



BUILDING FOR THE FUTURE

SL Green Realty Corp.
2018 Annual Report

Financial Highlights¹

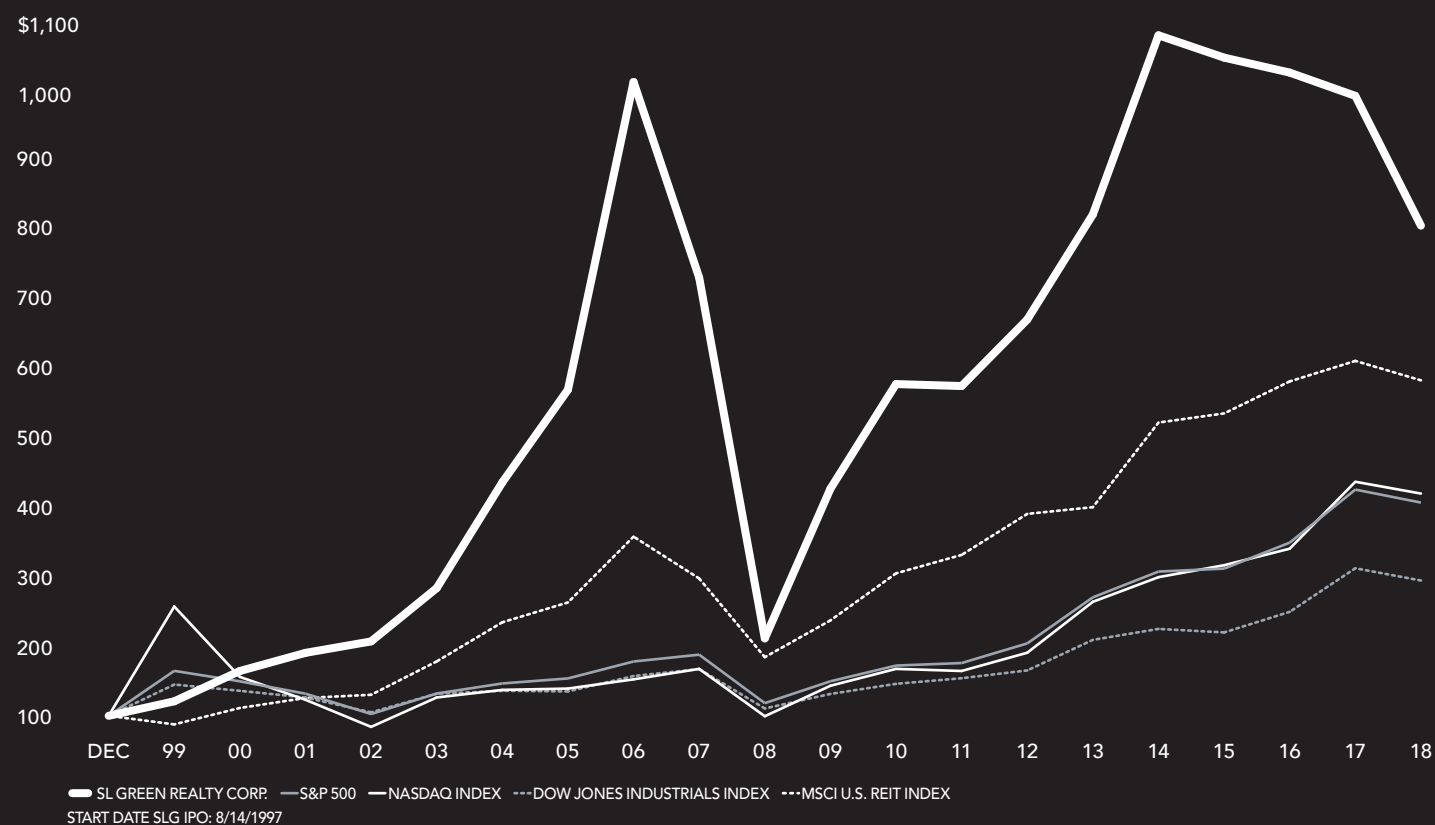
21 Years Listed	\$1.8B Combined Revenues	\$6.78 Funds from Operations Per Share ²	+5.1% Funds from Operations Per Share Growth ^{2,3}
48.3M Total Square Feet ⁴	108 Number of Properties ⁴	\$1.15B Liquidity	+4.8% Dividend Per Share Growth ³
701.7% TRS Since IPO	260.5% SNL Office REIT Index	\$16.9B Enterprise Value	

¹ Data as of 12/31/2018.
² Normalized FFO per share excludes non-recurring prepayment penalty associated with early repayment of the debt at One Madison Avenue.
³ 2017 to 2018 year-over-year growth.
⁴ Includes 34 Debt and Preferred Equity investments secured by 18.7M square feet.

SLG NYC in 2018

Total Return to Shareholders

(Includes reinvestment of dividends)
 (Based on \$100 investment made. \$21.00 at IPO, diluted, in dollars)



Singularly focused on New York City real estate, SL Green operates in one of the most liquid and resilient real estate markets in the world—and also one of the most complex and competitive.

An active, transaction-oriented company committed to excellence and results, SL Green executes more transactions than its competitors year after year. Whether working independently or collaborating with strategic partners, we are proud of our record of acquiring, improving, operating and monetizing properties that bring great value to our shareholders.

Dear Shareholders,

2018 was another strong year for SL Green and for the New York City economy that has driven our success for the past 21 years.

Yet again, SL Green was far and away the most active player in our market. Over the course of the year, we signed 180 Manhattan office leases across 2.3 million square feet, hit major milestones and announced new world-class development projects, closed on a number of key leases in our high street retail portfolio, moved swiftly on great debt and preferred equity investment opportunities and disposed of mature and non-core assets to fund our aggressive share buyback program that capitalizes on the unprecedented discount in our stock price.

This level of activity is nothing new for our best-in-class team, consistent with the hustle and determination we have shown over the past two decades to make SL Green the largest and most profitable owner of office space in New York City. At our Investor Conference in December we detailed an unprecedented history of ownership and investment in an astounding 115 million square feet of commercial real estate in Manhattan, primarily in core Midtown. This achievement has been mapped to show that nearly every block of prime commercial real estate in East Midtown has had SL Green's fingerprints at some point. Combining everything we currently own, with what we previously sold, totals approximately 50 million square feet of real property. Our debt and preferred equity and special servicing platforms have participated in deals representing another 65 million square feet of collateral interests. All told, over the course of our history, SL Green's market penetration covers in excess of 25 percent of the Manhattan office inventory. This unrivaled scale and scope confirms the Company as the focused sharp shooter in New York City, committed to excellence year after year.

Through all of this incredible work, we remained true to our core mission of investing, managing and developing world-class properties in New York City, dominating the world's most important and valuable commercial real estate market. We continue to take a long-term view of our business, remaining bullish on the value of New York, its allure as a global business address, and the promise of its growth and talent pool.

And 2018 brought a number of very positive indicators to support that confidence. In addition to continued overall and office-using job growth (and the lowest unemployment rate in the city's history), two areas stood out: booming investment in East Midtown, and the emergence of the technology sector as one of the pillars of New York's economy.

Last year was an exceptional one for East Midtown, where so much of our portfolio is concentrated. Grand Central led all Midtown sub-districts in increased leasing volume, reaffirming our belief that greater East Midtown remains the most sought-after sub-market in New York. The most obvious and visible example of this desirability is the progress of our flagship One Vanderbilt development project, which is on track to top out in the second half of this year, and open for business next year—under budget and ahead of schedule. In fact, leasing is moving so swiftly, SL Green had to move fast to reserve space for our own new headquarters within this iconic new tower before all of the space we had targeted was leased! We look forward to relocating to One Vanderbilt next year and joining our esteemed roster of tenants in this highly sought after, efficient and sustainable building.

One Vanderbilt's early success can be felt across the district with others following suit: a joint venture between RXR Realty, TF Cornerstone and MSD Capital announced a \$3 billion redevelopment of the Grand Hyatt Hotel adjacent to Grand Central and J.P. Morgan is moving ahead with its plan to develop a 2.5 million square foot skyscraper at the site of its current headquarters on Park Avenue. It is an extraordinary vote of confidence in East Midtown's future that two functional, but obsolete, towers will be torn down, and billions invested, to bring the most modern product online in what continues to be regarded as the very best location in Manhattan.

The city's tech sector is also having its moment, maturing into a true pillar of a diversified New York economy that is no longer solely reliant on the FIRE sector for growth. The proof of this sea change is everywhere, with Google, Facebook, Amazon and Netflix dramatically expanding their presence in order to tap into a highly skilled, educated and



Marc Holliday
Chairman &
Chief Executive Officer



Andrew W. Mathias
President

young urban workforce. It's clear that major companies like these want to be here because New York continues to attract the best talent from around the country and the world. It is unfortunate that Amazon ultimately decided not to pursue a headquarters in Long Island City, and there were mistakes made by all parties that led to that outcome. But New York's initial selection ahead of more than 200 other cities illustrates that the city has all of the elements that tech companies demand. We expect Amazon to continue expanding in Midtown and that an ever expanding roster of tech tenants will increasingly look upon the city as a top location for creative, technologically advanced office space.

Even the retail sector is showing signs of resiliency after several years of decline, as new retailers are attracted to high traffic areas,



One Vanderbilt construction progress

despite daily doomsday prognostications. For properties like ours, where retail rents are at realistic levels, we have proven there is still good demand for the best located product as we continue to see solid performance in our high street retail portfolio. In fact, the city added 4,000 new retail jobs in 2018 (several hundred of which can be attributed to SL Green tenants), reversing shrinking job numbers in 2016 and 2017.

Despite all of this positive momentum, there is no denying that our share price continues to display a level of underperformance that is completely disconnected from the performance within our operating portfolio and the unprecedented level of growth in New York City. In previous years this antipathy has impacted office REITs across the country, but in 2018 the challenges more narrowly impacted New York City-focused REITs. Unfortunately, some investors continue to see New York as less attractive due to a misconception that there is over-supply in this market. The reality is that while there is some incremental new supply, the job growth we've been experiencing for more than 9 years has been more than able to absorb that new inventory and, as a result, the vacancy rate has been slowly but steadily declining.

The public market concern stands in stark contrast to the views and actions of private market investors. Nearly \$50 billion was invested in New York commercial real estate last year, targeting the exact type of product that we invest in and know better than anyone. These investors are typically looking to invest in assets with global appeal and credit tenancy, in a market with enormous depth and liquidity. We think private investors, which make up the vast majority of the investment market, have the market analysis right and we trust that the public market will eventually recalibrate and return to a fair valuation for our highly sought-after assets. Nonetheless, we would all much prefer to see our efforts embraced by the public markets and reflected in a higher share price in the immediate term.

For now, our share price continues to trade at a sizable discount relative to the underlying value of our portfolio. To recapture the difference between our stock price and this underlying value, we continued to increase the size of our share repurchase program last year, bringing total authorization to \$2.5 billion. Since activating this investment strategy in 2016, we've executed \$1.9 billion to date through the debt neutral sale of non-core and mature

assets, all above Net Asset Value. This strategy has proven to be accretive to earnings and Net Asset Value, as well as being sensitive to our investment grade balance sheet. We believe this is a program that creates tremendous value for our investors and we expect to continue this program until our share price better reflects the value of our holdings.

SL Green is one of the few companies in New York—public or private—that sells as aggressively as we buy. By shedding lower-growth or non-core assets and replacing them with investment in higher-quality new investments or development assets with higher returns, we are creating a compound benefit for shareholders as the shares we are repurchasing are increasing the percentage of all shareholder ownership in a superior portfolio.

Key to our approach is supplementing our industry-leading operating assets with a steady development pipeline that will enhance natural growth in the portfolio by providing additional earnings as we deliver new projects over the next three to five years. One Vanderbilt is just the first piece of a diversified development pipeline of office, retail and residential projects in development or already under construction. We are keeping the One Vanderbilt team

together to redevelop One Madison into the premier office building in Midtown South, while 185 Broadway is already under construction further downtown and Armani will keep its flagship on Madison Avenue for another generation while we bring a unique condo product online in partnership with them. These are all tangible examples of embedded future earnings growth and portfolio expansion funded with internal cash flow, proceeds of asset sales and third-party investment.

Yet as we've advanced more new development we have also doubled-down on credit fundamentals, displaying the fiscally prudent approach that has always characterized SL Green. We maintained an incredible amount of liquidity in 2018; our debt to EBITDA ratio remains in the low 7s, despite the nearly 20 percent reduction in total enterprise value of the company to support our share buyback program, and we continue to boast an investment grade balance sheet with a strong BBB rating.

As you can see, 2018 was a big year as we worked tirelessly across all aspects of our company to generate value for you, our shareholders. Our plan is for the long-term, however, and there is a lot to look forward to as our portfolio and the New York City market remain strong in 2019.

NYC Outlook

The story of our success always begins with the fundamentals of the New York City economy and job market, and they are very strong. In fact, the city remains in the midst of one of the greatest and most prolonged periods of growth in its history, with a decade of progress leading to the current record high employment. All the stats are pointing in the right direction, albeit at a slower rate than we have seen in previous years, but still among the highest rates of growth in the country.

New York City's unemployment rate fell to 4.0 percent by the end of 2018, the lowest unemployment rate on record, bolstered by an influx of tech jobs as the city now boasts the most tech workers in the country, even more than Silicon Valley. TAMI leasing continues to be a catalyst for expansion and has helped position New York City as among the most—if not the most—desirable locations for tech companies both large and small. For 2018, total New York City private-sector jobs were up by 1.9 percent, matching the national growth rates and achieving the city's ninth consecutive year of job creation, the longest sequence of job gains on record. In addition, a record high of 65.2 million tourists visited the city in 2018, fueling more than 37 million hotel room nights sold, a boon for the hospitality sector and local economy.

In the real estate sector, new commercial leasing activity in Manhattan rose 45.1 percent (in the fourth quarter of 2018); the largest fourth quarter increase on record. New leases were signed at a record rate, rising to nearly 36 million square feet throughout the city and to 23.7 million square feet in Midtown alone. Overall, these figures underpin the city's status as a leading global financial center with a healthy outlook heading into 2019, and that Midtown continues to attract top-tier companies looking to grow their businesses. No other organization is better positioned than SL Green to continue meeting this demand as we provide premier, Class-A office space in the most desirable locations.

2018 Highlights

2018 marked another blockbuster year of SL Green operating performance and portfolio activity.

As always, the bedrock of our company is industry-leading occupancy across the biggest office portfolio in New York City. On that front 2018 was a monumental year, as we signed more than 180 office leases, representing an incredible 2.3 million square feet of space, while maintaining an occupancy rate of nearly 95 percent. Reflecting the breadth of New York's economy, leases were executed across diverse sectors from tech, media and financial services to insurance, nonprofits and healthcare. These included major deals at One Vanderbilt, where TD Securities signed a 118,872 square foot lease, and McDermott Will & Emery inked a 20-year lease for 105,539 square feet and at 609 Fifth Avenue, where WeWork signed 139,000-square-foot for the entire office portion of the property.

This leasing success was mirrored in our retail portfolio, where we signed several top-tier retailers, cementing a 24,000-square-foot retail lease at 609 Fifth Avenue with sports brand PUMA, and a lease with Coty Inc., one of the world's preeminent beauty conglomerates, for 10,040-square-feet at 719 Seventh Avenue, now known as 30 Times Square, the retail flagship development that SL Green completed in 2017. In total, the Company executed 21 retail leases for 96,000 square feet in 2018.

We continued to demonstrate our ability to undertake complex development projects, with over \$7 billion worth of assets now in development or redevelopment. At our East Midtown skyscraper, One Vanderbilt, construction progress has been just as vigorous as our leasing activity. As of April 2019, the building superstructure reached the 60th floor and we just signed an expansion deal with private equity giant, The Carlyle Group, to take an additional 33,000 square feet, bringing their total footprint

to 128,000 square feet. The end of last year saw a flurry of leasing activity, where we secured 229,000 square feet of office commitments, nearly two years from opening, including TD Securities, the investment banking arm of anchor tenant TD Bank, which signed a lease for 119,000 square feet. A testament to the demand for modern, transit-oriented office space, the building is now 56.9 percent leased and well on the way to our upsized goal of 65 percent leased by the end of 2019. We also refinanced the project's construction facility, increasing its size by \$250 million to \$1.75 billion and reducing the interest rate by 75 basis points. This significant improvement in terms was due, in large part, to the rapid pace of leasing and construction progress.

Building on the success of One Vanderbilt, we announced plans in December to reassemble the same design and development team—Kohn Pedersen Fox, Hines and Gensler—for a sweeping redevelopment of One Madison Avenue, the Class-A office tower across from Madison Square Park. A modern 518,000 square foot glass addition on top of a nine-story redeveloped podium will add open office space, tenant specialty floors and over one acre of outdoor terraces, within a design that is harmonious with the surrounding Madison Square District.

Showing the company's versatility and commitment to the success of New York City, in Lower Manhattan, we closed on \$225 million of construction financing and commenced vertical construction of 185 Broadway, a ground-up, 31-story, 260,000-square-foot, mixed-use residential building that will be part of the Affordable New York Housing Program.

On the dispositions front, 2018 was our most active year ever, as we worked hard to create liquidity and advance our share buyback program, selling assets for large profits. With each sale, we demonstrated a strong understanding of the market and moved with impeccable timing. By the end of the year, we executed dispositions totaling \$3.3 billion, which generated \$1.5 billion of cash proceeds and reduced our on-balance sheet debt by \$650 million. Some of our most notable transactions include the sale of the leasehold office condominium at 1745 Broadway in Manhattan for a sale price of \$633 million, the fee interest at 635 Madison Avenue for a sale price of \$153 million and our 48.9 percent interest in 3 Columbus Circle at a property valuation of \$851.0 million. Each opportunity represents a strategic divestment of a mature or non-core asset that both supported the stock repurchase program and illustrated the company's ability to identify and derive value from assets across the portfolio.

Our Debt & Preferred Equity platform continued to be extremely active, executing

approximately \$1.2 billion in gross originations. Through our deep relationships and our expertise across all segments of the market, we are the preferred partner for the most complex and profitable deals in New York City. For example, at 245 Park we now have a preferred equity investment totaling \$148.2 million and at 2 Herald Square we were the successful bidder at foreclosure for the leasehold interest and then completed a joint venture with an Israeli-based institutional investor. Through our direct relationships, we also financed multiple off-market investments at 460 West 34th Street, our first foray into the Hudson Yards and Manhattan West sub-districts, resulting in ownership of a controlling majority, which will undoubtedly deliver value to our shareholders in the years to come as we look to reposition an affordable alternative to new construction on the Westside. We continue to hold a market-leading position in the origination of subordinate debt positions and are frequently the mezzanine lender of choice among borrowers and senior debt providers.

Our industry-leading commitment to sustainability was rewarded again this year with a series of honors from the U.S. Environmental Protection Agency. We received the ENERGY STAR Partner of the Year for Sustained Excellence award for the second consecutive year (2018 and 2019) and have been an ENERGY STAR Partner for four years (2015, 2016, 2018, 2019). We were also recognized by the Building Owners and Managers Association (BOMA) with the "Earth Award" for 1515 Broadway, the "Renovated Building of the Year Award" for 280 Park Avenue, and two Middle Atlantic Region Outstanding Building



View from One Vanderbilt

of the Year Award (TOBY) for 810 7th Avenue and 635-641 6th Avenue.

Looking Ahead

As you can see, I believe deeply in the path we have taken—leveraging the best talent and the best office market to make SL Green the dominant player in New York City commercial real estate and derive extraordinary value for our shareholders. Looking ahead to 2019 and beyond, we remain tremendously optimistic that this approach, in this city, will deliver maximum value.

We are already seeing positive signs in the first quarter of 2019, having leased over 400,000 square feet of office space while maintaining our extraordinary level of occupancy at roughly 96 percent leased in the Manhattan same-store portfolio, executing \$597 million of dispositions so far, generating liquidity for our share repurchase program and for debt repayment and originating over \$419.0 million of new debt and preferred equity investments, bringing the portfolio to over \$2.3 billion.

When we step back and look at the bigger picture, we see several big trends continuing to drive this growth and support our portfolio. On the demand side, we expect to finally see the recalibration toward more space per employee with the increasing realization that densification may have gone too far. The exponential growth of co-working companies in New York—accounting for 18 percent of new signings in Manhattan in 2018—will continue driving demand. We believe that co-working is here to stay and that it's actually a good thing for our industry, but not a segment to which SL Green will ever oversubscribe with less than 3 percent exposure to this sector. Finally, Amazon's flirtation with New York was a huge positive. It was an indicator that tech companies need to be here and will drive more growth. And hopefully moving forward, the City and State will use the experience with Amazon as a springboard to ensure there is a more transparent process for public subsidies and that everyone who wants to grow here is on a level playing field.

