S&P Global
Market Intelligence

SL Green Realty Corp. NYSE:SLG

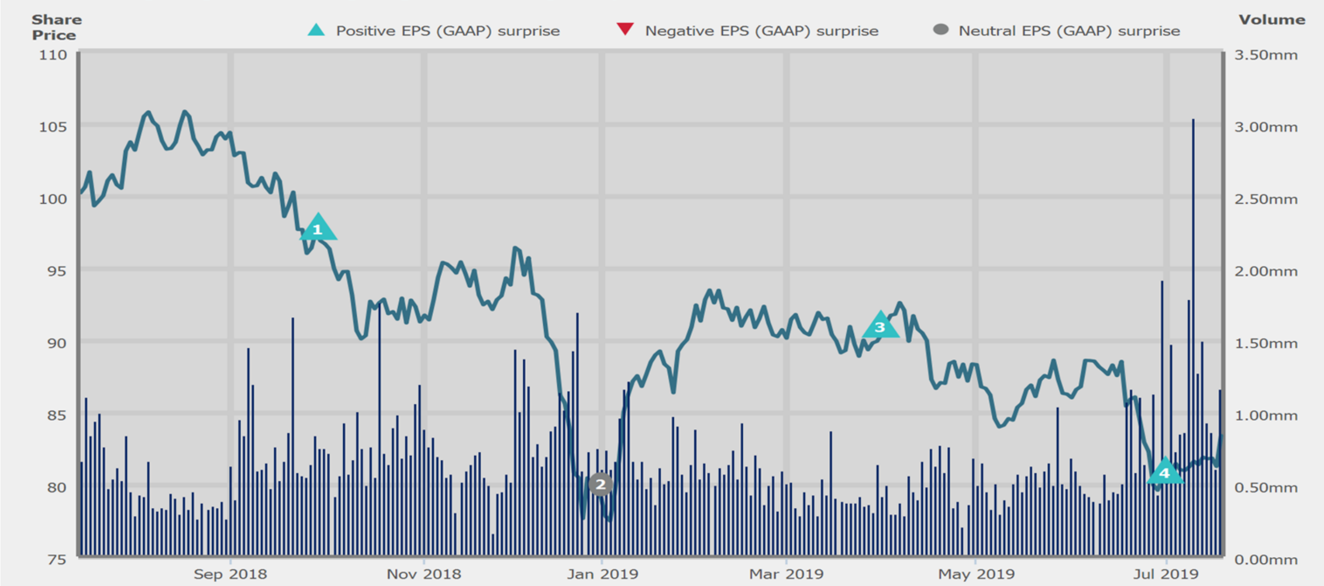
FQ2 2019 Earnings Call Transcripts

Thursday, July 18, 2019 6:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2019-			-FQ3 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.34	1.94	▲470.59	0.37	1.30	1.52
Revenue (mm)	241.61	244.96	▲1.39	240.31	971.40	931.20

Currency: USD
Consensus as of Jul-18-2019 12:31 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2018	0.39	1.03	▲1 164.10 %
FQ4 2018	0.28	(0.73)	NM
FQ1 2019	0.39	0.52	▲2 33.33 %
FQ2 2019	0.34	1.94	▲3 470.59 %

Table of Contents

Call Participants

EXECUTIVES

Andrew W. Mathias
President & Director

Matthew J. DiLiberto
Chief Financial Officer

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

ANALYSTS

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

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

Craig Allen Mailman
KeyBanc Capital Markets Inc., Research Division

Emmanuel Korchman
Citigroup Inc, Research Division

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

Nicholas Philip Yulico
Scotiabank Global Banking and Markets, Research Division

Piljung Kim
BMO Capital Markets Equity Research

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Vikram Malhotra
Morgan Stanley, Research Division

Presentation

Operator

Thank you, everybody for joining us, and welcome to SL Green Realty Corp.'s Second Quarter 2019 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 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 second quarter 2019 earnings. [Operator Instructions]

Thank you. I would now turn the call over to Andrew Mathias. Please go ahead, Andrew.

