2 45 Park? And if you talked about it earlier in the call, I apologize. I was late to the party.

Marc Holliday
CEO & Director

Okay. We did in any details will come back to 2 45. But John, let's just hit first question again. The question is what stock price we are issuing and be better than joint venture? Is that something? Yes?

John William Guinee
Stifel, Nicolaus & Company, Incorporated, Research Division

Yes.

Marc Holliday
CEO & Director

Well, one, I'd say we're so far away from that. We probably aren't tracking that number very closely right now because it have to be -- my view is generally at or near NAV. I mean, the sort of let's call it that's the mathematical answer would be you generally don't want to issue discounted securities below value. It's like selling $1 for $98 or $97.65. Now selling a $1 for $70.75 is even more objectionable. But really when we have issued in the past, used the ATM quite aggressively as you might recall, leading up to mid-2015 or so, generally, we like to think we're right at or around NAV. It could be off a $1 or $2 or 1% or 2%. But issuing a 10%, 15%, 20% discounts, not very attractive. On the flip side joint ventures, you are typically doing those right at the market. People who come in and invest in $1 billion building expect to pay $1 billion, not $900,000, not $800,000, not $700,000. They expect to pay the market. And you could almost say it's a premium offering because in addition to bringing a JV partner in at the value, you then get fees and promotes, which we've talked about and broken down analyzing the past that could increase the yield on our retained interest between 300% to 500%, depending on the theme from a package. So that's -- I think that's how we analyze it. But again, since we are so far away from that, we haven't been running those numbers recently.

I'm sorry, 2.5. 2 45, we made the initial, what we call, Phase 1 investment. We're working towards a Phase 2 that contemplates more direct equity investment with controlled that is still uncompleted at this time. And we'll just have to wait and see what the further update is as of December investor. But for the moment, we have our investment, money's working. We are having deeply embedded within the asset with our partner on that deal, and I guess more to come in the next 30, 45 days.

Operator

Our next question comes from Derek Johnston with Deutsche Bank.

Derek Charles Johnston
Deutsche Bank AG, Research Division

Any further commentary regarding how leasing or the leasing pipeline is trending versus plan at One Vanderbilt? And secondly, are there any issues tied to the Carlisle lease in light of today's news?

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

I'll address the first one, which is we've a good pipeline of deal flow at One Vanderbilt. We're trading paper with 4 or 5 tenants. We're in advanced discussions with 2 in particular, and we expect to have something positive to report before the end of the year.

Marc Holliday
CEO & Director

So I guess you've asked the question about Carlisle and their efforts to assign the lease to SLG funding, which is our $2 billion finance subsidiary. I think as the paper state, the landlord in that case has rejected the assignment Carlyle believes improperly, so it's brought a lawsuit. SL Reit is not a party to that loss. Now that loss suite in no way affects the One Vanderbilt lease, which is stand apart loan. So I cant really comment any further on that other than to say it's unfortunate.

Operator

Our next question comes from Steve Sakwa with Evercore ISI.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Marc, I guess I want to come back to your comment about the tax-efficient asset sales that allow you to do buybacks and the less efficient ones, which sort of maybe force you to do that kind of 10 31 deals. Can you just give us a sense for what within the portfolio would be characterized as tax-efficient asset sales on kind of just gross dollar terms? And I guess to complete the remaining buyback authorization, how much more do you need to sell to do that on a leverage-neutral basis?

Marc Holliday
CEO & Director

Well, Steve, we've gone through this I think some fair amount of detail. We have assets where I will give you a structured finance. I mean, it's tax-efficient. We've got $2 billion of assets that's marked at par. And as we reduced balances there, there's no gain typically unless we have some kind of exit for you or something like that. And we -- that's a potential source. We have other asset sales that either don't have as much tax gain or able to structure around it through creative JVs or whatever it is. So we have assets and I mean, you have seen us do almost $2 billion dollars of it. So we clearly have been able to generate a significant amount of tax-free proceeds for use in stock buybacks. We had more, we can do going forward so the question will simply be when we meet again in December and discuss it as a board, whether and to what extent we want to keep going being based on market conditions, price and capital availability versus the opportunity set, which is still meaningful out there. I mean, we do have a pipeline of deals that are very high yielding. You see the kinds of returns we print on these deals, both unlevered and unlevered. They are very high, double-digit yields. We hope to be able to continue to balance our core investment strategy as we have done in a more limited amounts of late with share buyback program. Can you the second part of your question?