This overall increased demand—combined with the migration of office tenants to higher-quality buildings—has led to a tightening of the market as there is a real shortage of big blocks of new space that premium tenants demand. In our portfolio, for instance, we have no blocks of 300,000 square feet or more available in 2019. So that demand will have to be filled by new construction. As we have said for years now, there simply isn't enough new construction in the pipeline to keep up with this

demand. Hudson Yards is officially open and all but 4.5 million square feet of that space has been leased or presold, which means that over time demand will increasingly have to be met by new construction, generally in East Midtown, which will further benefit our portfolio.

On that front, 2019 promises to be a year full of milestones at One Vanderbilt, which will soon reach its full height and will become completely clad in its iconic terracotta spandrels. As we advance toward opening on August 4, 2020, we'll continue to fill the building with world-class tenants across a number of foundational industries and deliver the promised \$220 million in public transit and infrastructure upgrades, many of which are already online and being used to the benefit of commuters today.

These trends also bode well for our next big bet on new construction at One Madison Avenue. With Credit Suisse's lease coming to an end, we have formulated an extraordinary vision for the iconic property that is perfect for today's Midtown South submarket and its influx of creative and tech tenants. And we expect to make significant progress on our flagship retail and luxury condominium project with Armani in 2019, after securing necessary approvals and, with the support of Giorgio Armani, we look forward to moving ahead with interior design.

When you put all of these pieces together, you can see that we have a comprehensive plan in place to outperform our peers and stay at the top of our game. But that is not enough. Our entire executive team is deeply invested in our stock and we share your laser focus on doing everything in our power to restore the connection between our share price and the underlying value of our assets. In 2019, we will continue to monetize assets and redeploy capital into share buybacks. Because every time we buy a share, we're buying more of a better portfolio. And we know it is only a matter of time before the public market follows the private market in recognizing that New York real estate remains a stable and profitable investment.

On behalf of myself, Andrew Mathias, and the entire executive team, thank you for your continued support and partnership. I think you will find that we have executed on your behalf in 2018 and are on track to do it again in 2019.

Marc Holliday
Chairman & Chief Executive Officer

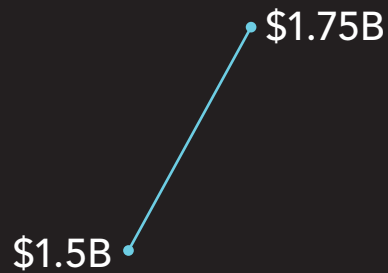
SLG NYC Building for the Future

The SL Green leadership team is consistently raising the bar for commercial office space and the tenant experience. Through strategic investments in a variety of projects—including new, ground-up developments and repositioning of existing assets—the team creates additional value and identifies opportunities that complement the existing portfolio.

From One Vanderbilt to One Madison, SL Green is at the forefront of bringing to life the most ambitious new commercial developments across Midtown, which today's leading businesses will call home. The redevelopment of 760 Madison, set to reinforce why Madison Avenue is the city's premier retail corridor, and the new 185 Broadway, a 31-story mixed-use building in the heart of Lower Manhattan, will bring to market two mixed-use buildings offering prime retail and housing opportunities. Through the developments detailed in the following pages, SL Green is hard at work identifying new, value-add projects to enhance value for shareholders and strengthen an already robust portfolio of Class-A assets.



One Vanderbilt Key Highlights



Construction Loan



Rate Reduction

57%¹ Pre-leased!

2020

Open for Business

TCO date accelerated by eight weeks to August 4th, 2020.

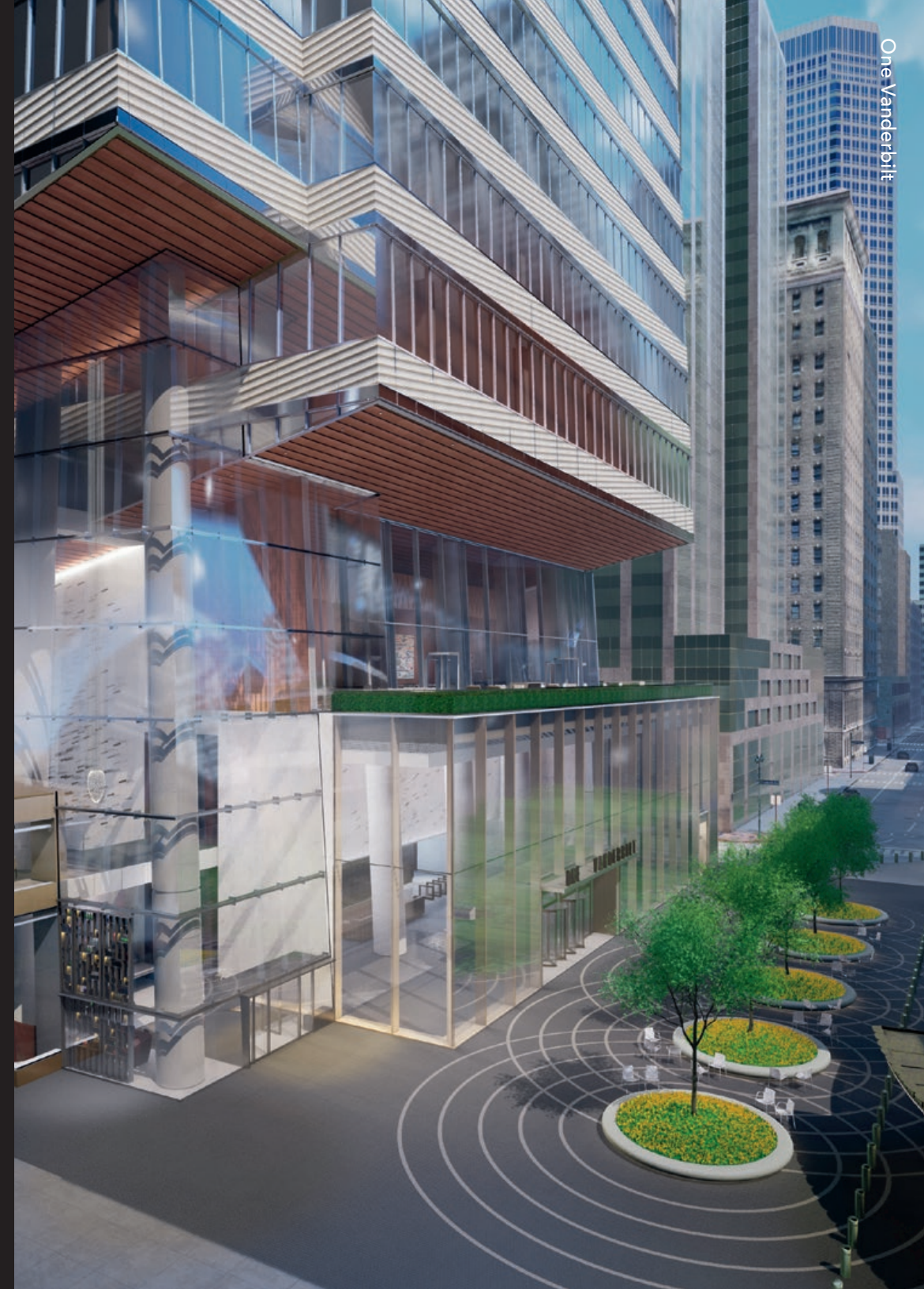
\$100M

Under budget on
construction costs

Designed by Kohn Pedersen Fox, One Vanderbilt is paving the way in the modernization of Manhattan's East Midtown business district. At 1,401 feet tall and 1.7 million square feet of space, this unprecedented commercial office building will offer jaw-dropping views, unparalleled tenant amenities and a modern workplace experience unlike any other in New York City and around the world.

Our progress toward its 2020 opening — on both the leasing and the construction fronts—has been exceptional. Currently more than half leased, it has attracted several global names in law and finance and is on track for an expedited opening next summer.

¹ Percentage leased at One Vanderbilt as of 4/18/2019.



One Madison
Key Highlights

Large Podium Floor Plates¹/New 17-Story Glass Tower²/21st Century — Class-A Infrastructure³ / Rooftop Terraces for Outdoor Use⁴

At One Madison Avenue, SL Green has reassembled its all-star team from One Vanderbilt—Kohn Pedersen Fox, Hines and Gensler—to completely reimagine the building as a modern, functional, Class-A office property in the heart of Midtown South's Madison Square submarket. With plans to bring the current structure down to a nine-story podium topped by a new 17-story glass tower, One Madison will feature a tenant specialty floor with a sweeping outdoor terrace overlooking Madison Square Park. One Madison will be unlike anything else available in the Midtown

South market and is already catching the attention of the world's top technology and creative firms.

- 1 Large podium floor plates can accommodate trading floors and/or high-density users.
- 2 New 17-story glass tower with 530,000 rentable square feet and virtually column-free floor plates.
- 3 21st century, Class-A infrastructure that sits atop the No. 6 subway line and a block from the R and W lines.
- 4 Approximately one acre of roof setback terraces are available for outdoor use.



185 Broadway
Key Highlights

Across from
Fulton Transit
Center

Over 200
units—30%
affordable
housing

Will qualify for 35-year tax abatement under
Affordable New York housing program.

Project
completion
by 2021

Targeting project completion in the
second quarter of 2021.

Retail
attraction for:

Tourists

Office
Users

Residents

Tremendous branding opportunity
for signage.

One of the first residential developments
built under New York State's Affordable
New York program, 185 Broadway will be
a 31-story mixed-use building offering
more than 200 units of housing, of which
30% will be designated as affordable.

A true mixed-use development underway in
the heart of Lower Manhattan, it will feature
two floors of flagship retail and three floors
of commercial space.



760 Madison
Key Highlights

New Flagship Giorgio Armani Retail Boutique¹ /Renowned New York Architecture Firm COOKFOX²/Outdoor Terraces Provide Visual Connection to Central Park³/Fifteen- Year Lease to Armani⁴

Working hand in hand with renowned Italian fashion designer, Giorgio Armani, SL Green is spearheading the redevelopment of 760 Madison Avenue on Manhattan's Upper East Side. The reimagined property will include luxury residences—designed by Mr. Armani himself—as well as a new flagship Giorgio Armani boutique. With this redevelopment, SL Green solidifies Armani's lasting presence along one of the city's most recognized retail corridors.

- ¹ New flagship Giorgio Armani retail boutique and 19 luxury residences designed by Giorgio Armani.
- ² Renowned New York design architecture firm, COOKFOX, will serve as architect.
- ³ 97,000-square-foot property will include setbacks and outdoor terraces that create definition from the street and provide visual connection to Central Park.
- ⁴ New 15-year lease to Armani, encompassing the grade, second floor and lower level of the building.



460 West 34th Street
Key Highlights

New modern redesign for office & retail spaces

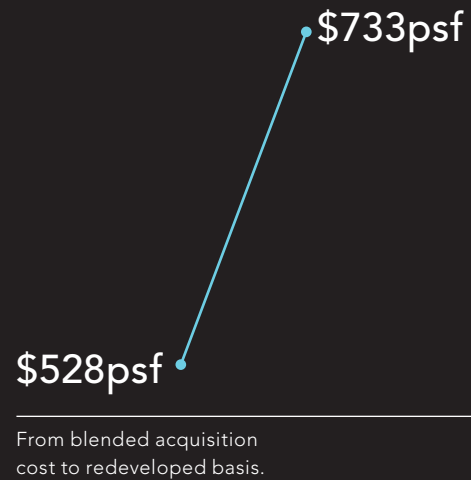
New lobby elevators, storefronts, double-height retail, modernized office with enlarged windows; activation of numerous roof setback terraces and an additional rooftop amenity.

2021

Expected completion in the first quarter of 2021.

Best value for money

Efficiently priced Hudson Yards location, with proximity to Penn Station transit center.



A former printing plant, 460 West 34th Street marks SL Green's introduction into the Hudson Yards/Manhattan West submarkets, with plans to fully reposition the building into a Class-A office property at a competitive price point for tenants. The redevelopment plan includes comprehensive upgrades, including a new building entrance, lobby, elevators, storefronts, windows and infrastructure. The reimagined industrial building will serve as a creative work environment in contrast to the surrounding glass skyscrapers.

First Republic Bank, a leading private bank and wealth management company, will be the building's anchor tenant, occupying 212,000 square feet in two new retail branches as well as five floors of corporate offices.



609 Fifth
Key Highlights

100% Leased to PUMA, WeWork & Vince / Full-Building Redevelopment¹

61%[↑]

Stabilized NOI projected to increase by 61% over 2017.

6.1% cash-on-cost yield on incremental capital

After unveiling the large-scale repositioning of 609 Fifth Avenue, SL Green announced leases with PUMA, WeWork and Vince, bringing the building to 100% leased, well ahead of the expected leasing timeline. The repositioning, which includes relocation of the lobby entrance and the entire elevator core, adds substantial, high-value retail space and creates an enhanced office environment that is particularly attractive to creative users.

¹ Comprehensive full-building redevelopment covering aesthetic and infrastructure enhancements creating a Class-A property in the highest value corridor of Fifth Avenue.



Suburban Portfolio

Properties (As of December 31, 2018)	Ownership Interest (%)	Submarket	Ownership	Usable Square Feet	Occupancy (%)
OFFICE PORTFOLIO					
100 Summit Lake Drive	100.0	Valhalla, New York	Fee Interest	250,000	97.5
200 Summit Lake Drive	100.0	Valhalla, New York	Fee Interest	245,000	86.1
500 Summit Lake Drive	100.0	Valhalla, New York	Fee Interest	228,000	99.9
360 Hamilton Avenue	100.0	White Plains, New York	Fee Interest	384,000	100.0
1 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	312,000	88.4
2 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	46,000	99.5
3 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	130,000	58.0
4 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	105,000	85.3
5 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	61,000	98.6
6 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	172,000	93.7
7 Landmark Square	100.0	Stamford, Connecticut	Fee Interest	36,800	100.0
1055 Washington Boulevard	100.0	Stamford, Connecticut	Leasehold Interest	182,000	85.5
1010 Washington Boulevard	100.0	Stamford, Connecticut	Fee Interest	143,400	89.7
SUBURBAN GRAND TOTAL				2,295,200	

New York City Portfolio

Map Key	Properties (As of December 31, 2018)	Ownership Interest (%)	Submarket	Ownership	Usable Square Feet	Occupancy (%)
OFFICE PORTFOLIO						
1	1 Madison Avenue	100.0	Park Avenue South	Fee Interest	1,176,900	100.0
2	2 Herald Square	51.0	Herald Square	Leasehold Interest	369,000	73.4
3	10 East 53rd Street	55.0	Plaza District	Fee Interest	354,300	83.7
4	11 Madison Avenue	60.0	Park Avenue South	Fee Interest	2,314,000	100.0
5	30 East 40th Street	60.0	Grand Central South	Leasehold Interest	69,446	94.3
6	100 Park Avenue	50.0	Grand Central South	Fee Interest	834,000	90.0
7	100 Church Street	100.0	Downtown	Fee Interest	1,047,500	99.6
8	110 Greene Street	90.0	Soho	Fee Interest	223,600	77.3
9	110 East 42nd Street	100.0	Grand Central	Fee Interest	215,400	79.2
10	125 Park Avenue	100.0	Grand Central	Fee Interest	604,245	99.5
11	220 East 42nd Street	100.0	Grand Central	Fee Interest	1,135,000	88.8
12	280 Park Avenue	50.0	Park Avenue	Fee Interest	1,219,158	89.5
13	304 Park Avenue South	100.0	Midtown South	Fee Interest	215,000	100.0
14	420 Lexington Avenue (Graybar)	100.0	Grand Central North	Leasehold Interest	1,188,000	95.7
15	461 Fifth Avenue	100.0	Midtown	Leasehold Interest ¹	200,000	79.0
16	485 Lexington Avenue	100.0	Grand Central North	Fee Interest	921,000	81.0
17	521 Fifth Avenue	50.5	Grand Central	Fee Interest	460,000	94.7
18	555 West 57th Street	100.0	Midtown West	Fee Interest	941,000	99.9
19	625 Madison Avenue	100.0	Plaza District	Leasehold Interest	563,000	98.8
20	635 Sixth Avenue	100.0	Midtown South	Fee Interest	104,000	100.0
21	641 Sixth Avenue	100.0	Midtown South	Fee Interest	163,000	100.0
22	711 Third Avenue	100.0 ²	Grand Central North	Leasehold Interest	524,000	93.7
23	750 Third Avenue	100.0	Grand Central North	Fee Interest	780,000	98.0
24	800 Third Avenue	60.5	Grand Central North	Fee Interest	526,000	93.1
25	810 Seventh Avenue	100.0	Times Square	Fee Interest	692,000	97.6
26	919 Third Avenue	51.0	Grand Central North	Fee Interest	1,454,000	100.0
27	1185 Avenue of the Americas	100.0	Rockefeller Center	Leasehold Interest	1,062,000	85.5
28	1350 Avenue of the Americas	100.0	Rockefeller Center	Fee Interest	562,000	89.8
29	1515 Broadway	70.0	Times Square	Fee Interest	1,750,000	98.5
30	Worldwide Plaza	24.35	Westside	Fee Interest	2,048,725	96.9
SUBTOTAL					23,716,274	
RETAIL PORTFOLIO						
31	11 West 34th Street	30.0	Herald Square/Penn Station	Fee Interest	17,150	100.0
32	21 East 66th Street	32.3	Plaza District	Fee Interest	13,069	100.0
33	115 Spring Street	100.0	Soho	Fee Interest	5,218	100.0
34	121 Greene Street	50.0	Soho	Fee Interest	7,131	100.0
35	131-137 Spring Street	20.0	Soho	Fee Interest	68,342	96.7
36	133 Greene Street	100.0	Soho	Fee Interest	6,425	100.0
37	315 West 33rd Street - "The Olivia"	100.0	Penn Station	Fee Interest	270,132	100.0
38	650 Fifth Avenue	50.0	Plaza District	Leasehold Interest	69,214	100.0
39	712 Madison Avenue	100.0	Plaza District	Fee Interest	6,600	100.0
40	717 Fifth Avenue	10.9	Midtown/Plaza District	Fee Interest	119,550	100.0
41	719 Seventh Avenue	75.0	Times Square	Fee Interest	10,040	100.0
42	752-760 Madison Avenue	100.0	Plaza District	Fee Interest	21,124	100.0
43	762 Madison Avenue	90.0	Plaza District	Fee Interest	6,109	100.0
*	Williamsburg Terrace	100.0	Brooklyn, New York	Fee Interest	52,000	100.0
44	1552-1560 Broadway	50.0	Times Square	Fee Interest	57,718	88.3
SUBTOTAL					729,822	
DEVELOPMENT / REDEVELOPMENT PORTFOLIO						
45	One Vanderbilt	71.0	Grand Central	Fee Interest	1,730,989	—
46	19-21 East 65th Street	100.0	Plaza District	Fee Interest	23,610	18.0
47	185 Broadway	100.0	Lower Manhattan	Fee Interest	259,856	—
48	562 Fifth Avenue	100.0	Plaza District	Fee Interest	42,635	100.0
49	609 Fifth Avenue	100.0	Rockefeller Center	Fee Interest	160,000	96.0
50	55 West 46th Street - Tower 46	25.0	Midtown	Fee Interest	347,000	72.1
*	1640 Flatbush Avenue	100.0	Brooklyn, New York	Fee Interest	1,000	—
SUBTOTAL					2,565,090	
RESIDENTIAL PORTFOLIO						
—	315 West 33rd Street - "The Olivia"	100.0	Penn Station	Fee Interest	222,855	96.1
51	400 East 57th Street	41.0	Upper East Side	Fee Interest	290,482	92.8
52	400 East 58th Street	90.0	Upper East Side	Fee Interest	140,000	95.2
*	1080 Amsterdam Avenue	92.5	Upper West Side	Leasehold Interest	82,250	94.8
*	Stonehenge Portfolio	Various		Fee Interest	938,911	95.2
53	605 West 42nd Street - "Sky"	20.0	Westside	Fee Interest	927,358	86.0
SUBTOTAL					2,601,856	
NEW YORK CITY GRAND TOTAL					29,613,042	

¹ The Company has an option to acquire the fee interest for a fixed price on a specific date.