Andrew W. Mathias
President & Director

Thank you, operator, and good afternoon, everyone.

It's Andrew Mathias, filling in for Marc who unfortunately had a death in the family last night, so he was unable to join the call today. The rest of the management team is here with me though.

Hopefully, everyone had a chance to review the earnings release, which should convey that this was another strong quarter across our business and the New York City market in which we operate.

We have a very deliberate plan and we are executing on it in a way that drives value across our portfolio and continues to be justified by a robust New York City jobs, capital markets and leasing environment. New York City OMB again raised its 2019 jobs forecast for both private sector and office using employment by about 25% in each category to 71,000 and 26,000, respectively. And hiring to date in most major sectors continues a pace as the job space continues to diversify away from the FIRE sector in New York City.

We were very busy this quarter in support of our business plan in all areas of SL Green. We signed 40 leases, covering more than 500,000 feet this quarter, well ahead of projections as leasing pay shows no signs of slowing up.

We closed on the sale of 521 Fifth Avenue, concluding our very successful history with that building, which began with a mezzanine loan in 1999, continued to an equity acquisition, then recapitalization via joint venture and then an additional recapitalization via joint venture and ends with our sale to Savanna generating a 13.4% IRR over our 13-year equity hold period for the asset.

Not easy to generate 13%-plus compounded returns over that long a hold period, but SL Green found a way.

We also finally converted our structure investment in 460 West 34th Street into a controlling equity interest in the property, coupled with efficient acquisition financing and the masterstroke of signing First Republic Bank to a major lease of the property prior to closing.

We expect a newly redeveloped 460 West 34th Street to become a signature asset for us in the far west side.

Also in the quarter, we acquired the remaining interest in 110 Greene Street, an asset that's performed very well for us and we believe has significant upside yet to be achieved.

In the DPE portfolio, we originated more than $130 million this quarter, with debt markets remaining highly liquid. One Vanderbilt construction remained ahead of schedule where we will turn the face -- the first space over to tenants next month and the topping out ceremony for the building is planned for September.

The lease we announced with private equity firm Sentinel Capital Partners brings us to nearly 60% leased more than a year ahead of opening our TCO.

With the portfolio performance consistently strong and stock price continuing to trade at a significant discount to NAV, we remain staunchly committed to an aggressive share buyback program. We successfully purchased 1.3 million additional shares this quarter, continuing to rely on dispositions to fund the buybacks prudently and anticipate continuing this program if conditions remain unchanged.

The leasing pipeline remains robust at over 1 million square feet and we would clearly expect to exceed our annual targets on leasing volume and mark-to-market based on leasing to date and pending transactions.

The real estate business is as active as we have seen it in the dog days of summer here and all our various disciplines here at SL Green are busy executing on the business plan.

The development teams are building One Vanderbilt, 609 Fifth, 460 West 34th Street, 2 Herald and 185 Broadway and heavy in planning on 1 Madison and others. The operations teams are dealing with blackouts and heat waves; the leasing teams are generating great transaction volume; the investment team is buying, selling, lending and scouring the world for the next great source of capital; and the finance team is making sure it all stays on business plan.

We appreciate all of their efforts.
And with that, we're happy to answer any questions you may have.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Manny Korchman of Citi.

Emmanuel Korchman
Citigroup Inc, Research Division

Andrew, you ended with a point on scouring the world for capital. Just wondering what your sort of current uses of that capital are? Is it all that construction that you talk about? Is it going out and trying to acquire another building? Where that is? And sort of where you're seeing the brightest spots for that capital right now?