Michael Wong
Morningstar Inc., Research Division

I guess just in terms of as you talk about trying to be leverage-neutral. You sold -- you put out the press release recently on the asset sales, which was several $300 million to $400 million. You had about $350 million to $400 left. I know you didn't do a lot of buybacks in the third quarter waiting for more sales to unfold, which you just announced. So I guess how much more do you sort of like feel like you need to do just to compare the current buyback program I guess was sort of the question.

Marc Holliday
CEO & Director

Yes, I mean we are almost fully funded on a full 500. We have a couple more sales in the process, primarily the suburban portfolio, which we've said we are slowly winnowing down. That would round out the program and do it on the leverage-neutral basis that was executed the first $1.7 billion, $1.650 billion.

Sumit Sharma
Morgan Stanley, Research Division

Okay. And I guess just second question maybe for Steve. You've historically talked about the size of the leasing pipeline. I'm curious where it is today and did you get the 3000 square foot lease signed in the last few minutes?

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

It's fine to say that I just got an e-mail that said we signed 20,000 square foot deal that's waiting for me to countersign when I get out. I don't want to bring it up, otherwise it's not important. So it was 945,000 square feet of pipeline, so now we're actually 925,000 square feet. It's down from last quarter because we did a lot of leasing this quarter. But we've got very good deal flow, and we've got a lot of leases that are in very advanced stages in negotiation out of that pipeline.

Andrew Schaffer

And can you characterize just kind of types of tenants, new tenants? Is this kind of putting forward renewals? Or how would you characterize it?

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

Yes, sure. In the pipeline, it's finance, real estate, legal, nonprofit education is still a large part of it, of the leases that we signed. It was dominated by finance and legal. Between the 2 of those industries, that was 60% of it, but it's good broad-based group of tenants.

Marc Holliday
CEO & Director

Thanks, Steve. I think we have time for one more, is it? One more question?

Operator

Yes, sir, we do have a question from Nick Yulico from Scotiabank. [Operator Instructions]

Kenneth M. Leon
CFRA Equity Research

Just want to make sure the 2 Herald JVs sale, is that still set to close in the fourth quarter? And do you have a number for just overall sales proceeds we expect in the fourth quarter?

Marc Holliday
CEO & Director

The answer is yes, we expected to close in the fourth quarter and that can be coupled with financing. I mean, I have around about number from 3 Columbus and from 2 Herald. You're talking several hundred million dollars of proceeds.

Nicholas Philip Yulico
Scotiabank Global Banking and Markets, Research Division

Okay. And then just lastly, going back to 2 45 Park. I mean, it sounds like there are some redevelopment plans that start to float around the leasing market for that building. I mean, is that what is first need to be sorted out before you have -- you consider making an additional investment?

Marc Holliday
CEO & Director

I didn't think it's not -- until we have conclusion to where we stay on the phase. I wouldn't want to start talking about redevelopment plans or strategies for the building. It would be inappropriate. I mean I would say at this point, and not even at this point. I mean, you've heard from the day went they first but the asset, we're back. We think it's a spectacular asset, great location, great building now directly across the Street from JPMorgan new world headquarters. 280 Park, which has been very successful redevelopment and only getting better through developments like One Vanderbilt, 245 Park and others to come as a result of the East rezoning. It's a good piece of real estate. We like it very much. We have been -- we were part of the original acquisition financing. We made an additional substantial investment about 3, 3.5 months ago. And we are in dialogue with H&A to 82 recast and that investment into something that will have longer term work permits. That's all I can say for now.

Operator

That concludes our question-and-answer session, so I like to turn it back for closing remarks.

Marc Holliday
CEO & Director

Okay. Thank you. See you at the investor conference this December 3.

Unknown Executive

Yes, December 3. Door is open at 830. It's at Jaz of Lincoln Center, the same venue we have been out in the last couple of years. Program will begin at 9, so please get there ahead of that. We expect it to be roughly 3 our presentation, then there will be an optional property tour. For details on how to register, please look at our press release or go into our website.

Marc Holliday
CEO & Director

Thank you.

Operator

Thank you. Ladies and gentlemen, that does conclude today's conference. Thank you for your participation. You may now disconnect. Have a wonderful day.