² The Company owns 50% of the fee interest.

This was another year of banner operating performance by SL Green, and we are extremely proud of our achievements. Our market-leading role in social responsibility is recognized year after year.

View from One Vanderbilt

No. 1

MOST SUSTAINABLE REIT BY THE PUBLICATION REAL ESTATE FINANCE AND INVESTMENT (2017, 2018)

20.5M

SQUARE FEET
connected to a real-time energy management platform (2018)

18M

SQUARE FEET
participating in the WELL Portfolio program (2018)

130

COMMUNITY EVENTS
provided to our tenants and employees as volunteering opportunities (2018)

30%

PORTFOLIO-WIDE
emissions intensity reduction goal (by 2025)

\$220M

INVESTED IN PUBLIC TRANSIT IMPROVEMENTS
around Grand Central Terminal at our ground-up development, One Vanderbilt (2018)

\$66M

INVESTED IN ENERGY EFFICIENCY
including HVAC, BMS & lighting upgrades, and variable frequency drive installations (since 2010)

14M

SQUARE FEET
ENERGY STAR certified. Awarded ENERGY STAR Partner of the Year—Sustained Excellence (2017–2019)

63%

MANHATTAN OPERATING PROPERTIES
LEED Certified (2018)

\$1M

INCREASE
pledged to employee charitable contribution match program (2018)

67%

GRI INDICATORS
disclosed in SL Green's Content Index

Form 10-K Table of Contents

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SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and should be read in conjunction with our Financial Statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

SL GREEN REALTY CORP.

Operating Data (in thousands, except per share data)	Year Ended December 31,				
	2018	2017	2016	2015	2014
Total revenue	\$ 1,227,392	\$ 1,511,473	\$ 1,863,981	\$ 1,662,829	\$ 1,519,978
Operating expenses	229,347	293,364	312,859	301,624	282,283
Real estate taxes	186,351	244,323	248,388	232,702	217,843
Ground rent	32,965	33,231	33,261	32,834	32,307
Interest expense, net of interest income	208,669	257,045	321,199	323,870	317,400
Amortization of deferred finance costs	12,408	16,498	24,564	27,348	22,377
Depreciation and amortization	279,507	403,320	821,041	560,887	371,610
Loan loss and other investment reserves, net of recoveries	6,839	—	—	—	—
Transaction related costs	1,099	(1,834)	7,528	11,430	8,707
Marketing, general and administrative	92,631	100,498	99,759	94,873	92,488
Total expenses	1,049,816	1,346,445	1,868,599	1,585,568	1,345,015
Equity in net income from unconsolidated joint ventures	7,311	21,892	11,874	13,028	26,537
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	303,967	16,166	44,009	15,844	123,253
Purchase price and other fair value adjustment	57,385	—	—	40,078	67,446
Gain on sale of real estate, net	(30,757)	73,241	238,116	175,974	—
Gain (loss) on sale of investment in marketable securities	—	3,262	(83)	—	3,895
Depreciable real estate reserves and impairment	(227,543)	(178,520)	(10,387)	(19,226)	—
Loss on early extinguishment of debt	(17,083)	—	—	(49)	(32,365)
Income from continuing operations	270,856	101,069	278,911	302,910	363,729
Discontinued operations	—	—	—	14,549	182,134
Net income	270,856	101,069	278,911	317,459	545,863
Net income attributable to noncontrolling interest in the Operating Partnership	(12,216)	(3,995)	(10,136)	(10,565)	(18,467)
Net loss (income) attributable to noncontrolling interests in other partnerships	6	15,701	(7,644)	(15,843)	(6,590)
Preferred unit distributions	(11,384)	(11,401)	(11,235)	(6,967)	(2,750)
Net income attributable to SL Green	247,262	101,374	249,896	284,084	518,056
Preferred stock redemption costs	—	—	—	—	—
Perpetual preferred stock dividends	(14,950)	(14,950)	(14,950)	(14,952)	(14,952)
Net income attributable to SL Green common stockholders	\$ 232,312	\$ 86,424	\$ 234,946	\$ 269,132	\$ 503,104
Net income per common share—Basic	\$ 2.67	\$ 0.87	\$ 2.34	\$ 2.71	\$ 5.25
Net income per common share—Diluted	\$ 2.67	\$ 0.87	\$ 2.34	\$ 2.70	\$ 5.23
Cash dividends declared per common share	\$ 3.2875	\$ 3.1375	\$ 2.94	\$ 2.52	\$ 2.10
Basic weighted average common shares outstanding	86,753	98,571	100,185	99,345	95,774
Diluted weighted average common shares and common share equivalents outstanding	91,530	103,403	104,881	103,734	99,696

SL GREEN OPERATING PARTNERSHIP, L.P.

Balance Sheet Data (in thousands)	As of December 31,				
	2018	2017	2016	2015	2014
Commercial real estate, before accumulated depreciation	\$ 8,513,935	\$ 10,206,122	\$ 12,743,332	\$ 16,681,602	\$ 14,069,141
Total assets	12,751,358	13,982,904	15,857,787	19,727,646	17,096,587
Mortgages and other loans payable, revolving credit facilities, term loans and senior unsecured notes and trust preferred securities, net	5,541,701	5,855,132	6,481,666	10,275,453	8,178,787
Noncontrolling interests in the Operating Partnership	387,805	461,954	473,882	424,206	496,524
Total equity	5,947,855	6,589,454	7,750,911	7,719,317	7,459,216

Other Data (in thousands)	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net cash provided by operating activities ⁽¹⁾	441,537	543,001	644,010	542,691	496,895
Net cash provided by (used in) investing activities ⁽¹⁾	681,662	22,014	1,973,382	(2,151,702)	(784,710)
Net cash (used in) provided by financing activities ⁽¹⁾	(1,094,112)	(684,956)	(2,736,402)	1,713,417	379,784
Funds from operations available to all stockholders ⁽²⁾	605,720	667,294	869,855	661,825	583,036

(1) All periods presented in accordance with ASU2016-18

(2) FFO is a widely recognized non-GAAP financial measure of REIT performance. The Company computes FFO in accordance with standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than the Company does. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and subsequently amended, defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

The Company presents FFO because it considers it an important supplemental measure of the Company's operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. The Company also uses FFO as one of several criteria to determine performance-based bonuses for members of its senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions, and real estate related impairment charges, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, and interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including our ability to make cash distributions

A reconciliation of FFO to net income computed in accordance with GAAP is under the heading of "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations."

Operating Data (in thousands, except per unit data)	Year Ended December 31,				
	2018	2017	2016	2015	2014
Total revenue	\$ 1,227,392	\$ 1,511,473	\$ 1,863,981	\$ 1,662,829	\$ 1,519,978
Operating expenses	229,347	293,364	312,859	301,624	282,283
Real estate taxes	186,351	244,323	248,388	232,702	217,843
Ground rent	32,965	33,231	33,261	32,834	32,307
Interest expense, net of interest income	208,669	257,045	321,199	323,870	317,400
Amortization of deferred finance costs	12,408	16,498	24,564	27,348	22,377
Depreciation and amortization	279,507	403,320	821,041	560,887	371,610
Loan loss and other investment reserves, net of recoveries	6,839	—	—	—	—
Transaction related costs	1,099	(1,834)	7,528	11,430	8,707
Marketing, general and administrative	92,631	100,498	99,759	94,873	92,488
Total expenses	1,049,816	1,346,445	1,868,599	1,585,568	1,345,015
Equity in net income from unconsolidated joint ventures	7,311	21,892	11,874	13,028	26,537
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	303,967	16,166	44,009	15,844	123,253
Purchase price and other fair value adjustment	57,385	—	—	40,078	67,446
Gain on sale of real estate, net	(30,757)	73,241	238,116	175,974	—
Gain (loss) on sale of investment in marketable securities	—	3,262	(83)	—	3,895
Depreciable real estate reserves and impairment	(227,543)	(178,520)	(10,387)	(19,226)	—
Loss on early extinguishment of debt	(17,083)	—	—	(49)	(32,365)
Income from continuing operations	270,856	101,069	278,911	302,910	363,729
Discontinued operations	—	—	—	14,549	182,134
Net income	270,856	101,069	278,911	317,459	545,863
Net loss (income) attributable to noncontrolling interests in other partnerships	6	15,701	(7,644)	(15,843)	(6,590)
Preferred unit distributions	(11,384)	(11,401)	(11,235)	(6,967)	(2,750)
Net income attributable to SLGOP	259,478	105,369	260,032	294,649	536,523
Preferred unit redemption costs	—	—	—	—	—
Perpetual preferred unit distributions	(14,950)	(14,950)	(14,950)	(14,952)	(14,952)
Net income attributable to SLGOP common stockholders	\$ 244,528	\$ 90,419	\$ 245,082	\$ 279,697	\$ 521,571
Net income per common unit—Basic	\$ 2.67	\$ 0.87	\$ 2.34	\$ 2.71	\$ 5.25
Net income per common unit—Diluted	\$ 2.67	\$ 0.87	\$ 2.34	\$ 2.70	\$ 5.23
Cash dividends declared per common unit	\$ 3.2875	\$ 3.1375	\$ 2.94	\$ 2.52	\$ 2.10
Basic weighted average common units outstanding	91,315	103,127	104,508	103,244	99,288
Diluted weighted average common units and common units equivalents outstanding	91,530	103,403	104,881	103,734	99,696

Balance Sheet Data (in thousands)	As of December 31,				
	2018	2017	2016	2015	2014
Commercial real estate, before accumulated depreciation	\$ 8,513,935	\$ 10,206,122	\$ 12,743,332	\$ 16,681,602	\$ 14,069,141
Total assets	12,751,358	13,982,904	15,857,787	19,727,646	17,096,587
Mortgages and other loans payable, revolving credit facilities, term loans and senior unsecured notes and trust preferred securities, net	5,541,701	5,855,132	6,481,666	10,275,453	8,178,787
Total capital	5,947,855	6,589,454	7,750,911	7,719,317	7,459,216

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

SL Green Realty Corp., which is referred to as SL Green or the Company, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Company is a self-managed real estate investment trust, or REIT, engaged in the acquisition, development, ownership, management and operation of commercial and residential real estate properties, principally office properties, located in the New York metropolitan area. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P. or ROP, are wholly-owned subsidiaries of the SL Green Realty Corp.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Annual Report.

Leasing and Operating

In 2018, our same-store Manhattan office property occupancy inclusive of leases signed but not commenced, was 95.7% compared to 95.8% in the prior year. We signed office leases in Manhattan encompassing approximately 2.3 million square feet, of which approximately 1.3 million square feet represented office leases that replaced previously occupied space. Our mark-to-market on the signed Manhattan office leases that replaced previously occupied space was 6.5% for 2018.

According to Cushman & Wakefield, leasing activity in Manhattan in 2018 totaled approximately 35.9 million square feet. Of the total 2018 leasing activity in Manhattan, the Midtown submarket accounted for approximately 23.7 million square feet, or approximately 66.0%. Manhattan's overall office vacancy went from 8.9% at December 31, 2017 to 9.2% at December 31, 2018 primarily as a result of increased vacancy in the Downtown submarket partially offset by decreased vacancy in the Midtown submarket. Overall average asking rents in Manhattan increased in 2018 by 0.04% from \$72.25 per square foot at December 31, 2017 to \$72.28 per square foot at December 31, 2018.

Acquisition and Disposition Activity

Overall Manhattan sales volume increased by 43.5% in 2018 to \$32.4 billion as compared to \$22.5 billion in 2017. Consistent with our multi-faceted approach to property acquisitions, we were the successful bidder at the foreclosure of the leasehold interest in 2 Herald Square, and accepted equity interests in 1231 Third Avenue, 133 Greene Street, and 712 Madison Avenue in lieu of repayment of the respective mezzanine loans.

We also continued to take advantage of significant interest by both international and domestic institutions and individuals seeking ownership interests in Manhattan properties to sell assets, disposing of a significant volume of properties that were non-core or had more limited growth opportunities, raising efficiently priced capital that was used primarily for share repurchases and debt reduction. During the year, we sold all or part of our interest in 600 Lexington Avenue, 1515 Broadway, 1745 Broadway, 3 Columbus Circle, 2 Herald Square, 115-117 Stevens Avenue, Jericho Plaza, 1-6 International Drive, 175-225 Third Street, 635 Madison Avenue, 724 Fifth Avenue, and the 72nd Street Assemblage for total gross valuations of \$5.0 billion

Debt and Preferred Equity

In 2017 and 2018, in our debt and preferred equity portfolio we continued to focus on the origination of financings, typically in the form of mezzanine debt, for owners, acquirers or developers of properties in New York City. This investment strategy provides us with the opportunity to fill a need for additional debt financing, while achieving attractive risk adjusted returns to us on the investments and receiving a significant amount of additional information on the New York City real estate market. The typical investments made by us during 2017 and 2018 were to reputable owners or acquirers which have sizable equity subordinate to our last dollar of exposure. During 2018, our debt and preferred equity activities included purchases and originations, inclusive of advances under future funding obligations, discount and fee amortization, and paid-in-kind interest, net of premium amortization, of \$986.0 million, and sales, redemption and participations of \$994.9 million.

Highlights from 2018

Our significant achievements from 2018 included:

Corporate

- Repurchased 9.7 million shares of our common stock under our share repurchase program at an average price of \$96.22 per share and increased the size of our share repurchase program by \$1 billion to \$2.5 billion. Through

December 31, 2018 we have repurchased a cumulative total of 18.1 million shares of our common stock under the program at an average price of \$98.72 per share.

Leasing

- Signed 180 Manhattan office leases covering approximately 2.3 million square feet. The mark-to-market on signed Manhattan office leases was 6.5% higher in 2018 than the previously fully escalated rents on the same spaces.
- Signed 49 Suburban office leases covering approximately 0.4 million square feet. The mark-to-market on signed Suburban office leases was 3.7% lower in 2019 than the previously fully escalated rents on the same spaces.
- Reached 52% leased at One Vanderbilt Avenue after signing leases with Greenberg Traurig, The Carlyle Group, TD Securities, MFA Financial Inc. and McDermott Will & Emery
- Signed a new lease with Coty Inc. for 10,040 square feet at the retail flagship development 719 Seventh Avenue, now known as 30 Times Square.
- Signed a new retail lease with sports brand PUMA for 24,000 square feet and a new lease with WeWork for 138,563 square feet, comprising the entire office portion of the building, at 609 Fifth Avenue.

Acquisitions

- Took ownership of the leasehold interest at 2 Herald Square following the foreclosure of the asset and subsequently completed a recapitalization of the asset, which included securing \$150.0 million of mortgage financing and selling a 49.0% interest in the property.
- Announced that we had entered into an agreement to purchase a majority and controlling interest in 460 West 34th Street at a gross purchase price of \$440 million.
- Took possession of the retail co-op at 133 Greene Street in Soho. The 6,425 square foot retail space, inclusive of 3,300 square feet on grade, is located along one of SoHo's most popular shopping corridors and is currently occupied by Dior Homme. This property previously served as collateral for a debt and preferred equity investment and was acquired through a negotiated transaction with the sponsor of the investment.
- Took possession of 712 Madison Avenue on Manhattan's Upper East Side. The five-story building offers 6,362 square feet of retail space, which is currently occupied by David Yurman. This property previously served as collateral for a debt and preferred equity investment and was acquired through a negotiated transaction with the sponsor of the investment.

Dispositions

- Closed on the sale of 600 Lexington Avenue for a gross asset valuation of \$305.0 million.
- Closed on the sale of an additional 13% interest in 1515 Broadway, thereby completing the previously announced sale of interests totaling 43% at a gross asset valuation of \$1.950 billion.
- Together with our joint venture partner, closed on the sale of the multi-family property at 1274 Fifth Avenue at a gross asset valuation of \$44.1 million
- Together with our joint venture partners, closed on the sale of Stonehenge Village, at a gross asset valuation of \$287.0 million.
- Closed on a multi-faceted retail transaction, which included the sale of substantially all of the Company's interest in 724 Fifth Avenue to its joint venture partner, redemption of its investment in 720 Fifth Avenue, and partial repayment of another partnership loan.
- Together with our joint venture partner, closed on the sale of the leasehold office condominium at 1745 Broadway for a sale price of \$633 million
- Closed on the sale of the fee interest at 635 Madison Avenue for a sale price of \$153.0 million.
- Closed on the sale of Reckson Executive Park in Rye Brook, New York, 115-117 Stevens Avenue, in Valhalla, New York and our 11.7% interest in Jericho Plaza for asset valuations totaling \$184.4 million.
- Closed on the sale of our 48.9% interest in 3 Columbus Circle to the Moinian Group, the owner of the remaining 51.1% interest, for a gross asset valuation of \$851.0 million
- Closed on the sale of our interests in 1231 Third Avenue and an Upper East Side residential assemblage for a combined sales price of \$143.8 million.

- Entered into an agreement to sell our 20.0% interest in 131-137 Spring Street to Invesco Real Estate, the owner of the remaining 80.0% interest.

Debt and Preferred Equity Investments

- Originated and retained, or acquired, \$1.0 billion in debt and preferred equity investments, inclusive of advances under future funding obligations, discount and fee amortization, and paid-in-kind interest, net of premium amortization, and recorded \$1.0 billion of proceeds from sales, repayments and participations.

Finance

- Issued \$350.0 million aggregate principal amount of floating rate notes due 2021. The notes are callable by the Company, at par, after one year and bear interest at a floating rate of 0.98% over LIBOR.
- Closed on a \$65.6 million financing of 115 Spring Street. The new mortgage has a 5-year term and bears interest at a floating rate of 3.40% over LIBOR.
- Refinanced One Vanderbilt Avenue's construction facility, increasing the facility size from \$1.5 billion to \$1.75 billion and decreasing the interest rate by 75 basis points to 2.75% over LIBOR.
- Closed on a \$225.0 million construction facility for 185 Broadway. The floating rate facility has a term of three years, with two one-year extension options and bears interest at an initial floating rate of 2.85% over LIBOR.

As of December 31, 2018, we owned the following interests in properties in the New York metropolitan area, primarily in midtown Manhattan. Our investments located outside of Manhattan are referred to as the Suburban properties:

Location	Property Type	Consolidated		Unconsolidated		Total		Weighted Average Occupancy ⁽¹⁾
		Number of Properties	Approximate Square Feet	Number of Properties	Approximate Square Feet	Number of Properties	Approximate Square Feet	
Commercial:								
Manhattan	Office	20	12,387,091	10	11,329,183	30	23,716,274	94.5%
	Retail	7 ⁽²⁾	325,648	9	352,174	16	677,822	96.7%
	Development/ Redevelopment	5	486,101	2	347,000	7	833,101	54.1%
	Fee Interest	—	—	1	—	1	—	—%
		32	13,198,840	22	12,028,357	54	25,227,197	93.2%
Suburban	Office	13	2,295,200	—	—	13	2,295,200	91.3%
	Retail	1	52,000	—	—	1	52,000	100.0%
	Development/ Redevelopment	1	1,000	—	—	1	1,000	—%
		15	2,348,200	—	—	15	2,348,200	91.4%
Total commercial properties		47	15,547,040	22	12,028,357	69	27,575,397	93.1%
Residential:								
Manhattan	Residential	2 ⁽²⁾	445,105	10	2,156,751	12	2,601,856	91.5%
Suburban	Residential	—	—	—	—	—	—	—%
Total residential properties		2	445,105	10	2,156,751	12	2,601,856	91.5%
Total portfolio		49	15,992,145	32	14,185,108	81	30,177,253	92.9%

(1) The weighted average occupancy for commercial properties represents the total occupied square feet divided by total square footage at acquisition. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.

(2) As of December 31, 2018, we owned a building at 315 West 33rd Street, also known as The Olivia, that was comprised of approximately 270,132 square feet of retail space and approximately 222,855 square feet of residential space. For the purpose of this report, we have included the building in the number of retail properties we own. However, we have included only the retail square footage in the retail approximate square footage, and have listed the balance of the square footage as residential square footage.

As of December 31, 2018, we also managed two office buildings owned by third parties encompassing approximately 2.1 million square feet, and held debt and preferred equity investments with a book value of \$2.1 billion, including \$0.1 billion of debt and preferred equity investments and other financing receivables that are included in balance sheet line items other than the Debt and Preferred Equity Investments line item.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Investment in Commercial Real Estate Properties

Real estate properties are presented at cost less accumulated depreciation and amortization. Costs directly related to the development or redevelopment of properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

We recognize the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests in an acquired entity at their respective fair values on the acquisition date.