Andrew W. Mathias
President & Director

Well, I would say we're using it across all those various disciplines. So in the DPE portfolio, we're using efficient senior capital to try to lever up our returns in the mezzanine position. As owners, we're bringing in JV partners. So that's where that capital comes into play. As sellers, oftentimes we're selling to that capital so we'll meet -- we met in Israel with a group that we wound up selling a building to downtown in the past. So I'd say in the last 6 months, our teams have been in Asia, the Middle East, Europe, Canada and across the United States meeting with different sources of capital. Actually David, you met with some South American capital here in the office too. So I would say we have most of the continents covered and there is still an enormous amount of interest in New York City from both debt and equity capital. People still view it as the safest haven for their money and a lot of new capital is looking for ways to get into the market. With every group that kind of steps to the sideline and says we're full up on allocation, a new group seems to come forward.

Emmanuel Korchman
Citigroup Inc, Research Division

And then maybe this is one for Matt. If we're looking at your spending needs over the next couple of years, you obviously have the big projects, which we've been through. You got that $300 million at 460 West 34th, that total share. What about some of the sort of updates or brightenings to buildings, like 625 Mad? How do we think about how much money is going to be spent on sort of all those types of buildings over the next couple of years?

Matthew J. DiLiberto
Chief Financial Officer

Sure. So most of our development projects are funded with financing that we've put in place already. So One Vanderbilt, the equity financing, we completed in the second quarter. So we have no more equity funding to put into that project, that's all now through the construction financing. 460 will be construction financed. 185 Broadway is construction financed. Those are the largest near-term projects. 625 Madison, and 609 Fifth -- sorry, we have 609 Fifth in process. That's also financed. 625 Madison, really until we have some line of sight to what happens with the ground rent reset, we won't be doing anything in earnest there and 1 Madison is further out. So from a funding perspective, we are -- everything is funded at this point or spoken for and capital throughout the rest of the portfolio, given that it's all redeveloped, is actually at historic lows and you're talking about just base building or non-revenue enhancing capital. So our funding plan over the next couple of years, we also are generating a lot of free cash flow is in great shape.

Operator

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

Alexander David Goldfarb

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

So 2 questions. First, Matt, just maybe looking at where you guys are trending year-to-date, it looks like on FFO you guys are sort of trending towards the upper end of your current guidance range. I think you outlined a few investor days, some potential for more lease term fees that may or may not happen, JVs that may or may not happen. But it looks like on a run-rate basis, you're trending towards the upper end. So maybe you could just talk about what some of the negatives, if you will, or what some of the headwinds may be in the second half that would get you lower in the range versus something that would boost you either to the high end or maybe even above?

Matthew J. DiLiberto
Chief Financial Officer

Sure. So for the first half of the year, on our numbers, we're running $0.01 or $0.02 ahead just on that first 6 months. If we look at over the balance of the year, we are still squarely within our range, which is why we have not adjusted guidance at this point. We've had some positives in the first half of the year, some income events that we didn't anticipate and some performance in the portfolio that's better-than-expected. But offsetting that through the balance of the year, you mentioned lease termination income. We had $12 million wired into our guidance, we've recognized just over $5 million so far this year, but unclear whether any of that $7 million remaining will come through and if so, how much. We also layered into our guidance joint ventures of both 1 Madison and a further joint venture of One Vanderbilt, which may or may not happen this year. We did market JV interest in One Vanderbilt early this year. We elected not to move forward at this point and 1 Madison, we shall see. We had between $15 million and $20 million of fee income off of those JVs laid into our guidance. For the balance of the year, we have not recorded any of that thus far. So all told, keeping us in our guidance range for the balance of the year.

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

Okay. And then the second question is just on the buybacks, which you guys have been very clear, your match funding, you got The News Building out there, which presumably once that sells will fund more stock, but at the same time, you guys have spoken about reducing the DPE and maybe using that to buy back stock. So maybe you could just update us on where you stand. I think you had $400 million of buybacks in guidance. But just where you stand on reducing DPE, and then also just given where the stock is would seem like rather attractive to be out buying meaningfully.

Andrew W. Mathias
President & Director

On the DPE front, we are, via repayment, bringing down the DPE balances. We've gotten actually some repayments that were expected since the close of the quarter and we plan to continue taking some additional repayments throughout the year. So we do expect that balance to trend lower with the stock price where it is. We may very well elect not to reinvest it into new DPE originations or as much as we had planned on and instead allocate those funds for stock buyback, but...

Matthew J. DiLiberto
Chief Financial Officer

In addition to that, I mean the nearer-term use of the funds because we are trying to match fund buybacks with asset sales is repayment of debt, particularly our line of credit. Our line balance is higher than we historically keep it as at the end of the quarter, so in the near term, we're using those DPE repayments to pay down the line.

Operator

And next question comes from John Kim of BMO Capital Markets.

Piljung Kim
BMO Capital Markets Equity Research

On the discussion on global capital into New York, I was wondering, the public markets are basically saying that the private market valuations in any of the New York office REITs are incorrect. And I'm wondering if that has influenced pricing at all in the private markets?

Andrew W. Mathias
President & Director

Short answer, not at all. I think the private market players that we speak to don't really look to repricing as any kind of indicator of the market. They view it as somewhat divorced from reality or not an indicator, a leading indicator or even an indicator of where the spot market stands. They're long-term investors and they're only interested in their own long-term returns. Unfortunately, the volatility in repricing makes it somewhat difficult to attract new capital into actual REIT equities but building equities, the demand is still very strong out there. You have to look no further than the transactions for 521 Fifth, for 540 Madison, for 360 Lexington, the list goes on and on. The private markets have spoken very strongly that there is still enormous demand for New York City real estate.

Piljung Kim
BMO Capital Markets Equity Research

And do you have any conversations with the capital sources as far as they could buy assets on one level but they could buy capital into your stock at a much discounted value? And are those contributions happening?

Andrew W. Mathias
President & Director

All the time, I would say, and that was the genesis of my prior comment, which is, they view the volatility and the necessity to mark-to-market in REIT stocks as anathema to long-term real estate investing where they don't have the same issue. So unfortunately, as we go meet with these guys, everybody wants to own -- fortunately, I guess and unfortunately, everybody wants to own direct real estate and the REITs, the volatility has scared away a lot of these investors.

Operator

Our next question comes from Nick Yulico of Scotiabank.

Nicholas Philip Yulico
Scotiabank Global Banking and Markets, Research Division

Yes, I guess, Steve Durels, you mind giving a little update on the leasing market trends you're seeing? And then, I guess we're hearing, I mean tech feels like it's getting a lot more active in the city. I know it's early, but maybe you can talk about early interest in 1 Madison?

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

Sure. Just a comment on tech, the TAMI sector was 40% of the leasing for the second quarter in Manhattan. So it's clearly a big driver of leasing. So both TAMI, financial services is still active in the marketplace and co-working continues to be a driver as well. We're seeing demand across-the-board in all the buildings and I guess a couple of examples to talk about specifically. One Vanderbilt has continued to be extremely active with half a dozen active proposals being traded with prospective tenants. So we're hopeful that we'll land 1 or 2 of those and safely hit our 65% lease-up target for the end of this year. We've got a very strong pipeline of -- as Andrew said, well over 1 million square feet. That pipeline has been growing since the first quarter, dominated by both -- the 3 major sectors of legal, TAMI and finance and across all price points, we're busy as well. We're starting to see some early renewals, driven partly by tenant expansions throughout the portfolio. So we've got a couple of big deals in the hopper that we're trading paper with some tenants, driven by early renewals and we're seeing new tenants come into the portfolio as well. Concessions, as we said last quarter, have leveled off. We haven't seen any movement off of that. And rents are modestly up.