We incur a variety of costs in the development and leasing of our properties. After the determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include, but are not limited to, pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year after major construction activity ceases. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be other than temporarily impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property.

We also evaluate our real estate properties for impairment when a property has been classified as held for sale. Real estate assets held for sale are valued at the lower of their carrying value or fair value less costs to sell and depreciation expense is no longer recorded. See Note 4, "Properties Held for Sale and Dispositions."

Investments in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are variable interest entities (each, a "VIE") and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Equity in net income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture and includes adjustments related to basis differences that were identified as part of the initial accounting for the investment. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us. The Company has performance guarantees under a master lease at one joint venture. See Note 6, "Investments in Unconsolidated Joint Ventures."

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for

impairment based on the joint ventures' projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at December 31, 2018.

We may originate loans for real estate acquisition, development and construction, where we expect to receive some of the residual profit from such projects. When the risk and rewards of these arrangements are essentially the same as an investor or joint venture partner, we account for these arrangements as real estate investments under the equity method of accounting for investments. Otherwise, we account for these arrangements consistent with the accounting for our debt and preferred equity investments.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the consolidated balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the consolidated balance sheets is net of such allowance.

We record a gain on sale of real estate when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and provided that we have no substantial economic involvement with the buyer.

Interest income on debt and preferred equity investments is accrued based on the contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. Some debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest is ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Deferred origination fees, original issue discounts and loan origination costs, if any, are recognized as an adjustment to the interest income over the terms of the related investments using the effective interest method. Fees received in connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity investment becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received.

We may syndicate a portion of the loans that we originate or sell the loans individually. When a transaction meets the criteria for sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, original issue discounts, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income on the consolidated statement of operations. Any fees received at the time of sale or syndication are recognized as part of investment income.

Asset management fees are recognized on a straight-line basis over the term of the asset management agreement.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required.

Allowance for loan loss and other investment reserves

The expense for loan loss and other investment reserves in connection with debt and preferred equity investments is the charge to earnings to adjust the allowance for possible losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality.

The Company evaluates debt and preferred equity investments that are held to maturity for possible impairment or credit deterioration associated with the performance and/or value of the underlying collateral property as well as the financial and operating capability of the borrower/sponsor. Quarterly, the Company assigns each loan a risk rating. Based on a 3-point scale, loans are rated "1" through "3," from less risk to greater risk, which ratings are defined as follows: 1 - Low Risk Assets - Low probability of loss, 2 - Watch List Assets - Higher potential for loss, 3 - High Risk Assets - Loss more likely than not.

When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired. A valuation allowance is measured based upon the excess of the recorded investment amount over the fair value of the collateral.

Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If additional information reflects increased recovery of our investment, we will adjust our reserves accordingly.

Debt and preferred equity investments that are classified as held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

Derivative Instruments

In the normal course of business, we use a variety of commonly used derivative instruments, such as interest rate swaps, caps, collars and floors, to manage, or hedge, interest rate risk. Effectiveness is essential for those derivatives that we intend to qualify for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

To determine the fair values of derivative instruments, we use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

Reconciliation of Net Income to Same-Store Operating Income

We present Same-Store Operating Income because we believe that this measure, when taken together with the corresponding GAAP financial measures and our reconciliation, provides investors with meaningful information regarding the operating performance of our properties. When operating performance is compared across multiple periods, the investor is provided with information not immediately apparent from net income that is determined in accordance with GAAP. Same-Store Operating Income provides information on trends in the revenue generated and expenses incurred in operating our properties, unaffected by the cost of leverage, depreciation, amortization, and other net income components. We use this metric internally as a performance measure. This measure is not an alternative to net income (determined in accordance with GAAP) and same-store performance should not be considered an alternative to GAAP net income performance. This metric may be defined differently, and may not be comparable, to similarly named metrics used by other companies.

Comparison of the year ended December 31, 2018 to the year ended December 31, 2017

For properties owned since January 1, 2017 and still owned and operated at December 31, 2018, Same-Store Operating Income is determined as follows (in millions):

(in millions)	Year Ended	
	December 31,	
	2018	2017
Net income	\$ 270.9	\$ 101.1
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	(304.0)	(16.2)
Purchase price and other fair value adjustment	(57.4)	—
Loss (gain) on sale of real estate, net	30.8	(73.2)
Depreciable real estate reserves and impairment	227.5	178.5
Gain on sale of investment in marketable securities	—	(3.3)
Depreciation and amortization	279.5	403.3
Interest expense, net of interest income	208.7	257.0
Amortization of deferred financing costs	12.4	16.5
Operating income	668.4	863.7
Less: Operating income from other properties/affiliates	(131.3)	(345.9)
Same-store operating income	\$ 537.1	\$ 517.8

Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

For properties owned since January 1, 2016 and still owned and operated at December 31, 2017, Same-Store Operating Income is determined as follows (in millions):

(in millions)	Year Ended	
	December 31,	
	2017	2016
Net income	\$ 101.1	\$ 278.9
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	(16.2)	(44.0)
Gain on sale of real estate, net	(73.2)	(238.1)
Depreciable real estate reserves and impairment	178.5	10.4
(Gain) loss on sale of investment in marketable securities	(3.3)	0.1
Depreciation and amortization	403.3	821.0
Interest expense, net of interest income	257.0	321.2
Amortization of deferred financing costs	16.5	24.6
Operating income	863.7	1,174.1
Less: Operating income from other properties/affiliates	(244.2)	(556.9)
Same-store operating income	\$ 619.5	\$ 617.2

Results of Operations

Comparison of the year ended December 31, 2018 to the year ended December 31, 2017

The following comparison for the year ended December 31, 2018, or 2018, to the year ended December 31, 2017, or 2017, makes reference to the effect of the following:

- “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2017 and still owned by us in the same manner at December 31, 2018 (Same-Store Properties totaled 40 of our 49 consolidated operating properties),
- “Acquisition Properties,” which represents all properties or interests in properties acquired in 2018 and 2017 and all non-Same-Store Properties, including properties that are under development or redevelopment,
- “Disposed Properties” which represents all properties or interests in properties sold in 2018 and 2017, and
- “Other,” which represents properties where we sold an interest resulting in deconsolidation and corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc.

(in millions)	Same-Store				Disposed		Other		Consolidated			
	2018	2017	\$ Change	% Change	2018	2017	2018	2017	2018	2017	\$ Change	% Change
	Rental revenue	\$ 832.9	\$ 816.7	\$ 16.2	2.0%	\$ 8.8	\$ 62.0	\$ 23.3	\$222.3	\$ 865.0	\$1,101.0	\$(236.0)
Escalation and reimbursement	111.9	105.3	6.6	6.3%	0.9	5.1	0.8	62.5	113.6	172.9	(59.3)	(34.3)%
Investment income	—	—	—	—%	—	—	201.5	193.9	201.5	193.9	7.6	3.9 %
Other income	11.2	4.8	6.4	133.3%	1.5	3.8	34.6	35.1	47.3	43.7	3.6	8.2 %
Total revenues	956.0	926.8	29.2	3.2%	11.2	70.9	260.2	513.8	1,227.4	1,511.5	(284.1)	(18.8)%
Property operating expenses	418.1	408.5	9.6	2.4%	5.2	28.0	25.4	134.4	448.7	570.9	(122.2)	(21.4)%
Transaction related costs	0.3	—	0.3	—%	—	—	0.8	(1.8)	1.1	(1.8)	2.9	(161.1)%
Marketing, general and administrative	—	—	—	—%	—	—	92.6	100.5	92.6	100.5	(7.9)	(7.9)%
	418.4	408.5	9.9	2.4%	5.2	28.0	118.8	233.1	542.4	669.6	(127.2)	(19.0)%
Other income (expenses):												
Interest expense and amortization of deferred financing costs, net of interest income									(221.1)	(273.6)	52.5	(19.2)%
Depreciation and amortization									(279.5)	(403.3)	123.8	(30.7)%
Equity in net income from unconsolidated joint ventures									7.3	21.9	(14.6)	(66.7)%
Equity in net gain on sale of interest in unconsolidated joint venture/real estate									304.0	16.2	287.8	1,776.5 %
Purchase price and other fair value adjustment									57.4	—	57.4	— %
(Loss) gain on sale of real estate, net									(30.8)	73.2	(104.0)	(142.1)%
Depreciable real estate reserves and impairment									(227.5)	(178.5)	(49.0)	27.5 %
Gain (loss) on sale of investment in marketable securities									—	3.3	(3.3)	(100.0)%
Loss on early extinguishment of debt									(17.1)	—	(17.1)	— %
Loan loss and other investment reserves, net of recoveries									(6.8)	—	(6.8)	— %
Net income	\$ 270.9	\$ 101.1	\$ 169.8	168.0 %								

Rental, Escalation and Reimbursement Revenues

Rental revenues decreased primarily as a result of Disposed Properties (\$53.2 million), including the partial sale and deconsolidation of 1515 Broadway, along with the deconsolidation of 919 Third Avenue (\$190.6 million). The decrease was partially offset by increased revenue at our Same-Store properties (\$16.2 million).

Escalation and reimbursement revenue decreased primarily as a result of the partial sale and deconsolidation of 1515 Broadway and the deconsolidation of 919 Third Avenue (\$56.3 million), partially offset by higher recoveries at our Same-Store properties (\$6.6 million).

The following table presents a summary of the commenced leasing activity for the year ended December 31, 2018 in our Manhattan and Suburban portfolio:

	Usable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Manhattan							
Space available at beginning of the year	1,502,238						
Property no longer in redevelopment	79,192						
Sold Vacancies	(57,385)						
Properties placed in service	67,917						
Acquired vacancies	51,583						
Property in redevelopment							
Space which became available during the year ⁽³⁾							
• Office	1,009,099						
• Retail	14,692						
• Storage	4,744						
	<u>1,028,535</u>						
Total space available	2,672,080						
Leased space commenced during the year:							
• Office ⁽⁴⁾	1,220,716	1,333,727	\$ 67.20	\$ 63.32	\$ 69.17	5.8	14.0
• Retail	35,125	34,865	\$ 90.77	\$ 194.72	\$ 148.12	9.0	12.2
• Storage	6,227	7,810	\$ 28.99	\$ 25.97	\$ —	0.3	5.1
Total leased space commenced	<u>1,262,068</u>	<u>1,376,402</u>	\$ 67.58	\$ 65.00	\$ 70.78	5.9	13.9
Total available space at end of year	<u>1,410,012</u>						
Early renewals							
• Office	362,783	423,632	\$ 79.74	\$ 73.07	\$ 30.16	4.6	6.8
• Retail	34,173	34,015	\$ 94.04	\$ 104.44	\$ 58.80	—	12.9
• Storage	12,166	12,501	\$ 6.65	\$ 6.64	\$ —	0.2	6.3
Total early renewals	<u>409,122</u>	<u>470,148</u>	\$ 78.83	\$ 73.58	\$ 31.43	4.2	7.2
Total commenced leases, including replaced previous vacancy							
• Office		1,757,359	\$ 70.22	\$ 66.99	\$ 59.77	5.6	12.3
• Retail		68,880	\$ 92.39	\$ 125.16	\$ 104.01	4.5	12.5
• Storage		20,311	\$ 15.24	\$ 10.89	\$ —	0.3	5.9
Total commenced leases		<u>1,846,550</u>	\$ 70.44	\$ 68.39	\$ 60.76	5.5	12.2

	Usable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Suburban							
Space available at beginning of year	655,672						
Sold Vacancies	(502,366)						
Space which became available during the year ⁽³⁾							
• Office	172,144						
• Retail	2,693						
• Storage	4,056						
	<u>178,893</u>						
Total space available	332,199						
Leased space commenced during the year:							
• Office ⁽⁵⁾	125,629	124,899	\$ 33.99	\$ 36.38	\$ 19.42	3.1	5.7
• Retail	2,385	2,685	\$ 29.60	\$ 17.00	\$ —	5	7.6
• Storage	1,705	1,816	\$ 13.74	\$ 12.36	\$ —	—	3.5
Total leased space commenced	<u>129,719</u>	<u>129,400</u>	\$ 33.61	\$ 35.84	\$ 18.74	3.1	5.7
Total available space at end of the year	<u>461,918</u>						
Early renewals							
• Office	195,623	197,514	\$ 28.68	\$ 31.40	\$ 24.22	8.3	7.3
• Retail	50,585	50,585	\$ 7.64	\$ 7.66	\$ —	9.0	12.2
• Storage	2,000	2,000	\$ 11.00	\$ 11.00	\$ —	—	7.6
Total early renewals	<u>248,208</u>	<u>250,099</u>	\$ 24.29	\$ 26.43	\$ 19.13	8.4	8.3
Total commenced leases, including replaced previous vacancy							
• Office		322,413	\$ 30.74	\$ 32.78	\$ 22.36	6.3	6.7
• Retail		53,270	\$ 8.74	\$ 7.80	\$ —	8.8	12.0
• Storage		3,816	\$ 12.31	\$ 11.49	\$ —	—	5.7
Total commenced leases		<u>379,499</u>	\$ 27.47	\$ 28.66	\$ 18.99	6.6	7.4

(1) Annual initial base rent.

(2) Escalated rent is calculated as total annual income less electric charges.

(3) Includes expiring space, relocating tenants and move-outs where tenants vacated. Excludes lease expirations where tenants held over.

(4) Average starting office rent excluding new tenants replacing vacancies was \$72.42 per rentable square foot for 1,127,841 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$66.29 per rentable square foot for 629,518 rentable square feet.

(5) Average starting office rent excluding new tenants replacing vacancies was \$30.05 per rentable square foot for 217,842 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$32.17 per rentable square foot for 104,571 rentable square feet.

Investment Income

Investment income increased primarily as a result of new originations, a larger weighted average book balance, and higher acceleration of previously unrecognized fees as a result of sales, redemptions, modifications or syndications (\$1.3 million).

For the year ended December 31, 2018, the weighted average debt and preferred equity investment balance outstanding and weighted average yield were \$2.1 billion and 9.0%, respectively. Excluding our investment in Two Herald Square which was put on non-accrual in August 2017, the weighted average debt and preferred equity investment balance outstanding and weighted average yield for the year ended December 31, 2017 were to \$1.9 billion and 9.3%, respectively. As of December 31, 2018, the debt and preferred equity investments had a weighted average term to maturity of 1.8 years excluding extension options.

Other Income

Other income increased primarily as a result of fees recognized in connection with the recapitalization of a joint venture property (\$5.8 million), real estate tax refunds at our Same-Store Properties (\$3.2 million), lease termination income (\$2.9 million),

and promote income related to the sale of 1274 Fifth Avenue (\$2.1 million), partially offset by net fees recognized in connection with the One Vanderbilt joint venture (\$8.4 million).

Property Operating Expenses

Property operating expenses decreased primarily as a result of the partial sale and deconsolidation of 1515 Broadway, the deconsolidation of 919 Third Avenue (\$103.2 million) and the Disposed Properties (\$22.8 million), which was partially offset by increased real estate taxes at our Same-Store Properties (\$8.0 million).

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses decreased by \$7.9 million to \$92.6 million for the year ended December 31, 2018, or 5.2% of total combined revenues, including our share of joint venture revenues, compared to \$100.5 million, or 5.3% of total revenues including our share of joint venture revenues, for the year ended December 31, 2017.

Interest Expense and Amortization of Deferred Financing Costs, Net of Interest Income

Interest expense and amortization of deferred financing costs, net of interest income, decreased primarily as a result of the partial sale and deconsolidation of 1515 Broadway (\$33.0 million) and the deconsolidation of 919 Third Avenue (\$26.5 million). The weighted average consolidated debt balance outstanding was \$5.7 billion for the year ended December 31, 2018 as compared to \$6.6 billion for the year ended December 31, 2017. The consolidated weighted average interest rate increased to 4.06% for the year ended December 31, 2018 as compared to 4.00% for the year ended December 31, 2017 as a result of an increase in LIBOR.

Depreciation and Amortization

Depreciation and amortization decreased primarily as a result of 185 Broadway which was moved to development (\$50.4 million) in the first quarter of 2018, the deconsolidation of 919 Third Avenue, the partial sale and deconsolidation of 1515 Broadway (\$60.6 million) and the Disposed Properties (\$22.4 million).

Equity in Net Income in Unconsolidated Joint Venture/Real Estate

Equity in net income from unconsolidated joint ventures decreased primarily as a result of the repayment and redemption of certain debt and preferred equity positions accounted for under the equity method (\$8.7 million), and the sale of 1745 Broadway in the second quarter of 2018 (\$2.9 million), partially offset by the partial sale and deconsolidation of 1515 Broadway and the deconsolidation of 919 Third Avenue (\$6.6 million).

Equity in Net Gain on Sale of Interest in Unconsolidated Joint Ventures

During the year ended December 31, 2018, we recognized a gain on sale related to our joint venture interests in 3 Columbus Circle (\$160.4 million), 724 Fifth Avenue (\$64.6 million), 1745 Broadway (\$52.0 million), 175-225 Third Avenue (\$19.5 million), 720 Fifth Avenue (\$6.3 million) and Jericho Plaza (\$0.1 million), and a loss related to the sale of our interest in Stonehenge Village (\$5.7 million).

Purchase price and other fair value adjustments

In January 2018, the partnership agreement for our investment in 919 Third Avenue was modified resulting in our partner now having substantive participating rights in the venture and the Company no longer having a controlling interest in the investment. As a result the investment in this property was deconsolidated as of January 1, 2018. The Company recorded its non-controlling interest at fair value resulting in a \$49.3 million fair value adjustment in the consolidated statement of operations. This fair value was allocated to the assets and liabilities, including identified intangibles of the property.

In May, 2018, the Company was the successful bidder at the foreclosure of 2 Herald Square, at which time the Company's \$250.5 million outstanding principal balance on its debt and preferred equity investment and \$7.7 million accrued interest balance receivables were credited to our equity investment in the property. We recorded the assets acquired and liabilities assumed at fair value. This resulted in the recognition of a fair value adjustment of \$8.1 million, which is reflected on the Company's consolidated statement of operations within purchase price and other fair value adjustments. This fair value was allocated to the assets and liabilities, including identified intangibles of the property.

(Loss) Gain on Sale of Real Estate, Net

During the year ended December 31, 2018, we recognized a gain on sale related to our interests in 600 Lexington (\$23.8 million) and we recognized a loss on sale related to our interest in 300-400 Summit Lake Drive (\$36.2 million), 635 Madison (\$14.1 million), Reckson Executive Park (\$2.6 million) and 115-117 Stevens Avenue (\$0.7 million). During the year ended December 31, 2017, we recognized a gain on sale associated with the sale of the property at 16 Court Street (\$64.9 million), and the partial sale of the property at 102 Greene Street (\$4.9 million). This gain was partially offset by a loss on the sale of 885

Third Avenue (\$8.8 million) which closed in 2016, but was only recognized in the second quarter of 2017 due to the sale not meeting the criteria for sale accounting under the full accrual method in ASC 360-20 until the second quarter of 2017.

Depreciable Real Estate Reserves and Impairment

During the year ended December 31, 2018, we recorded a charge related to 5 suburban office properties comprised of 13 buildings (\$221.9 million), which the company has stated it intends to dispose of, and a charge related to the Upper East Side Residential Assemblage (\$5.8 million). During the year ended December 31, 2017, we recorded a \$178.5 million of depreciable real estate reserves and impairment related to Reckson Executive Park, Stamford Towers, 125 Chubb Avenue in Lyndhurst, NJ, 115-117 Stevens Avenue in Valhalla, New York, 520 White Plains Road in Tarrytown, NY, and our investment in Jericho Plaza.

Loss on early extinguishment of debt

During the year ended December 31, 2018, we recognized a loss on early extinguishment of debt as a result of the early repayment of the debt at One Madison Avenue (\$14.9 million), and the mortgage at 220 East 42nd (\$2.2 million).

Loan loss and other investment reserves, net of recoveries

During the year ended December 31, 2018, we recognized a loss related to two of our debt and preferred equity positions (\$5.8 million) that are being marketed for sale, and the repayment of an investment pursuant to the sale of a property (\$1.1 million).

Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

The following comparison for the year ended December 31, 2017, or 2017, to the year ended December 31, 2016, or 2016, makes reference to the effect of the following:

- i. "Same-Store Properties," which represents all operating properties owned by us at January 1, 2016 and still owned by us in the same manner at December 31, 2017 (Same-Store Properties totaled 43 of our 60 consolidated operating properties),
- ii. "Acquisition Properties," which represents all properties or interests in properties acquired in 2017 and 2016 and all non-Same-Store Properties, including properties that are under development or redevelopment,
- iii. "Disposed Properties" which represents all properties or interests in properties sold in 2017 and 2016, and
- iv. "Other," which represents properties where we sold an interest resulting in deconsolidation and corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc.

(in millions)	Same-Store				Disposed		Other		Consolidated			
	2017	2016	\$ Change	% Change	2017	2016	2017	2016	2017	2016	\$ Change	% Change
Rental revenue	\$ 961.8	\$ 942.6	\$ 19.2	2.0 %	\$121.1	\$360.7	\$ 18.1	\$ 20.5	\$1,101.0	\$1,323.8	\$(222.8)	(16.8)%
Escalation and reimbursement	131.4	142.0	(10.6)	(7.5)%	40.1	52.7	1.4	2.2	172.9	196.9	(24.0)	(12.2)%
Investment income	—	—	—	— %	—	—	193.9	213.0	193.9	213.0	(19.1)	(9.0)%
Other income	8.9	6.8	2.1	30.9 %	0.5	94.3	34.3	29.2	43.7	130.3	(86.6)	(66.5)%
Total revenues	<u>1,102.1</u>	<u>1,091.4</u>	<u>10.7</u>	1.0 %	<u>161.7</u>	<u>507.7</u>	<u>247.7</u>	<u>264.9</u>	<u>1,511.5</u>	<u>1,864.0</u>	<u>(352.5)</u>	(18.9)%
Property operating expenses	482.6	474.2	8.4	1.8 %	65.3	98.7	23.0	21.6	570.9	594.5	(23.6)	(4.0)%
Transaction related costs	—	—	—	— %	—	—	(1.8)	7.5	(1.8)	7.5	(9.3)	(124.0)%
Marketing, general and administrative	—	—	—	— %	—	—	100.5	99.8	100.5	99.8	0.7	0.7 %
	<u>482.6</u>	<u>474.2</u>	<u>8.4</u>	1.8 %	<u>65.3</u>	<u>98.7</u>	<u>121.7</u>	<u>128.9</u>	<u>669.6</u>	<u>701.8</u>	<u>(32.2)</u>	(4.6)%
Operating income before equity in net income from unconsolidated joint ventures	<u>\$ 619.5</u>	<u>\$ 617.2</u>	<u>\$ 2.3</u>	0.4 %	<u>\$ 96.4</u>	<u>\$409.0</u>	<u>\$126.0</u>	<u>\$136.0</u>	<u>\$ 841.9</u>	<u>\$1,162.2</u>	<u>\$(320.3)</u>	(27.6)%
Other income (expenses):												
Interest expense and amortization of deferred financing costs, net of interest income									(273.6)	(345.8)	72.2	(20.9)%
Depreciation and amortization									(403.3)	(821.0)	417.7	(50.9)%
Equity in net income from unconsolidated joint ventures									21.9	11.9	10.0	84.0 %
Equity in net gain on sale of interest in unconsolidated joint venture/real estate									16.2	44.0	(27.8)	(63.2)%
Gain on sale of real estate, net									73.2	238.1	(164.9)	(69.3)%
Depreciable real estate reserves and impairment									(178.5)	(10.4)	(168.1)	1,616.3 %
Gain (loss) on sale of investment in marketable securities									3.3	(0.1)	3.4	(3,400.0)%
Net income									<u>\$ 101.1</u>	<u>\$ 278.9</u>	<u>\$(177.8)</u>	(63.8)%

Rental, Escalation and Reimbursement Revenues

Rental revenues decreased primarily as a result of Disposed Properties (\$239.7 million), which included 388-390 Greenwich Street and the effect of the partial sale and deconsolidation of 11 Madison Avenue in the third quarter of 2016. This decrease was offset by increased rental revenue at Same-Store Properties (\$19.1 million), and by 1515 Broadway which, in 2016, recognized accounting write-offs (\$17.4 million) related to the space previously leased to Aeropostale following the tenant's bankruptcy.

Escalation and reimbursement revenue decreased primarily as a result of Disposed Properties (\$12.7 million) and lower recoveries at our Same-Store properties (\$10.6 million).

The following table presents a summary of the commenced leasing activity for the year ended December 31, 2017 in our Manhattan and Suburban portfolio:

	Usable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Manhattan							
Space available at beginning of the year	1,149,571						
Space which became available during the year ⁽³⁾							
• Office	1,181,119						
• Retail	29,739						
• Storage	16,594						
	<u>1,227,452</u>						
Total space available	2,377,023						
Leased space commenced during the year:							
• Office ⁽⁴⁾	806,688	884,513	\$ 73.59	\$ 62.13	\$ 56.80	4.6	8.2
• Retail	33,257	63,710	\$ 297.35	\$ 251.55	\$ 37.72	6.5	13.1
• Storage	34,840	5,560	\$ 36.32	\$ 48.86	\$ 1.92	1.9	7.4
Total leased space commenced	<u>874,785</u>	<u>953,783</u>	<u>\$ 88.32</u>	<u>\$ 82.88</u>	<u>\$ 55.20</u>	<u>4.7</u>	<u>8.5</u>
Total available space at end of year	<u>1,502,238</u>						
Early renewals							
• Office	281,039	285,889	\$ 79.07	\$ 73.96	\$ 11.46	1.9	4.5
• Retail	45,652	35,089	\$ 73.96	\$ 50.53	\$ 2.01	0.1	5.5
• Storage	2,730	2,817	\$ 29.44	\$ 30.52	\$ —	1.3	3.2
Total early renewals	<u>329,421</u>	<u>323,795</u>	<u>\$ 78.09</u>	<u>\$ 71.04</u>	<u>\$ 10.34</u>	<u>1.7</u>	<u>4.6</u>
Total commenced leases, including replaced previous vacancy							
• Office		1,170,402	\$ 74.93	\$ 66.58	\$ 45.72	3.9	7.3
• Retail		98,799	\$ 218.01	\$ 176.40	\$ 25.04	4.2	10.4
• Storage		8,377	\$ 34.00	\$ 38.77	\$ 1.27	1.7	6.0
Total commenced leases		<u>1,277,578</u>	<u>\$ 85.73</u>	<u>\$ 78.42</u>	<u>\$ 43.83</u>	<u>3.9</u>	<u>7.5</u>

	Usable SF	Rentable SF	New Cash Rent (per rentable SF) ⁽¹⁾	Prev. Escalated Rent (per rentable SF) ⁽²⁾	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Suburban							
Space available at beginning of year	965,021						
Sold Vacancies	(222,250)						
Properties placed in service	—						
Space which became available during the year ⁽³⁾							
• Office	246,565						
• Retail	1,338						
• Storage	2,866						
	<u>250,769</u>						
Total space available	993,540						
Leased space commenced during the year:							
• Office ⁽⁵⁾	334,739	345,633	\$ 31.62	\$ 35.13	\$ 34.99	6.2	7.5
• Retail	338	338	\$ 33.00	\$ 33.00	\$ —	—	5.0
• Storage	2,791	2,858	\$ 17.42	\$ 13.92	\$ 10.13	0.9	4.7
Total leased space commenced	<u>337,868</u>	<u>348,829</u>	\$ 31.51	\$ 34.79	\$ 34.75	6.2	7.5
Total available space at end of the year	<u>655,672</u>						
Early renewals							
• Office	181,288	183,331	\$ 32.21	\$ 32.86	\$ 8.05	4.1	4.2
• Storage	2,213	2,213	\$ 17.01	\$ 16.52	\$ —	—	4.8
Total early renewals	<u>183,501</u>	<u>185,544</u>	\$ 32.03	\$ 32.67	\$ 7.96	4.0	4.2
Total commenced leases, including replaced previous vacancy							
• Office		528,964	\$ 31.83	\$ 33.76	\$ 25.65	5.5	6.3
• Retail		338	\$ 33.00	\$ 33.00	\$ —	—	5.0
• Storage		5,071	\$ 17.24	\$ 15.31	\$ 5.71	0.5	4.7
Total commenced leases		<u>534,373</u>	\$ 31.69	\$ 33.51	\$ 25.45	5.4	6.3

(1) Annual initial base rent.

(2) Escalated rent is calculated as total annual income less electric charges.

(3) Includes expiring space, relocating tenants and move-outs where tenants vacated. Excludes lease expirations where tenants held over.

(4) Average starting office rent excluding new tenants replacing vacancies was \$70.21 per rentable square feet for 120,566 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$72.83 per rentable square feet for 217,384 rentable square feet.

(5) Average starting office rent excluding new tenants replacing vacancies was \$37.88 per rentable square feet for 25,866 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$35.19 per rentable square feet for 96,688 rentable square feet.

Investment Income

Investment income decreased primarily as a result of additional income recognized from the recapitalization of a debt investment (\$41.0 million) in the third quarter of 2016, partially offset by income related to our preferred equity investment in 885 Third Avenue (\$16.9 million) and a larger weighted average book balance. For the twelve months ended December 31, 2017, the weighted average debt and preferred equity investment balance outstanding and weighted average yield were \$1.9 billion and 9.3% excluding our investment in Two Herald Square which was put on non-accrual in August 2017, respectively, compared to \$1.5 billion and 9.7%, respectively, for the same period in 2016. As of December 31, 2017, the debt and preferred equity investments had a weighted average term to maturity of 2.2 years excluding extension options and our investment in Two Herald Square.

Other Income

Other income decreased primarily as a result of the termination fee earned in connection with the termination of the lease with Citigroup, Inc. at 388-390 Greenwich in 2016 (\$94.0 million) and promote income earned in connection with the sale of 33

Beekman in the second quarter of 2016 (\$10.8 million). The decrease was partially offset by net fees recognized in connection with the One Vanderbilt venture in 2017 (\$13.3 million).

Property Operating Expenses

Property operating expenses decreased primarily as a result of Disposed Properties (\$33.4 million) partially offset by increased real estate taxes at our Same-Store Properties (\$8.2 million).

Transaction Related Costs

The decrease in transaction related costs in 2017 is primarily due to the adoption of ASU No. 2017-01 in 2017, which clarified the definition of a business and provided guidance to assist in determining whether transactions should be accounted for as acquisitions of assets or businesses. Following the adoption of the guidance, most of our real estate acquisitions are considered asset acquisitions and transaction costs are therefore capitalized to the investment basis when they would have previously been expensed under the previous guidance. Transaction costs expensed in 2017 relate primarily to transactions that are not moving forward for which any costs incurred are expensed.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses for the year ended December 31, 2017 were \$100.5 million, including a \$4.1 million charge related to forfeiture of the Company's 2014 Outperformance Plan awards, or 5.3% of total combined revenues, including our share of joint venture revenues, and 53 basis points of total combined assets, including our share of joint venture assets compared to \$99.8 million, or 4.7% of total revenues including our share of joint venture revenues, and 53 basis points of total combined assets including our share of joint venture assets for 2016.

Interest Expense and Amortization of Deferred Financing Costs, Net of Interest Income

Interest expense and amortization of deferred financing costs, net of interest income, decreased primarily as a result of the Disposed Properties (\$72.2 million). The weighted average consolidated debt balance outstanding was \$6.6 billion for the year ended December 31, 2017 from \$8.5 billion for the year ended December 31, 2016. The consolidated weighted average interest rate was 4.00% for the year ended December 31, 2017 as compared to 3.82% for the year ended December 31, 2016.

Depreciation and Amortization

Depreciation and amortization decreased primarily as a result of the Disposed Properties (\$448.9 million), partially offset by accelerated amortization at 5-7 Dey Street, 183 & 187 Broadway upon the commencement of demolition of the properties (\$32.0 million).

Equity in Net Income in Unconsolidated Joint Venture/Real Estate

Equity in net income from unconsolidated joint ventures increased primarily as a result of the sale of a 40% interest in 11 Madison in the third quarter of 2016 (\$13.0 million), as well as higher net income contributions from 1745 Broadway (\$7.3 million) and 605 West 42nd Street (\$3.5 million) in 2017. These increases were partially offset by lower net income contributions from 280 Park Avenue (\$5.7 million) as a result of the write off of deferred financing costs in conjunction with the refinancing of the debt on the property, reduced occupancy at 3 Columbus Circle (\$3.9 million), and revenues from a debt and preferred equity investment that was contributed to a joint venture in the first quarter of 2016, and repaid in the second quarter of 2017 (\$2.7 million).

Equity in Net Gain on Sale of Interest in Unconsolidated Joint Ventures

During the year ended December 31, 2016 we recognized a gain on the sale related to our interests in 747 Madison Avenue (\$13.0 million), 102 Greene Street (\$0.3 million) and part of our interest in the Stonehenge Portfolio (\$0.9 million). The sale of 747 Madison, which occurred in 2014, did not meet the criteria for sale accounting at that time and, therefore, remained on our consolidated financial statement until the criteria was met in the second quarter of 2017. During the year ended December 31, 2016, in which we recognized a gain on the sale of our interests in 33 Beekman Street (\$33.0 million), 7 Renaissance Square (\$4.2 million), 1 Jericho (\$3.3 million) and EOP Denver (\$3.1 million).

Gain on Sale of Real Estate, Net

During the year ended December 31, 2017, we recognized a gain on sale associated with the sale of the property at 16 Court Street (\$64.9 million), and the partial sale of the property at 102 Greene Street (\$4.9 million). This gain was partially offset by a loss on the sale of 885 Third Avenue (\$8.8 million) which closed in 2016, but was only recognized in the second quarter of 2017 due to the sale not meeting the criteria for sale accounting under the full accrual method in ASC 360-20 until the second quarter of 2017. During the year ended December 31, 2016 we recognized a gain on sale associated with the sales of 388-390 Greenwich (\$206.5 million), a 49% interest in 400 East 57th Street (\$23.9 million), 248-252 Bedford Avenue in Brooklyn, New York (\$15.3 million), and a 40% interest in 11 Madison Avenue (\$3.6 million), partially offset by the loss on the sale of 7 International Drive, Westchester County, NY (\$6.9 million).

Depreciable Real Estate Reserves and Impairment

During the year ended December 31, 2017, we recorded a \$178.5 million of depreciable real estate reserves and impairment related to Reckson Executive Park, Stamford Towers, 125 Chubb Avenue in Lyndhurst, NJ, 115-117 Stevens Avenue in Valhalla, New York, 520 White Plains Road in Tarrytown, NY, and our investment in Jericho Plaza. During the year ended December 31, 2016, we recognized depreciable real estate reserves and impairment related to 500 West Putnam (\$10.4 million).

Liquidity and Capital Resources

We currently expect that our principal sources of funds to meet our short-term and long-term liquidity requirements for working capital, acquisitions, development or redevelopment of properties, tenant improvements, leasing costs, share repurchases, dividends to shareholders, distributions to unitholders, repurchases or repayments of outstanding indebtedness (which may include exchangeable debt) and for debt and preferred equity investments will include:

- (1) Cash flow from operations;
- (2) Cash on hand;
- (3) Net proceeds from divestitures of properties and redemptions, participations and dispositions of debt and preferred equity investments;
- (4) Borrowings under the 2017 credit facility;
- (5) Other forms of secured or unsecured financing; and
- (6) Proceeds from common or preferred equity or debt offerings by the Company or the Operating Partnership (including issuances of units of limited partnership interest in the Operating Partnership and Trust preferred securities).

Cash flow from operations is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates achieved on our leases, the collectability of rent, operating escalations and recoveries from our tenants and the level of operating and other costs. Additionally, we believe that our debt and preferred equity investment program will continue to serve as a source of operating cash flow.

The combined aggregate principal maturities of our property mortgages and other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2018 were as follows (in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Property mortgages and other loans	\$ 6,241	\$ 26,640	\$ 151,505	\$ 208,017	\$ 122,851	\$ 1,145,405	\$ 1,660,659
MRA and FHLB facilities	27,500	300,000	—	—	—	—	327,500
Corporate obligations	—	250,000	350,000	800,000	1,800,000	400,000	3,600,000
Joint venture debt-our share	115,295	278,791	518,371	220,810	277,996	2,430,198	3,841,461
Total	<u>\$ 149,036</u>	<u>\$ 855,431</u>	<u>\$ 1,019,876</u>	<u>\$ 1,228,827</u>	<u>\$ 2,200,847</u>	<u>\$ 3,975,603</u>	<u>\$ 9,429,620</u>

As of December 31, 2018, we had \$158.1 million of consolidated cash on hand, inclusive of \$28.6 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may seek to divest of properties or interests in properties or access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us at efficient levels or at all. Management believes that these sources of liquidity, if we are able to access them, along with potential refinancing opportunities for secured and unsecured debt, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

We also have investments in several real estate joint ventures with various partners who we consider to be financially stable and who have the ability to fund a capital call when needed. Most of our joint ventures are financed with non-recourse debt. We believe that property level cash flows along with unfunded committed indebtedness and proceeds from the refinancing of outstanding secured indebtedness will be sufficient to fund the capital needs of our joint venture properties.

Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in the Financial Statements and is not meant to be an all-inclusive discussion of the changes in our cash flows for the years presented below.

Cash, restricted cash, and cash equivalents were \$279.1 million and \$250.0 million at December 31, 2018 and 2017, respectively, representing an increase of \$29.1 million. The increase was a result of the following changes in cash flows (in thousands):

	Year Ended December 31,		
	2018	2017	(Decrease) Increase
Net cash provided by operating activities	\$ 441,537	\$ 543,001	\$ (101,464)
Net cash provided by investing activities	\$ 681,662	\$ 22,014	\$ 659,648
Net cash used in by financing activities	\$ (1,094,112)	\$ (684,956)	\$ (409,156)

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service, and fund quarterly dividend and distribution requirements. Our debt and preferred equity investments and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, development or redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills, and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2018, when compared to the year ended December 31, 2017, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	\$ (31,806)
Capital expenditures and capitalized interest	81,541
Escrow cash-capital improvements/acquisition deposits/deferred purchase price	—
Joint venture investments	(11,180)
Distributions from joint ventures	(86,627)
Proceeds from sales of real estate/partial interest in property	538,208
Debt and preferred equity and other investments	169,512
Increase in net cash used in investing activities	<u>\$ 659,648</u>

Funds spent on capital expenditures, which are comprised of building and tenant improvements, decreased from \$336.0 million for the year ended December 31, 2017 to \$254.5 million for the year ended December 31, 2018. The decrease in capital expenditures relates primarily to lower costs incurred in connection with the redevelopment of properties.

We generally fund our investment activity through the sale of real estate, property-level financing, our credit facilities, our MRA facilities, senior unsecured notes, convertible or exchangeable securities, and construction loans. From time to time, the Company may issue common or preferred stock, or the Operating Partnership may issue common or preferred units of limited partnership interest. During the year ended December 31, 2018, when compared to the year ended December 31, 2017, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	\$ 29,333
Repayments of our debt obligations	(249,600)
Net distribution to noncontrolling interests	12,532
Other financing activities	(39,155)
Proceeds from stock options exercised and DRSP issuance	5,511
Payment of debt extinguishment costs	(13,918)
Repurchase of common stock	(173,239)
Redemption of preferred stock	(933)
Dividends and distributions paid	20,313
Increase in net cash provided by financing activities	<u>\$ (409,156)</u>

Capitalization

Our authorized capital stock consists of 260,000,000 shares, \$0.01 par value per share, consisting of 160,000,000 shares of common stock, \$0.01 par value per share, 75,000,000 shares of excess stock, at \$0.01 par value per share, and 25,000,000 shares of preferred stock, \$0.01 par value per share. As of December 31, 2018, 83,683,847 shares of common stock and no shares of excess stock were issued and outstanding.

Share Repurchase Program

In August 2016, our Board of Directors approved a share repurchase plan under which we can repurchase up to \$1.0 billion of shares of our common stock. The Board of Directors has since authorized three separate \$500.0 million increases to the size of the share repurchase program in the fourth quarter of 2017, second quarter of 2018, and fourth quarter of 2018, bringing the total program size to \$2.5 billion.

At December 31, 2018 repurchases executed under the plan were as follows:

Period	Shares repurchased	Average price paid per share	Cumulative number of shares repurchased as part of the repurchase plan or programs
Year ended 2017	8,342,411	\$101.64	8,342,411
First quarter 2018	3,653,928	\$97.07	11,996,339
Second quarter 2018	3,479,552	\$97.22	15,475,891
Third quarter 2018	252,947	\$99.75	15,728,838
Fourth quarter 2018	2,358,484	\$93.04	18,087,322

At-The-Market Equity Offering Program

In March 2015, the Company, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$300.0 million of our common stock. The Company did not make any sales of its common stock under the ATM program in the years ended December 31, 2018, 2017, or 2016.