Nicholas Philip Yulico
Scotiabank Global Banking and Markets, Research Division

That's helpful. And then I guess a question for Andrew or Matt. As we think about -- if I look at the portfolio, and a lot of people look at your top tenant page and they see buildings where you have some move outs over the next several years. I think we know it's a gamble with 1 Madison, for others it's not as clear. Even if you pick a building like, say, 1185 Avenue of the Americas, I mean what is the thought process there? Are you willing to ride this out and deal with the re-tenanting? Or can you figure out that maybe it's better to try and sell the building, let someone else deal with the re-leasing CapEx and what type of market is there for buyers to be buying assets like that right now?

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

Well, before either Andrew or Matt respond to this, let me give you a little color as to what is in the market on the some of those buildings. 1185, we're close to going to a lease for a 2-floor tenant for some of that early renewal. 750 Third Avenue, we just put a lease out for almost 100,000 square foot for a tenant for some of that space that's rolling off in a couple years. So all of those buildings where we have roll, 750 Third, 919 Third Avenue in particular, which seems to be on everybody's inquiry list are perfectly suited at the right price points in great locations with great assets to be extremely competitive within the market and we're already seeing tenant demand well in advance of any of that space rolling off.

Andrew W. Mathias
President & Director

Yes. And I would say we see a lot of that roll as opportunity. What we do, I mean 220 East 42nd Street is a good example. That building had a ton of roll, we redeveloped the building, leased it up to visiting nurse services and young adult institute and a bunch of other great tenants. Now we have the asset on the market for sale. So I don't think we would look to sell because we're afraid of having some vacancy. That's still our core business is redeveloping those buildings, bringing in new tenants, moving up the rent roll, hopefully, and sort of making the assets better. So we're more likely to redevelop any of those assets and then sell to a core buyer than try to sell to a redevelopment buyer that's going to require a higher return.

Operator

Our next question comes from the line of John Guinee of Stifel.

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

Just a couple of nit questions. Steve, you'd mentioned 1185 Avenue of the Americas, I think you had a big lease out there. At the same time, that has -- it looks like the final year of operating lease, ground lease is 2043. Is there a strategy to get at that ground lease and get to the fee sooner than later? Or how do you think about the relatively short-term ground leases these days?

Andrew W. Mathias
President & Director

Well, John, I'd say, we're always in dialogue with the fee owners of our various leasehold positions. And it's always a test of will to try to figure out kind of the right time because obviously, the fee owner wants to get the asset at the end of the lease in the best condition possible and the leaseholder also wants as much term to offer to prospective tenants. So those dialogues are always ongoing and 1185 is certainly an asset that's on the radar screen but there's nothing -- no further detail to report at this point. But we are always constantly in dialogue with fee owners.

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

And then just another one. Looks like your 4 suburban assets about 1.1 million square feet, Summit Drive (sic) [Summit Lake Drive], et cetera, you're levering up to the tune of $229 million, which is about $208 a foot. What's the thought process there on an asset, which I think is on your for-sale list?

Andrew W. Mathias
President & Director

Yes. There we saw a -- in a very efficient capital provider and decided to take advantage of it, much the same way that we did in Landmark Square in Stamford with the loan we have on that building from JP Morgan Chase. It is still part of the disposition plan, however, this was an efficient aggressive bid from a lender that we decided may -- at least will take care of the capitalization in the short term and may be very attractive to a future buyer as the loan is assumable in the future.

Operator

Our next question comes from Craig Mailman of KeyBanc Capital Markets.

Craig Allen Mailman
KeyBanc Capital Markets Inc., Research Division

Matt, maybe I just want to go back to your earlier comment on the process you guys ran for additional joint venture One Vandy and the decision not to proceed. Can you kind of just give a little bit more color on the reason why?