Dividend Reinvestment and Stock Purchase Plan ("DRSPP")

In February 2018, the Company filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRSPP, which automatically became effective upon filing. The Company registered 3,500,000 shares of our common stock under the DRSPP. The DRSPP commenced on September 24, 2001.

The following table summarizes SL Green common stock issued, and proceeds received from dividend reinvestments and/or stock purchases under the DRSPP for the years ended December 31, 2018, 2017, and 2016, respectively (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Shares of common stock issued	1,399	2,141	2,687
Dividend reinvestments/stock purchases under the DRSPP	\$ 136	\$ 223	\$ 277

Fourth Amended and Restated 2005 Stock Option and Incentive Plan

The Fourth Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by the Company's board of directors in April 2016 and its stockholders in June 2016 at the Company's annual meeting of stockholders. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 27,030,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the 2005 Plan. As of December 31, 2018, 6.7 million fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units.

2014 Outperformance Plan

In August 2014, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2014 Outperformance Plan, or the 2014 Outperformance Plan. Participants in the 2014 Outperformance Plan could earn, in the aggregate, up to 610,000 LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2014. Under the 2014 Outperformance Plan, two-thirds of the LTIP Units were subject to performance based vesting based on the Company's absolute total return to stockholders and one-third of the LTIP Units were subject to performance based vesting based on relative total return to stockholders compared to the constituents of the MSCI REIT Index. LTIP Units earned under the 2014 Outperformance Plan were to be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2017 and the remaining 50% vesting on August 31, 2018, subject to continued employment with us through such dates. Participants were not entitled to distributions with respect to LTIP Units granted under the 2014 Outperformance Plan unless and until they are earned. If LTIP Units were earned, each participant would have been entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of cash or additional LTIP Units. Thereafter, distributions were to be paid currently with respect to all earned LTIP Units, whether vested or unvested.

Based on our performance, none of the LTIP Units granted under the 2014 Outperformance Plan were earned pursuant to the terms of the 2014 Outperformance Plan, and all units issued were forfeited in 2017.

The cost of the 2014 Outperformance Plan (\$27.9 million subject to forfeitures), based on the portion of the 2014 Outperformance Plan granted prior to termination, was amortized into earnings through December 31, 2017. We recorded zero compensation expense during the year ended December 31, 2018, and compensation expense of \$13.6 million and \$8.4 million during the years ended December 31, 2017 and 2016, respectively, related to the 2014 Outperformance Plan.

Deferred Compensation Plan for Directors

Under our Non-Employee Director's Deferral Program, which commenced July 2004, the Company's non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees, meeting fees and annual stock grant. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The program provides that a director's phantom stock units generally will be settled in an equal number of shares of common stock upon the earlier of (i) the January 1 coincident with or the next following such director's termination of service from the Board of Directors or (ii) a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of our common stock on the first business day of the respective quarter. Each participating non-employee director is also credited with dividend equivalents or phantom stock units based on the dividend rate for each quarter, which are either paid in cash currently or credited to the director's account as additional phantom stock units.

During the year ended December 31, 2018, 13,638 phantom stock units were earned and 9,459 shares of common stock were issued to our board of directors. We recorded compensation expense of \$2.4 million during the year ended December 31, 2018 related to the Deferred Compensation Plan. As of December 31, 2018, there were 113,492 phantom stock units outstanding pursuant to our Non-Employee Director's Deferral Program.

Employee Stock Purchase Plan

In 2007, the Company's board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase the Company's shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. The Company filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2018, 116,368 shares of our common stock had been issued under the ESPP.

Indebtedness

The table below summarizes our consolidated mortgages and other loans payable, 2017 credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2018 and 2017, (amounts in thousands).

	December 31,	
	2018	2017
Debt Summary:		
Balance		
Fixed rate	\$ 2,543,476	\$ 3,805,165
Variable rate—hedged	1,000,000	500,000
Total fixed rate	3,543,476	4,305,165
Total variable rate	2,048,442	1,605,431
Total debt	\$ 5,591,918	\$ 5,910,596
Debt, preferred equity, and other investments subject to variable rate	1,299,390	1,325,166
Net exposure to variable rate debt	749,052	280,265
Percent of Total Debt:		
Fixed rate	63.4%	72.8%
Variable rate	36.6%	27.2%
Total	100.0%	100.0%
Effective Interest Rate for the Year:		
Fixed rate	4.34%	4.31%
Variable rate	3.57%	2.76%
Effective interest rate	4.06%	4.00%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (2.50% and 1.56% at December 31, 2018 and 2017, respectively). Our consolidated debt at December 31, 2018 had a weighted average term to maturity of 4.66 years.

Certain of our debt and preferred equity investments, with a carrying value of \$1.3 billion at December 31, 2018, are variable rate investments, which mitigate our exposure to interest rate changes on our unhedged variable rate debt.

Mortgage Financing

As of December 31, 2018, our total mortgage debt (excluding our share of joint venture mortgage debt of \$3.8 billion) consisted of \$1.4 billion of fixed rate debt, including swapped variable rate debt, with an effective weighted average interest rate of 4.26% and \$0.6 billion of variable rate debt with an effective weighted average interest rate of 4.87%.

Corporate Indebtedness

2017 Credit Facility

In November 2017, we entered into an amendment to the credit facility, referred to as the 2017 credit facility, that was originally entered into by the Company in November 2012, or the 2012 credit facility. As of December 31, 2018, the 2017 credit facility consisted of a \$1.5 billion revolving credit facility, a \$1.3 billion term loan (or "Term Loan A"), and a \$200.0 million term loan (or "Term Loan B") with maturity dates of March 31, 2022, March 31, 2023, and November 21, 2024, respectively. The revolving credit facility has two six-month as-of-right extension options to March 31, 2023. We also have an option, subject to customary conditions, to increase the capacity of the credit facility to \$4.5 billion at any time prior to the maturity dates for the revolving credit facility and term loans without the consent of existing lenders, by obtaining additional commitments from our existing lenders and other financial institutions.

As of December 31, 2018, the 2017 credit facility bore interest at a spread over 30-day LIBOR ranging from (i) 82.5 basis points to 155 basis points for loans under the revolving credit facility, (ii) 90 basis points to 175 basis points for loans under Term Loan A, and (iii) 150 basis points to 245 basis points for loans under Term Loan B, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of the Company.

At December 31, 2018, the applicable spread was 100 basis points for the revolving credit facility, 110 basis points for Term Loan A, and 165 basis points for Term Loan B. We are required to pay quarterly in arrears a 12.5 to 30 basis point facility fee on

the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of the Company. As of December 31, 2018, the facility fee was 20 basis points.

As of December 31, 2018, we had \$11.8 million of outstanding letters of credit, \$500.0 million drawn under the revolving credit facility and \$1.5 billion outstanding under the term loan facilities, with total undrawn capacity of \$1.0 billion under the 2017 credit facility. At December 31, 2018 and December 31, 2017, the revolving credit facility had a carrying value of \$492.2 million and \$30.3 million, respectively, net of deferred financing costs. At December 31, 2018 and December 31, 2017, the term loan facilities had a carrying value of \$1.5 billion and \$1.5 billion, respectively, net of deferred financing costs.

The Company and the Operating Partnership are borrowers jointly and severally obligated under the 2017 credit facility.

The 2017 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

Federal Home Loan Bank of New York Facility

The Company's wholly-owned subsidiary, Ticonderoga Insurance Company, or Ticonderoga, a Vermont licensed captive insurance company, is a member of the Federal Home Loan Bank of New York, or FHLB NY. As a member, Ticonderoga may borrow funds from the FHLB NY in the form of secured advances. As of December 31, 2018, we had \$13.0 million and \$14.5 million in outstanding secured advances with a borrowing rate of 30-day LIBOR over 27 basis points and 30-day LIBOR over 18 basis points, respectively.

Master Repurchase Agreements

The Company has entered into two Master Repurchase Agreements, or MRAs, known as the 2016 MRA and 2017 MRA, which provide us with the ability to sell certain debt investments with a simultaneous agreement to repurchase the same at a certain date or on demand. We seek to mitigate risks associated with our repurchase agreement by managing the credit quality of our assets, early repayments, interest rate volatility, liquidity, and market value. The margin call provisions under our repurchase facilities permit valuation adjustments based on capital markets activity, and are not limited to collateral-specific credit marks. To monitor credit risk associated with our debt investments, our asset management team regularly reviews our investment portfolio and is in contact with our borrowers in order to monitor the collateral and enforce our rights as necessary. The risk associated with potential margin calls is further mitigated by our ability to recollateralize the facility with additional assets from our portfolio of debt investments, our ability to satisfy margin calls with cash or cash equivalents and our access to additional liquidity through the 2017 credit facility, as defined above.

In June 2017, we entered into the 2017 MRA, with a maximum facility capacity of \$300.0 million. In April 2018, we increased the maximum facility capacity to \$400.0 million. The facility bears interest on a floating rate basis at a spread to 30-day LIBOR based on the pledged collateral and advance rate and has an initial one year term, with two one year extension options. In June 2018, we exercised a one year extension option. At December 31, 2018, the facility had a carrying value of \$299.6 million, net of deferred financing costs.

In July 2016, we entered into a restated 2016 MRA, with a maximum facility capacity of \$300.0 million. In June 2018, we terminated the restated 2016 MRA. The facility bore interest ranging from 225 and 400 basis points over 30-day LIBOR depending on the pledged collateral and had an initial two-year term, with a one year extension option. Since December 6, 2015, we had been required to pay monthly in arrears a 25 basis point fee on the excess of \$150.0 million over the average daily balance during the period when the average daily balance was less than \$150.0 million.

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures as of December 31, 2018 and 2017, respectively, by scheduled maturity date (amounts in thousands):

Issuance	December 31, 2018 Unpaid Principal Balance	December 31, 2018 Accreted Balance	December 31, 2017 Accreted Balance	Interest Rate ⁽¹⁾	Initial Term (in Years)	Maturity Date
March 16, 2010 ⁽²⁾	\$ 250,000	\$ 250,000	\$ 250,000	7.75%	10	March 2020
August 7, 2018 ⁽³⁾⁽⁴⁾	350,000	350,000	—	L+ 0.98%	3	August 2021
October 5, 2017 ⁽³⁾	500,000	499,591	499,489	3.25%	5	October 2022
November 15, 2012 ⁽⁵⁾	300,000	304,168	305,163	4.50%	10	December 2022
December 17, 2015 ⁽²⁾	100,000	100,000	100,000	4.27%	10	December 2025
August 5, 2011 ⁽²⁾⁽⁶⁾	—	—	249,953			
	<u>\$ 1,500,000</u>	<u>\$ 1,503,759</u>	<u>\$ 1,404,605</u>			
Deferred financing costs, net		(8,545)	(8,666)			
	<u>\$ 1,500,000</u>	<u>\$ 1,495,214</u>	<u>\$ 1,395,939</u>			

(1) Interest rate as of December 31, 2018, taking into account interest rate hedges in effect during the period. Floating rate notes are presented with the stated spread over 3-month LIBOR, unless otherwise specified. Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.

(2) Issued by the Company and the Operating Partnership as co-obligors.

(3) Issued by the Operating Partnership with the Company as the guarantor.

(4) Beginning on August 8, 2019 and at any time thereafter, the notes are subject to redemption at the Company's option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes, plus unpaid accrued interest thereon to the redemption date.

(5) In October 2017, the Company and the Operating Partnership as co-obligors issued an additional \$100.0 million of 4.50% senior unsecured notes due December 2022. The notes were priced at 105.334%.

(6) The balance was repaid in August 2018.

Restrictive Covenants

The terms of the 2017 credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends, make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable the Company to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2018 and 2017, we were in compliance with all such covenants.

Junior Subordinated Deferrable Interest Debentures

In June 2005, the Company and the Operating Partnership issued \$100.0 million in unsecured trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of the Operating Partnership. The securities mature in 2035 and bear interest at a floating rate of 125 basis points over the three-month LIBOR. Interest payments may be deferred for a period of up to eight consecutive quarters if the Operating Partnership exercises its right to defer such payments. The Trust preferred securities are redeemable at the option of the Operating Partnership, in whole or in part, with no prepayment premium. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our consolidated balance sheets and the related payments are classified as interest expense.

Interest Rate Risk

We are exposed to changes in interest rates primarily from our variable rate debt. Our exposure to interest rate fluctuations are managed through either the use of interest rate derivative instruments and/or through our variable rate debt and preferred equity investments. Based on the debt outstanding as of December 31, 2018, a hypothetical 100 basis point increase in the floating rate interest rate curve would increase our consolidated annual interest cost, net of interest income from variable rate debt and preferred equity investments, by \$7.1 million and would increase our share of joint venture annual interest cost by \$14.3 million. At December 31, 2018, 61.9% of our \$2.1 billion debt and preferred equity portfolio is indexed to LIBOR.

We recognize most derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If a derivative is considered a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Our long-term debt of \$3.5 billion bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. Our variable rate debt and variable rate joint venture debt as of December 31, 2018 bore interest at rates between LIBOR plus 18 basis points and LIBOR plus 340 basis points.

Contractual Obligations

The combined aggregate principal maturities of mortgages and other loans payable, the 2017 credit facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options and put options, estimated interest expense, and our obligations under our capital lease and ground leases, as of December 31, 2018 are as follows (in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Property mortgages and other loans	\$ 6,241	\$ 26,640	\$ 151,505	\$ 208,017	\$ 122,851	\$ 1,145,405	\$ 1,660,659
MRA and FHLB facilities	27,500	300,000	—	—	—	—	327,500
Revolving credit facility	—	—	—	—	500,000	—	500,000
Unsecured term loans	—	—	—	—	1,300,000	200,000	1,500,000
Senior unsecured notes	—	250,000	350,000	800,000	—	100,000	1,500,000
Trust preferred securities	—	—	—	—	—	100,000	100,000
Capital lease	2,411	2,620	2,794	2,794	2,794	817,100	830,513
Ground leases	31,066	31,436	31,628	29,472	27,166	676,090	826,858
Estimated interest expense	222,554	196,142	185,017	150,712	81,781	193,794	1,030,000
Joint venture debt	115,295	278,791	518,371	220,810	277,996	2,430,198	3,841,461
Total	<u>\$ 405,067</u>	<u>\$ 1,085,629</u>	<u>\$ 1,239,315</u>	<u>\$ 1,411,805</u>	<u>\$ 2,312,588</u>	<u>\$ 5,662,587</u>	<u>\$ 12,116,991</u>

Off-Balance Sheet Arrangements

We have off-balance sheet investments, including joint ventures and debt and preferred equity investments. These investments all have varying ownership structures. Substantially all of our joint venture arrangements are accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control, over the operating and financial decisions of these joint venture arrangements. Our off-balance sheet arrangements are discussed in Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying consolidated financial statements.

Capital Expenditures

We estimate that for the year ending December 31, 2019, we expect to incur \$151.1 million of recurring capital expenditures and \$65.2 million of development or redevelopment expenditures on existing consolidated properties, and our share of capital expenditures at our joint venture properties will be \$449.6 million. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect to fund these capital expenditures with operating cash flow, existing liquidity, or incremental borrowings. We expect our capital needs over the next twelve months and thereafter will be met through a combination of cash on hand, net cash provided by operations, potential asset sales, borrowings or additional equity or debt issuances.

Dividends/Distributions

We expect to pay dividends to our stockholders based on the distributions we receive from our Operating Partnership primarily from property revenues net of operating expenses or, if necessary, from working capital.

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of \$3.40 per share, we would pay \$298.6 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for

Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under the 2017 credit facility and senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Alliance Building Services, or Alliance, and its affiliates are partially owned by Gary Green, a son of Stephen L. Green, who serves as a member and as the chairman emeritus of our board of directors, and provide services to certain properties owned by us. Alliance's affiliates include First Quality Maintenance, L.P., or First Quality, Classic Security LLC, Bright Star Couriers LLC and Onyx Restoration Works, and provide cleaning, extermination, security, messenger, and restoration services, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements.

Income earned from the profit participation, which is included in other income on the consolidated statements of operations, was \$3.9 million, \$3.9 million and \$3.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

We also recorded expenses, inclusive of capitalized expenses, of \$18.8 million, \$22.6 million and \$23.4 million the years ended December 31, 2018, 2017 and 2016, respectively, for these services (excluding services provided directly to tenants).

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. We received management fees from this entity of \$0.6 million, \$0.5 million and \$0.7 million for the years ended December 31, 2018, 2017, and 2016 respectively.

One Vanderbilt Investment

In December 2016, we entered into agreements with entities owned and controlled by Marc Holliday and Andrew Mathias, pursuant to which they agreed to make an investment in our One Vanderbilt project at the appraised fair market value for the interests acquired. This investment entitles these entities to receive approximately 1.50% - 1.80% and 1.00% - 1.20%, respectively, of any profits realized by the Company from its One Vanderbilt project in excess of the Company's capital contributions. The entities have no right to any return of capital. Accordingly, subject to previously disclosed repurchase rights, these interests will have no value and will not entitle these entities to any amounts (other than limited distributions to cover tax liabilities incurred) unless and until the Company has received distributions from the One Vanderbilt project in excess of the Company's aggregate investment in the project. In the event that the Company does not realize a profit on its investment in the project (or would not realize a profit based on the value at the time the interests are repurchased), the entities owned and controlled by Messrs. Holliday and Mathias will lose the entire amount of their investment. The entities owned and controlled by Messrs. Holliday and Mathias paid \$1.4 million and \$1.0 million, respectively, which equal the fair market value of the interests acquired as of the date the investment agreements were entered into as determined by an independent third party appraisal that we obtained.

Messrs. Holliday and Mathias cannot monetize their interests until after stabilization of the property (50% within three years after stabilization and 100% three years or more after stabilization). In addition, the agreement calls for us to repurchase these interests in the event of a sale of One Vanderbilt or a transactional change of control of the Company. We also have the right to repurchase these interests on the seven-year anniversary of the stabilization of the project or upon the occurrence of certain separation events prior to the stabilization of the project relating to each of Messrs. Holliday's and Mathias's continued service with us. The price paid upon monetization of the interests will equal the liquidation value of the interests at the time, with the value of One Vanderbilt being based on its sale price, if applicable, or fair market value as determined by an independent third party appraiser.

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism, excluding nuclear, biological, chemical, and radiological terrorism ("NBCR")), within three property insurance programs and liability insurance. Separate property and liability coverage may be purchased on a stand-alone basis for certain assets, such as the development of One Vanderbilt. Additionally, one of our captive insurance companies, Belmont Insurance Company, or Belmont, provides coverage for NBCR terrorist acts above a specified trigger. Belmont's retention is reinsured by our other captive insurance company, Ticonderoga Insurance Company ("Ticonderoga"). If Belmont or Ticonderoga are required to pay a claim under our insurance policies, we would ultimately record the loss to the extent of required payments. However, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. Further, if we experience losses that are uninsured or that exceed policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. Additionally, our debt instruments contain customary covenants requiring us to maintain insurance and we could default under debt our instruments if the cost and/or availability of certain types of insurance make it impractical or impossible to comply with such covenants relating to insurance. Belmont and Ticonderoga provide coverage solely on properties owned by the Company or its affiliates.

Furthermore, with respect to certain of our properties, including properties held by joint ventures, or subject to triple net leases, insurance coverage is obtained by a third-party and we do not control the coverage. While we may have agreements with such third parties to maintain adequate coverage and we monitor these policies, such coverage ultimately may not be maintained or adequately cover our risk of loss.

Funds from Operations

FFO is a widely recognized non-GAAP financial measure of REIT performance. The Company computes FFO in accordance with standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than the Company does. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and subsequently amended, defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

The Company presents FFO because it considers it an important supplemental measure of the Company's operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. The Company also uses FFO as one of several criteria to determine performance-based bonuses for members of its senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions, and real estate related impairment charges, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, and interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including our ability to make cash distributions.