Andrew W. Mathias
President & Director

Yes. I think just the -- in a -- short answer, the leasing activity was too good at the time and Marc and I really feel the closer we get to opening and if we can feeling like we want to leg it out to opening, the higher price a we're going to get for the building. It's -- you take a discount for construction risk that we really don't view as a risk because the job's 100% bought and there's not a lot of variability between now and opening. You take a list -- a discount for space left to lease that we see the leasing activity on and we feel highly confident in our ability to get leased. And then obviously, you see a discount because the observation deck is -- the operations are still speculative at this point. So we really -- as we sat and considered it, we had some very aggressive offers and we really felt that we weren't maximizing the potential of the building for sort of a short-term use that we felt was better off pulling it back and reintroducing it in the future for joint venture once we get closer to stabilization.

Craig Allen Mailman
KeyBanc Capital Markets Inc., Research Division

That's helpful. And then, Steve, I'm just curious on what you're seeing on some of these tenant expansions or just leasing in general in terms of tenant space uses? Has it materially changed one way or another in terms of kind of space per employee?

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

No. I think people continue to migrate to a more open plan environment with a dense operation, although we continue to hear people concluding that they can't densify or it's not really as successful at densifying as much as people at one time thought they could. So their sort of idea of going down to 100 square foot per employee is -- was always kind of wishful thinking a lot. A lot of the tenants that are coming to our portfolio where they're changing their layouts, they're ending up at sort of anywhere from the 200 to 225 square feet per employee. I'd say that's when they're in an open plan environment, that's a good metric that I think people have been landing on. Once they factor in communal space and meeting space and support space. But it's clearly still a lot of businesses are changing how they use their office space compared to 5 or 10 years ago and I don't think that's going away.

Operator

Our next question comes from the line of Blaine Heck of Wells Fargo.

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

Just a follow-up on the private market and investment sales discussion. Some conversations we've had with brokers and the market suggest that there's more interest in core plus and value-add deals than core this year. Just wondering if that's what you guys are seeing on the market as well? And if there are any implications for pricing within those segments of the market?

Andrew W. Mathias
President & Director

Yes. I would characterize 521 as a fairly core deal, and certainly, 30 Hudson Yards, which is a sale leaseback is about as core as you can get. 540 Madison had some vacancy. It was about 80% occupied or 80%?

Matthew J. DiLiberto
Chief Financial Officer

About 80%, 85%.

Andrew W. Mathias
President & Director

85% occupied. So I don't really -- we see demand really at every level, core, core plus and value-add is basically development here. And there is still -- a development site at 520 Fifth Avenue just got recapitalized as well. So I think we're seeing strong demand across each sector of property investing.

Blaine Matthew Heck
Wells Fargo Securities, LLC, Research Division

Okay. That's fair. And then given your decision on foregoing the JV partner in One Vandy for now, can you talk about the process related to getting a partner at 1 Madison or whether you'd reconsidered that as well?

Andrew W. Mathias
President & Director

No. There's no -- we haven't commenced that process. I'd say we're really trying to fine-tune the exact plan for the building, which we're very close to doing so we can present somebody with a model -- an economic model that'll meet their expectations. Hard to go with a blank canvas and we've had a lot of different opinions and testing on different levels of expansion at the building. There's the base building, which is great, 1.1 million foot building and then there's obviously everything up to new development on top and we're running all the different scenarios there, while Steve is out having tenant conversations as well. So the building is fully in the market for leasing but has not been in the building yet for joint venture, and I would just say it's still second half of the year or if it trips to early next year type of exercise.

Operator

Our next question comes from Steve Sakwa of Evercore ISI.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

I guess just following up on some of the conversations and questions around some of the tenant move outs. Matt, can you maybe speak to some of the, I guess, leasing upside or opportunities or leases that may not be so obvious that could replace some of that lost income like the Polo lease at the end of the year or Crédit Suisse coming off? What are some of the net positives that we should be looking at on the other side?

Matthew J. DiLiberto

Chief Financial Officer

Yes. We're going to spend some time, Steve, in December, laying out in a more fulsome way the next several years, I think of upside coming out of some of these properties. Not the least of which are you're going to start to see income off 609 Fifth Avenue later this year as the retail portion, that opens up, then expect the office portion sometime next year. One Vanderbilt will be turning over space as Andrew said next month and if you expect the year so buildout, we'll see some income off of that next year. 625 Madison, we're losing Polo at the end of the year but then it goes into a redevelopment capitalization kind of structure until we retenant the building. So there is an offset to the NOI that's lost there. And then we have the leasing that's going on this year. We're almost 1 million square feet through our goal. There are properties like 220 and 919 and some of the other Third Avenue properties that Steve mentioned that are going to be contributing as well headed into next year. So on the redevelopment properties alone, offsetting some of the potential move outs, we're going to lay out the growth profile of those and give more detail in December.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Okay. And then I guess just going back to the asset sale of 220. Can you just sort of talk about the timing and kind of the interest level and when you think that asset could ultimately get sold?

Andrew W. Mathias
President & Director

Well, we certainly expect this calendar year to get it sold, Steve. The interest has been great, tours are ongoing. Obviously, it's summer so got to get everybody through and give them a chance. But we would expect in -- hopefully in third quarter to have an agreement there depending on what kind of bids we get. Look, we're in a great position because we're sellers but we're not for sellers on any of this product. So we're going to evaluate the bids versus all the other capital alternatives we're working on now and decide which is the most efficient for us.

Stephen Thomas Sakwa
Evercore ISI Institutional Equities, Research Division

Okay. And then just on the Westchester assets, I know you put the mortgages on but just from a timing and interest-level perspective, is that looking like that might get pushed out to 2020 from a sales perspective?

Andrew W. Mathias
President & Director

No. We're still hoping to get some more assets sold this year for sure, the Stamford, Connecticut asset specifically. And in the balance we'll address, timing is not as certain there.

Operator

Our next question comes from Vikram Malhotra of Morgan Stanley.

Vikram Malhotra
Morgan Stanley, Research Division

Just wanted to focus a bit on street retail, the asset you bought back that were where you made investments in the DPE book, and then 106 Spring, any update? I know there was potentially a couple of tenants that you were prospecting for some of those assets. And then just related to that, is your view still that Madison Street retail is bottoming?

Andrew W. Mathias
President & Director

Sure. The assets, the 106 Spring, 133 Green and 712 Madison are the 3 assets. Each is a different situation. 106 Spring, we've signed the tenant through the holiday season there while we do a sort of more fulsome worldwide marketing for a longer-term tenant. 133 Green and 712 are both occupied now, pretty much through the holiday season. So there hasn't been -- 106 is the only one that's currently vacant and we filled it. Albeit on a temporary basis. So we still feel good about our basis and those assets and the level of interest from tenants and we do feel strongly that Madison has bottomed as you say, there's a good core of demand out there from different tenants and there's a lot more activity on the street. So when we do see 712 Madison back with David Yurman's move out, who is the tenant there, we're already entertaining increase for that space. So we feel confident that we'll be able to get it filled.

Vikram Malhotra
Morgan Stanley, Research Division

Okay. And then just bigger picture question with one of your peers, Vornado doing the big JV at their cap rate, do you view that sort of as a good comp for the market and maybe for your own portfolio?

Andrew W. Mathias
President & Director

I can't really speak to the specifics of their JV. I mean I think there's still a strong capital markets bid for New York City retail. I don't think the view is as dire as people are making it out to be and it's also -- we've worked hard over the last 5 years to really shrink the amount of our NOI that's attributable to retail. Stabilizing and selling quite a few of our assets including the sales of 720 and 724 Fifth Avenue last year. So we still feel like there's a strong bid out there for retail and I think it continues to be part of our strategy but on a very selective basis.

Any further questions, operator?

Operator

No, sir.

Andrew W. Mathias
President & Director

Okay. Thank you, everybody, for joining us and I'm sure Marc will be back in 3 months when we speak again.

Operator
Ladies and gentlemen, this concludes today's conference. Thank you for your participation and have a wonderful day. You may disconnect your lines at this time.