FFO for the years ended December 31, 2018, 2017, and 2016 are as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Net income attributable to SL Green common stockholders	\$ 232,312	\$ 86,424	\$ 234,946
Add:			
Depreciation and amortization	279,507	403,320	821,041
Joint venture depreciation and noncontrolling interest adjustments	187,147	102,334	69,853
Net income (loss) attributable to noncontrolling interests	12,210	(11,706)	17,780
Less:			
(Loss) gain on sale of real estate and discontinued operations	(30,757)	73,241	238,116
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	303,967	16,166	44,009
Purchase price and other fair value adjustment	57,385	—	—
Depreciable real estate reserves and impairment	(227,543)	(178,520)	(10,387)
Depreciation on non-rental real estate assets	2,404	2,191	2,027
Funds from Operations attributable to SL Green common stockholders and noncontrolling interests	\$ 605,720	\$ 667,294	\$ 869,855
Cash flows provided by operating activities	\$ 441,537	\$ 543,001	\$ 644,010
Cash flows provided by investing activities	\$ 681,662	\$ 22,014	\$ 1,973,382
Cash flows used in by financing activities	\$ (1,094,112)	\$ (684,956)	\$ (2,736,402)

Inflation

Substantially all of our office leases provide for separate real estate tax and operating expense escalations as well as operating expense recoveries based on increases in the Consumer Price Index or other measures such as porters' wage. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases will be at least partially offset by the contractual rent increases and expense escalations described above.

Accounting Standards Updates

The Accounting Standards Updates are discussed in Note 2, "Significant Accounting Policies - Accounting Standards Updates" in the accompanying consolidated financial statements.

Forward-Looking Information

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provisions thereof. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), development trends of the real estate industry and the New York metropolitan area markets, business strategies, expansion and growth of our operations and other similar matters, are forward-looking statements. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate.

Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially, and we caution you not to place undue reliance on such statements. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or the negative of these words, or other similar words or terms.

Forward-looking statements contained in this report are subject to a number of risks and uncertainties that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by forward-looking statements made by us. These risks and uncertainties include:

- the effect of general economic, business and financial conditions, and their effect on the New York City real estate market in particular;
- dependence upon certain geographic markets;
- risks of real estate acquisitions, dispositions, development and redevelopment, including the cost of construction delays and cost overruns;

- risks relating to debt and preferred equity investments;
- availability and creditworthiness of prospective tenants and borrowers;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants or borrowers;
- adverse changes in the real estate markets, including reduced demand for office space, increasing vacancy, and increasing availability of sublease space;
- availability of capital (debt and equity);
- unanticipated increases in financing and other costs, including a rise in interest rates;
- our ability to comply with financial covenants in our debt instruments;
- our ability to maintain our status as a REIT;
- risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;
- the threat of terrorist attacks;
- our ability to obtain adequate insurance coverage at a reasonable cost and the potential for losses in excess of our insurance coverage, including as a result of environmental contamination; and
- legislative, regulatory and/or safety requirements adversely affecting REITs and the real estate business including costs of compliance with the Americans with Disabilities Act, the Fair Housing Act and other similar laws and regulations.

Other factors and risks to our business, many of which are beyond our control, are described in other sections of this report and in our other filings with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Rate Risk" for additional information regarding our exposure to interest rate fluctuations.

The table below presents the principal cash flows based upon maturity dates of our debt obligations and debt and preferred equity investments and the weighted-average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2018 (in thousands):

	Long-Term Debt				Debt and Preferred Equity Investments ⁽¹⁾	
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate	Amount	Weighted Yield
2019	\$ 6,241	4.08%	\$ 27,500	4.04%	\$ 442,557	10.31%
2020	261,117	3.87%	315,523	3.79%	1,273,679	8.21%
2021	11,636	3.83%	489,869	3.73%	26,471	9.54%
2022	1,008,017	3.82%	—	4.00%	204,790	11.46%
2023	1,007,301	4.08%	915,550	4.38%	42,706	8.55%
Thereafter	1,245,405	4.29%	300,000	4.45%	109,190	8.46%
Total	<u>\$ 3,539,717</u>	<u>3.92%</u>	<u>\$ 2,048,442</u>	<u>3.92%</u>	<u>\$ 2,099,393</u>	<u>9.01%</u>
Fair Value	<u>\$ 3,230,127</u>		<u>\$ 2,057,966</u>			

(1) Our debt and preferred equity investments had an estimated fair value ranging between \$2.1 billion and \$2.3 billion at December 31, 2018.

The table below presents the principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the weighted-average interest rates by expected maturity dates as of December 31, 2018 (in thousands):

	Long Term Debt			
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
2019	\$ 106,255	4.16%	\$ 9,040	4.47%
2020	11,236	4.16%	267,555	4.45%
2021	11,730	4.16%	506,641	4.41%
2022	220,779	4.12%	31	4.70%
2023	271,064	3.95%	6,932	5.13%
Thereafter	1,719,845	3.91%	710,353	5.27%
Total	<u>\$ 2,340,909</u>	<u>4.12%</u>	<u>\$ 1,500,552</u>	<u>4.55%</u>
Fair Value	<u>\$ 2,327,716</u>		<u>\$ 1,510,470</u>	

The table below lists our consolidated derivative instruments, which are hedging variable rate debt, and their related fair values as of December 31, 2018 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	Credit Facility	LIBOR	\$ 200,000	1.131%	July 2016	July 2023	\$ 11,148
Interest Rate Swap	Credit Facility	LIBOR	100,000	1.161%	July 2016	July 2023	5,447
Interest Rate Cap	Mortgage	LIBOR	137,500	4.000%	September 2017	September 2019	—
Interest Rate Swap	Credit Facility	LIBOR	100,000	1.928%	December 2017	November 2020	1,045
Interest Rate Swap	Credit Facility	LIBOR	100,000	1.934%	December 2017	November 2020	1,035
Interest Rate Swap	Credit Facility	LIBOR	150,000	2.696%	January 2019	January 2024	(1,858)
Interest Rate Swap	Credit Facility	LIBOR	150,000	2.721%	January 2019	January 2026	(2,450)
Interest Rate Swap	Credit Facility	LIBOR	200,000	2.740%	January 2019	January 2026	(3,354)
Total Consolidated Hedges							<u>\$ 11,013</u>

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps represented in aggregate an asset of \$7.0 million at December 31, 2018. We also swapped certain floating rate debt at some of our joint ventures. These swaps represented in aggregate an asset of \$11.1 million at December 31, 2018.

SL Green Realty Corp.
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2018	December 31, 2017
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 1,774,899	\$ 2,357,051
Building and improvements	5,268,484	6,351,012
Building leasehold and improvements	1,423,107	1,450,614
Properties under capital lease	47,445	47,445
	<u>8,513,935</u>	<u>10,206,122</u>
Less: accumulated depreciation	(2,099,137)	(2,300,116)
	<u>6,414,798</u>	<u>7,906,006</u>
Assets held for sale	—	338,354
Cash and cash equivalents	129,475	127,888
Restricted cash	149,638	122,138
Investments in marketable securities	28,638	28,579
Tenant and other receivables, net of allowance of \$15,702 and \$18,637 in 2018 and 2017, respectively	41,589	57,644
Related party receivables	28,033	23,039
Deferred rents receivable, net of allowance of \$15,457 and \$17,207 in 2018 and 2017, respectively	335,985	365,337
Debt and preferred equity investments, net of discounts and deferred origination fees of \$22,379 and \$25,507 in 2018 and 2017, respectively, and allowance of \$5,750 in 2018	2,099,393	2,114,041
Investments in unconsolidated joint ventures	3,019,020	2,362,989
Deferred costs, net	209,110	226,201
Other assets	295,679	310,688
Total assets ⁽¹⁾	<u>\$ 12,751,358</u>	<u>\$ 13,982,904</u>
Liabilities		
Mortgages and other loans payable, net	\$ 1,961,240	\$ 2,837,282
Revolving credit facility, net	492,196	30,336
Unsecured term loans, net	1,493,051	1,491,575
Unsecured notes, net	1,495,214	1,395,939
Accrued interest payable	23,154	38,142
Other liabilities	116,566	188,005
Accounts payable and accrued expenses	147,060	137,142
Deferred revenue	94,453	208,119
Capital lease obligations	43,616	42,843
Deferred land leases payable	3,603	3,239
Dividend and distributions payable	80,430	85,138
Security deposits	64,688	67,927
Liabilities related to assets held for sale	—	4,074
Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities ⁽¹⁾	<u>6,115,271</u>	<u>6,629,761</u>
Commitments and contingencies		
Noncontrolling interests in Operating Partnership	387,805	461,954
Preferred units	300,427	301,735

SL Green Realty Corp.
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2018	December 31, 2017
Equity		
SL Green stockholders' equity:		
Series I Preferred Stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at both December 31, 2018 and 2017	221,932	221,932
Common stock, \$0.01 par value, 160,000 shares authorized and 84,739 and 93,858 issued and outstanding at December 31, 2018 and 2017, respectively (including 1,055 and 1,055 shares held in treasury at December 31, 2018 and 2017, respectively)	847	939
Additional paid-in-capital	4,508,685	4,968,338
Treasury stock at cost	(124,049)	(124,049)
Accumulated other comprehensive income	15,108	18,604
Retained earnings	1,278,998	1,139,329
Total SL Green stockholders' equity	<u>5,901,521</u>	<u>6,225,093</u>
Noncontrolling interests in other partnerships	46,334	364,361
Total equity	<u>5,947,855</u>	<u>6,589,454</u>
Total liabilities and equity	<u>\$ 12,751,358</u>	<u>\$ 13,982,904</u>

⁽¹⁾ The Company's consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 2. The consolidated balance sheets include the following amounts related to our consolidated VIEs, excluding the Operating Partnership: \$110.0 million and \$398.0 million of land, \$0.3 billion and \$1.4 billion of building and improvements, \$2.0 million and \$2.0 million of building and leasehold improvements, \$47.4 million and \$47.4 million of properties under capital lease, \$42.2 million and \$330.9 million of accumulated depreciation, \$721.3 million and \$221.0 million of other assets included in other line items, \$140.8 million and \$628.9 million of real estate debt, net, \$0.4 million and \$2.5 million of accrued interest payable, \$43.6 million and \$42.8 million of capital lease obligations, and \$18.4 million and \$56.8 million of other liabilities included in other line items as of December 31, 2018 and December 31, 2017, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Realty Corp.
Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Rental revenue, net	\$ 864,978	\$ 1,100,993	\$ 1,323,767
Escalation and reimbursement	113,596	172,939	196,858
Investment income	201,492	193,871	213,008
Other income	47,326	43,670	130,348
Total revenues	<u>1,227,392</u>	<u>1,511,473</u>	<u>1,863,981</u>
Expenses			
Operating expenses, including \$17,823 in 2018, \$21,400 in 2017, \$21,890 in 2016 of related party expenses	229,347	293,364	312,859
Real estate taxes	186,351	244,323	248,388
Ground rent	32,965	33,231	33,261
Interest expense, net of interest income	208,669	257,045	321,199
Amortization of deferred financing costs	12,408	16,498	24,564
Depreciation and amortization	279,507	403,320	821,041
Loan loss and other investment reserves, net of recoveries	6,839	—	—
Transaction related costs	1,099	(1,834)	7,528
Marketing, general and administrative	92,631	100,498	99,759
Total expenses	<u>1,049,816</u>	<u>1,346,445</u>	<u>1,868,599</u>
Equity in net income from unconsolidated joint ventures	7,311	21,892	11,874
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	303,967	16,166	44,009
Purchase price and other fair value adjustment	57,385	—	—
(Loss) gain on sale of real estate, net	(30,757)	73,241	238,116
Depreciable real estate reserves and impairment	(227,543)	(178,520)	(10,387)
Gain (loss) on sale of investment in marketable securities	—	3,262	(83)
Loss on early extinguishment of debt	(17,083)	—	—
Net income	<u>270,856</u>	<u>101,069</u>	<u>278,911</u>
Net (income) loss attributable to noncontrolling interests:			
Noncontrolling interests in the Operating Partnership	(12,216)	(3,995)	(10,136)
Noncontrolling interests in other partnerships	6	15,701	(7,644)
Preferred units distributions	(11,384)	(11,401)	(11,235)
Net income attributable to SL Green	<u>247,262</u>	<u>101,374</u>	<u>249,896</u>
Preferred stock redemption costs	—	—	—
Perpetual preferred stock dividends	(14,950)	(14,950)	(14,950)
Net income attributable to SL Green common stockholders	<u>\$ 232,312</u>	<u>\$ 86,424</u>	<u>\$ 234,946</u>
Basic earnings per share:	\$ 2.67	\$ 0.87	\$ 2.34
Diluted earnings per share:	\$ 2.67	\$ 0.87	\$ 2.34
Basic weighted average common shares outstanding	86,753	98,571	100,185
Diluted weighted average common shares and common share equivalents outstanding	91,530	103,403	104,881

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Realty Corp.
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 270,856	\$ 101,069	\$ 278,911
Other comprehensive income:			
Change in net unrealized (loss) gain on derivative instruments, including SL Green's share of joint venture net unrealized (loss) gain on derivative instruments	(3,622)	1,040	28,508
Change in unrealized gain (loss) on marketable securities	60	(4,667)	3,677
Other comprehensive (loss) income	<u>(3,562)</u>	<u>(3,627)</u>	<u>32,185</u>
Comprehensive income	<u>267,294</u>	<u>97,442</u>	<u>311,096</u>
Net (income) loss attributable to noncontrolling interests and preferred units distributions	(23,594)	305	(29,015)
Other comprehensive income (loss) attributable to noncontrolling interests	66	94	(1,299)
Comprehensive income attributable to SL Green	<u>\$ 243,766</u>	<u>\$ 97,841</u>	<u>\$ 280,782</u>

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Realty Corp.
Consolidated Statements of Equity
(in thousands, except per share data)

SL Green Realty Corp. Stockholders									
	Common Stock					Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
	Series I Preferred Stock	Shares	Par Value	Additional Paid- In-Capital	Treasury Stock				
Balance at December 31, 2015	\$ 221,932	99,976	\$1,001	\$5,439,735	\$ (10,000)	\$ (8,749)	\$1,643,546	\$ 431,852	\$7,719,317
Net income							249,896	7,644	257,540
Other comprehensive income						30,886			30,886
Preferred dividends							(14,950)		(14,950)
DRSPP proceeds		2		277					277
Conversion of units in the Operating Partnership to common stock		295	3	31,803					31,806
Reallocation of noncontrolling interest in the Operating Partnership							(4,222)		(4,222)
Deferred compensation plan and stock awards, net of forfeitures and tax withholdings		96	1	23,901					23,902
Issuance of common stock			10	113,999	(114,049)				(40)
Proceeds from stock options exercised		193	2	14,830					14,832
Contributions to consolidated joint venture interests								2,359	2,359
Cash distributions to noncontrolling interests								(15,419)	(15,419)
Cash distributions declared (\$2.94 per common share, none of which represented a return of capital for federal income tax purposes)							(295,377)		(295,377)
Balance at December 31, 2016	221,932	100,562	1,017	5,624,545	(124,049)	22,137	1,578,893	426,436	7,750,911
Net income (loss)							101,374	(15,701)	85,673
Other comprehensive loss						(3,533)			(3,533)
Preferred dividends							(14,950)		(14,950)
DRSPP proceeds		2		223					223
Conversion of units in the Operating Partnership to common stock		202	2	21,572					21,574
Reallocation of noncontrolling interest in the Operating Partnership							5,712		5,712
Equity component of repurchased exchangeable senior notes				(109,776)					(109,776)
Deferred compensation plan and stock awards, net of forfeitures and tax withholdings		87	1	29,786					29,787
Repurchases of common stock		(8,342)	(83)	(621,324)			(226,641)		(848,048)
Proceeds from stock options exercised		292	2	23,312					23,314
Contributions to consolidated joint venture interests								36,275	36,275
Deconsolidation of partially owned entity								(30,203)	(30,203)
Cash distributions to noncontrolling interests								(52,446)	(52,446)
Cash distributions declared (\$3.1375 per common share, none of which represented a return of capital for federal income tax purposes)							(305,059)		(305,059)
Balance at December 31, 2017	221,932	92,803	939	4,968,338	(124,049)	18,604	1,139,329	364,361	6,589,454
Cumulative adjustment upon adoption of ASC 610-20							570,524		570,524

SL Green Realty Corp.
Consolidated Statements of Equity
(in thousands, except per share data)

SL Green Realty Corp. Stockholders									
	Common Stock					Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
	Series I Preferred Stock	Shares	Par Value	Additional Paid- In-Capital	Treasury Stock				
Balance at January 1, 2018	221,932	92,803	939	4,968,338	(124,049)	18,604	1,709,853	364,361	7,159,978
Net income (loss)							247,262	(6)	247,256
Other comprehensive loss						(3,496)			(3,496)
Preferred dividends							(14,950)		(14,950)
DRSPP proceeds		1		136					136
Conversion of units in the Operating Partnership to common stock		160	2	16,301					16,303
Reallocation of noncontrolling interest in the Operating Partnership							34,236		34,236
Deferred compensation plan and stock awards, net of forfeitures and tax withholdings		149	1	17,483					17,484
Repurchases of common stock		(9,745)	(98)	(522,482)			(415,215)		(937,795)
Proceeds from stock options exercised		316	3	28,909					28,912
Contributions to consolidated joint venture interests								5,459	5,459
Deconsolidation of partially owned entity								(315,116)	(315,116)
Cash distributions to noncontrolling interests								(8,364)	(8,364)
Cash distributions declared (\$3.2875 per common share, none of which represented a return of capital for federal income tax purposes)							(282,188)		(282,188)
Balance at December 31, 2018	\$ 221,932	83,684	\$ 847	\$4,508,685	\$ (124,049)	\$ 15,108	\$1,278,998	\$ 46,334	\$5,947,855

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Realty Corp.
Consolidated Statements of Cash Flows
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net income	\$ 270,856	\$ 101,069	\$ 278,911
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	291,915	419,818	845,605
Equity in net income from unconsolidated joint ventures	(7,311)	(21,892)	(11,874)
Distributions of cumulative earnings from unconsolidated joint ventures	10,277	20,309	24,337
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(303,967)	(16,166)	(44,009)
Purchase price and other fair value adjustment	(57,385)	—	—
Depreciable real estate reserves and impairment	227,543	178,520	10,387
Loss (gain) on sale of real estate, net	30,757	(73,241)	(238,116)
Loan loss reserves and other investment reserves, net of recoveries	6,839	—	—
(Gain) loss on sale of investments in marketable securities	—	(3,262)	83
Loss on early extinguishment of debt	17,083	—	—
Deferred rents receivable	(18,216)	(38,009)	26,716
Other non-cash adjustments ⁽¹⁾	2,932	19,621	(152,428)
Changes in operating assets and liabilities:			
Tenant and other receivables	6,968	(5,717)	4,780
Related party receivables	(1,044)	(7,209)	(5,183)
Deferred lease costs	(44,158)	(41,939)	(70,707)
Other assets	(8,310)	(23,068)	9,899
Accounts payable, accrued expenses and other liabilities and security deposits	4,410	(12,440)	(35,628)
Deferred revenue and land leases payable	12,348	46,607	1,237
Net cash provided by operating activities	<u>441,537</u>	<u>543,001</u>	<u>644,010</u>
Investing Activities			
Acquisitions of real estate property	(60,486)	(28,680)	(39,890)
Additions to land, buildings and improvements	(254,460)	(336,001)	(411,950)
Investments in unconsolidated joint ventures	(400,429)	(389,249)	(145,375)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	233,118	319,745	196,211
Proceeds from disposition of real estate/joint venture interest	1,231,004	692,796	2,475,954
Proceeds from sale of marketable securities	—	55,129	6,965
Purchases of marketable securities	—	—	(43,341)
Other investments	(38,912)	25,330	7,704
Origination of debt and preferred equity investments	(731,216)	(1,129,970)	(977,413)
Repayments or redemption of debt and preferred equity investments	703,043	812,914	904,517
Net cash provided by investing activities	<u>681,662</u>	<u>22,014</u>	<u>1,973,382</u>

SL Green Realty Corp.
Consolidated Statements of Cash Flows
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Financing Activities			
Proceeds from mortgages and other loans payable	\$ 564,391	\$ 870,459	\$ 408,293
Repayments of mortgages and other loans payable	(868,842)	(902,460)	(1,822,303)
Proceeds from revolving credit facility, term loans and senior unsecured notes	3,120,000	2,784,599	1,325,300
Repayments of revolving credit facility, term loans and senior unsecured notes	(2,560,000)	(2,276,782)	(2,334,604)
Payment of debt extinguishment costs	(13,918)	—	—
Proceeds from stock options exercised and DRSP issuance	29,048	23,537	15,109
Repurchase of common stock	(979,541)	(806,302)	—
Redemption of preferred stock	(1,208)	(275)	(3,299)
Redemption of OP units	(33,972)	—	—
Distributions to noncontrolling interests in other partnerships	(8,364)	(52,446)	(15,419)
Contributions from noncontrolling interests in other partnerships	5,459	36,275	2,359
Distributions to noncontrolling interests in the Operating Partnership	(15,000)	(14,266)	(12,671)
Dividends paid on common and preferred stock	(313,230)	(333,543)	(314,079)
Other obligations related to mortgage loan participations	16	17,227	59,150
Payment of tax withholdings for restricted share awards	(3,842)	(3,879)	(3,162)
Deferred loan costs and capitalized lease obligation	(15,109)	(27,100)	\$ (41,076)
Net cash used in by financing activities	<u>(1,094,112)</u>	<u>(684,956)</u>	<u>(2,736,402)</u>
Net increase (decrease) in cash and cash equivalents	29,087	(119,941)	(119,010)
Cash, restricted cash, and cash equivalents at beginning of year	250,026	369,967	488,977
Cash, restricted cash, and cash equivalents at end of period	<u>\$ 279,113</u>	<u>\$ 250,026</u>	<u>\$ 369,967</u>

⁽¹⁾ Included in Other non-cash adjustments is \$172.4 million for the year ended December 31, 2016 for the amortization of the below-market lease at 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale.

Supplemental cash flow disclosures:

Interest paid	\$ 259,776	\$ 273,819	\$ 344,295
Income taxes paid	\$ 1,418	\$ 2,448	\$ 2,009

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Issuance of units in the operating partnership	—	25,723	78,495
Redemption of units in the operating partnership	16,303	21,574	31,806
Redemption of units in the operating partnership for a joint venture sale	10,445	—	—
Exchange of debt investment for real estate or equity in joint venture	298,956	—	68,581
Issuance of preferred units relating to the real estate acquisition	—	—	22,793
Tenant improvements and capital expenditures payable	—	6,667	15,972
Fair value adjustment to noncontrolling interest in operating partnership	34,236	5,712	4,222
Deconsolidation of a subsidiary ⁽¹⁾	298,404	695,204	1,226,425
Transfer of assets to assets held for sale	—	611,809	2,048,376
Transfer of liabilities related to assets held for sale	—	5,364	1,677,528
Removal of fully depreciated commercial real estate properties	124,249	15,488	31,474
Issuance of SLG's common stock to a consolidated joint venture	—	—	114,049
Share repurchase payable	—	41,746	—

⁽¹⁾ \$366.6 million of the 2017 amount relates to 1515 Broadway. In November 2017, the Company sold a 30.13% interest in 1515 Broadway to affiliates of Allianz Real Estate. The sale did not meet the criteria for sale accounting and as a result the property was accounted for under the profit sharing method. The Company achieved sale accounting upon adoption of ASC 610-20 in January 2018 and closed on the sale of an additional 12.87% interest in the property to Allianz in February 2018. See Note 6, "Investments in Unconsolidated Joint Ventures."

In December 2018, 2017 and 2016, the Company declared quarterly distributions per share of \$0.85, \$0.8125 and \$0.775, respectively. These distributions were paid in January 2019, 2018 and 2017, respectively.

SL Green Realty Corp.
Consolidated Statements of Cash Flows
(in thousands, except per share data)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	Year Ended		
	2018	2017	2016
Cash and cash equivalents	\$ 129,475	\$ 127,888	279,443
Restricted cash	149,638	122,138	90,524
Total cash, cash equivalents, and restricted cash	\$ 279,113	\$ 250,026	\$ 369,967

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Operating Partnership, L.P.
Consolidated Balance Sheets
(in thousands, except per unit data)

	December 31, 2018	December 31, 2017
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 1,774,899	\$ 2,357,051
Building and improvements	5,268,484	6,351,012
Building leasehold and improvements	1,423,107	1,450,614
Property under capital lease	47,445	47,445
	<u>8,513,935</u>	<u>10,206,122</u>
	(2,099,137)	(2,300,116)
	<u>6,414,798</u>	<u>7,906,006</u>
Assets held for sale	—	338,354
Cash and cash equivalents	129,475	127,888
Restricted cash	149,638	122,138
Investments in marketable securities	28,638	28,579
Tenant and other receivables, net of allowance of \$15,702 and \$18,637 in 2018 and 2017, respectively	41,589	57,644
Related party receivables	28,033	23,039
Deferred rents receivable, net of allowance of \$15,457 and \$17,207 in 2018 and 2017, respectively	335,985	365,337
Debt and preferred equity investments, net of discounts and deferred origination fees of \$22,379 and \$25,507 in 2018 and 2017, respectively, and allowance of \$5,750 in 2018	2,099,393	2,114,041
Investments in unconsolidated joint ventures	3,019,020	2,362,989
Deferred costs, net	209,110	226,201
Other assets	295,679	310,688
Total assets ⁽¹⁾	<u>\$ 12,751,358</u>	<u>\$ 13,982,904</u>
Liabilities		
Mortgages and other loans payable, net	\$ 1,961,240	\$ 2,837,282
Revolving credit facility, net	492,196	30,336
Unsecured term loans, net	1,493,051	1,491,575
Unsecured notes, net	1,495,214	1,395,939
Accrued interest payable	23,154	38,142
Other liabilities	116,566	188,005
Accounts payable and accrued expenses	147,060	137,142
Deferred revenue	94,453	208,119
Capital lease obligations	43,616	42,843
Deferred land leases payable	3,603	3,239
Dividend and distributions payable	80,430	85,138
Security deposits	64,688	67,927
Liabilities related to assets held for sale	—	4,074
Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities ⁽¹⁾	<u>6,115,271</u>	<u>6,629,761</u>
Commitments and contingencies		
Limited partner interests in SLGOP (4,131 and 4,453 limited partner common units outstanding at December 31, 2018 and 2017, respectively)	387,805	461,954
Preferred units	300,427	301,735

SL Green Operating Partnership, L.P.
Consolidated Balance Sheets
(in thousands, except per unit data)

	December 31, 2018	December 31, 2017
Capital		
SLGOP partners' capital:		
Series I Preferred Units, \$25.00 liquidation preference, 9,200 issued and outstanding at both December 31, 2018 and 2017	221,932	221,932
SL Green partners' capital (878 and 973 general partner common units, and 82,806 and 91,831 limited partner common units outstanding at December 31, 2018 and 2017, respectively)	5,664,481	5,984,557
Accumulated other comprehensive income	15,108	18,604
Total SLGOP partners' capital	5,901,521	6,225,093
Noncontrolling interests in other partnerships	46,334	364,361
Total capital	5,947,855	6,589,454
Total liabilities and capital	<u>\$ 12,751,358</u>	<u>\$ 13,982,904</u>

⁽¹⁾ The Operating Partnership's consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 2. The consolidated balance sheets include the following amounts related to our consolidated VIEs: \$110.0 million and \$398.0 million of land, \$0.3 billion and \$1.4 billion of building and improvements, \$2.0 million and \$2.0 million of building and leasehold improvements, \$47.4 million and \$47.4 million of properties under capital lease, \$42.2 million and \$330.9 million of accumulated depreciation, \$721.3 million and \$221.0 million of other assets included in other line items, \$140.8 million and \$628.9 million of real estate debt, net, \$0.4 million and \$2.5 million of accrued interest payable, \$43.6 million and \$42.8 million of capital lease obligations, and \$18.4 million and \$56.8 million of other liabilities included in other line items as of December 31, 2018 and December 31, 2017, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Operating Partnership, L.P.
Consolidated Statements of Operations
(in thousands, except per unit data)

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Rental revenue, net	\$ 864,978	\$ 1,100,993	\$ 1,323,767
Escalation and reimbursement	113,596	172,939	196,858
Investment income	201,492	193,871	213,008
Other income	47,326	43,670	130,348
Total revenues	<u>1,227,392</u>	<u>1,511,473</u>	<u>1,863,981</u>
Expenses			
Operating expenses, including \$17,823 in 2018, \$21,400 in 2017, \$21,890 in 2016 of related party expenses	229,347	293,364	312,859
Real estate taxes	186,351	244,323	248,388
Ground rent	32,965	33,231	33,261
Interest expense, net of interest income	208,669	257,045	321,199
Amortization of deferred financing costs	12,408	16,498	24,564
Depreciation and amortization	279,507	403,320	821,041
Loan loss and other investment reserves, net of recoveries	6,839	—	—
Transaction related costs	1,099	(1,834)	7,528
Marketing, general and administrative	92,631	100,498	99,759
Total expenses	<u>1,049,816</u>	<u>1,346,445</u>	<u>1,868,599</u>
Equity in net income from unconsolidated joint ventures	7,311	21,892	11,874
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	303,967	16,166	44,009
Purchase price and other fair value adjustment	57,385	—	—
(Loss) gain on sale of real estate, net	(30,757)	73,241	238,116
Depreciable real estate reserves and impairment	(227,543)	(178,520)	(10,387)
Gain (loss) on sale of investment in marketable securities	—	3,262	(83)
Loss on early extinguishment of debt	(17,083)	—	—
Net income	<u>270,856</u>	<u>101,069</u>	<u>278,911</u>
Net (income) loss attributable to noncontrolling interests in other partnerships	6	15,701	(7,644)
Preferred unit distributions	(11,384)	(11,401)	(11,235)
Net income attributable to SLGOP	<u>259,478</u>	<u>105,369</u>	<u>260,032</u>
Preferred stock redemption costs	—	—	—
Perpetual preferred stock dividends	(14,950)	(14,950)	(14,950)
Net income attributable to SLGOP common unitholders	<u>\$ 244,528</u>	<u>\$ 90,419</u>	<u>\$ 245,082</u>
Basic earnings per unit:	\$ 2.67	\$ 0.87	\$ 2.34
Diluted earnings per unit:	\$ 2.67	\$ 0.87	\$ 2.34
Basic weighted average common units outstanding	91,315	103,127	104,508
Diluted weighted average common units and common unit equivalents outstanding	91,530	103,403	104,881

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Operating Partnership, L.P.
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 270,856	\$ 101,069	\$ 278,911
Other comprehensive income:			
Change in net unrealized (loss) gain on derivative instruments, including SLGOP's share of joint venture net unrealized (loss) gain on derivative instruments	(3,622)	1,040	28,508
Change in unrealized gain (loss) on marketable securities	60	(4,667)	3,677
Other comprehensive (loss) income	(3,562)	(3,627)	32,185
Comprehensive income	267,294	97,442	311,096
Net loss (income) attributable to noncontrolling interests	6	15,701	(7,644)
Other comprehensive income (loss) attributable noncontrolling interests	66	94	(1,299)
Comprehensive income attributable to SLGOP	\$ 267,366	\$ 113,237	\$ 302,153

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Operating Partnership, L.P.
Consolidated Statements of Capital
(in thousands, except per unit data)

	SL Green Operating Partnership Unitholders					Total
	Series I Preferred Units	Partners' Interest		Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	
	Common Units	Common Unitholders				
Balance at December 31, 2015	\$ 221,932	99,976	\$ 7,074,282	\$ (8,749)	\$ 431,852	\$ 7,719,317
Net income			249,896		7,644	257,540
Other comprehensive income				30,886		30,886
Preferred dividends			(14,950)			(14,950)
DRSPP proceeds		2	277			277
Conversion of common units		295	31,806			31,806
Reallocation of noncontrolling interests in the operating partnership			(4,222)			(4,222)
Deferred compensation plan and stock awards, net of forfeitures and tax withholdings		96	23,902			23,902
Issuance of stock			(40)			(40)
Contributions to consolidated joint venture interests					2,359	2,359
Proceeds from stock options exercised		193	14,832			14,832
Cash distributions to noncontrolling interests					(15,419)	(15,419)
Cash distributions declared (\$2.94 per common unit, none of which represented a return of capital for federal income tax purposes)			(295,377)			(295,377)
Balance at December 31, 2016	221,932	100,562	7,080,406	22,137	426,436	7,750,911
Net income (loss)			101,374		(15,701)	85,673
Other comprehensive loss				(3,533)		(3,533)
Preferred dividends			(14,950)			(14,950)
DRSPP proceeds		2	223			223
Conversion of common units		202	21,574			21,574
Reallocation of noncontrolling interests in the operating partnership			5,712			5,712
Equity component of repurchased exchangeable senior notes			(109,776)			(109,776)
Deferred compensation plan and stock awards, net of forfeitures and tax withholdings		87	29,787			29,787
Repurchases of common units		(8,342)	(848,048)			(848,048)
Proceeds from stock options exercised		292	\$ 23,314			23,314
Contributions to consolidated joint venture interests					36,275	36,275
Deconsolidation of partially owned entity					(30,203)	(30,203)
Cash distributions to noncontrolling interests					(52,446)	(52,446)
Cash distributions declared (\$3.1375 per common unit, none of which represented a return of capital for federal income tax purposes)			(305,059)			(305,059)
Balance at December 31, 2017	221,932	92,803	5,984,557	18,604	364,361	6,589,454
Cumulative adjustment upon adoption of ASC 610-20			570,524			570,524
Balance at January 1, 2018	221,932	92,803	6,555,081	18,604	364,361	7,159,978
Net income (loss)			247,262		(6)	247,256
Other comprehensive loss				(3,496)		(3,496)
Preferred dividends			(14,950)			(14,950)
DRSPP proceeds		1	136			136
Conversion of common units		160	16,303			16,303
Reallocation of noncontrolling interest in the Operating Partnership			34,236			34,236
Deferred compensation plan and stock awards, net of forfeitures and tax withholdings		149	17,484			17,484
Repurchases of common units		(9,745)	(937,795)			(937,795)
Proceeds from stock options exercised		316	28,912			28,912
Contributions to consolidated joint venture interests					5,459	5,459
Deconsolidation of partially owned entity					(315,116)	(315,116)
Cash distributions to noncontrolling interests					(8,364)	(8,364)
Cash distributions declared (\$3.2875 per common unit, none of which represented a return of capital for federal income tax purposes)			(282,188)			(282,188)
Balance at December 31, 2018	\$ 221,932	83,684	\$ 5,664,481	\$ 15,108	\$ 46,334	\$ 5,947,855

SL Green Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net income	\$ 270,856	\$ 101,069	\$ 278,911
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	291,915	419,818	845,605
Equity in net income from unconsolidated joint ventures	(7,311)	(21,892)	(11,874)
Distributions of cumulative earnings from unconsolidated joint ventures	10,277	20,309	24,337
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(303,967)	(16,166)	(44,009)
Purchase price and other fair value adjustment	(57,385)	—	—
Depreciable real estate reserves and impairment	227,543	178,520	10,387
Loss (gain) on sale of real estate, net	30,757	(73,241)	(238,116)
Loan loss reserves and other investment reserves, net of recoveries	6,839	—	—
(Gain) loss on sale of investments in marketable securities	—	(3,262)	83
Loss on early extinguishment of debt	17,083	—	—
Deferred rents receivable	(18,216)	(38,009)	26,716
Other non-cash adjustments ⁽¹⁾	2,932	19,621	(152,428)
Changes in operating assets and liabilities:			
Tenant and other receivables	6,968	(5,717)	4,780
Related party receivables	(1,044)	(7,209)	(5,183)
Deferred lease costs	(44,158)	(41,939)	(70,707)
Other assets	(8,310)	(23,068)	9,899
Accounts payable, accrued expenses and other liabilities and security deposits	4,410	(12,440)	(35,628)
Deferred revenue and land leases payable	12,348	46,607	1,237
Net cash provided by operating activities	<u>441,537</u>	<u>543,001</u>	<u>644,010</u>
Investing Activities			
Acquisitions of real estate property	(60,486)	(28,680)	(39,890)
Additions to land, buildings and improvements	(254,460)	(336,001)	(411,950)
Investments in unconsolidated joint ventures	(400,429)	(389,249)	(145,375)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	233,118	319,745	196,211
Net proceeds from disposition of real estate/joint venture interest	1,231,004	692,796	2,475,954
Proceeds from sale of marketable securities	—	55,129	6,965
Purchases of marketable securities	—	—	(43,341)
Other investments	(38,912)	25,330	7,704
Origination of debt and preferred equity investments	(731,216)	(1,129,970)	(977,413)
Repayments or redemption of debt and preferred equity investments	703,043	812,914	904,517
Net cash provided by investing activities	<u>681,662</u>	<u>22,014</u>	<u>1,973,382</u>

SL Green Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Financing Activities			
Proceeds from mortgages and other loans payable	\$ 564,391	\$ 870,459	\$ 408,293
Repayments of mortgages and other loans payable	(868,842)	(902,460)	(1,822,303)
Proceeds from revolving credit facility, term loans and senior unsecured notes	3,120,000	2,784,599	1,325,300
Repayments of revolving credit facility, term loans and senior unsecured notes	(2,560,000)	(2,276,782)	(2,334,604)
Payments of debt extinguishment costs	(13,918)	—	—
Proceeds from stock options exercised and DRSP issuance	29,048	23,537	15,109
Repurchase of common stock	(979,541)	(806,302)	—
Redemption of preferred units	(1,208)	(275)	(3,299)
Redemption of OP units	(33,972)	—	—
Distributions to noncontrolling interests in other partnerships	(8,364)	(52,446)	(15,419)
Contributions from noncontrolling interests in other partnerships	5,459	36,275	2,359
Distributions paid on common and preferred units	(328,230)	(347,809)	(326,750)
Other obligations related to mortgage loan participations	16	17,227	59,150
Payment of tax withholdings for restricted share awards	(3,842)	(3,879)	(3,162)
Deferred loan costs and capitalized lease obligation	(15,109)	(27,100)	(41,076)
Net cash used in by financing activities	<u>(1,094,112)</u>	<u>(684,956)</u>	<u>(2,736,402)</u>
Net increase (decrease) in cash and cash equivalents	29,087	(119,941)	(119,010)
Cash, restricted cash, and cash equivalents at beginning of year	250,026	369,967	488,977
Cash, restricted cash, and cash equivalents at end of period	<u>\$ 279,113</u>	<u>\$ 250,026</u>	<u>\$ 369,967</u>

⁽¹⁾ Included in Other non-cash adjustments is \$172.4 million for the year ended December 31, 2016 for the amortization of the below-market lease at 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale.

Supplemental cash flow disclosures:

Interest paid	\$ 259,776	\$ 273,819	\$ 344,295
Income taxes paid	\$ 1,418	\$ 2,448	\$ 2,009

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Issuance of units in the operating partnership	—	25,723	78,495
Redemption of units in the operating partnership	16,303	21,574	31,806
Redemption of units in the operating partnership for a joint venture sale	10,445	—	—
Exchange of debt investment for equity in joint venture	298,956	—	68,581
Issuance of preferred units relating to the real estate acquisition	—	—	22,793
Tenant improvements and capital expenditures payable	—	6,667	15,972
Fair value adjustment to noncontrolling interest in the operating partnership	34,236	5,712	4,222
Deconsolidation of a subsidiary ⁽¹⁾	298,404	695,204	1,226,425
Transfer of assets to assets held for sale	—	611,809	2,048,376
Transfer of liabilities related to assets held for sale	—	5,364	1,677,528
Removal of fully depreciated commercial real estate properties	124,249	15,488	31,474
Issuance of SLG's common stock to a consolidated joint venture	—	—	114,049
Share repurchase payable	—	41,746	—

⁽¹⁾ \$366.6 million of the 2017 amount relates to 1515 Broadway. In November 2017, the Company sold a 30.13% interest in 1515 Broadway to affiliates of Allianz Real Estate. The sale did not meet the criteria for sale accounting and as a result the property was accounted for under the profit sharing method. The Company achieved sale accounting upon adoption of ASC 610-20 in January 2018 and closed on the sale of an additional 12.87% interest in the property to Allianz in February 2018. See Note 6, "Investments in Unconsolidated Joint Ventures."

In December 2018, 2017 and 2016, SLGOP declared quarterly distributions per common unit of \$0.85, \$0.8125 and \$0.775, respectively. These distributions were paid in January 2019, 2018 and 2017, respectively.

SL Green Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(in thousands)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	Year Ended		
	2018	2017	2016
Cash and cash equivalents	\$ 129,475	\$ 127,888	279,443
Restricted cash	149,638	122,138	90,524
Total cash, cash equivalents, and restricted cash	\$ 279,113	\$ 250,026	\$ 369,967

The accompanying notes are an integral part of these consolidated financial statements.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements
December 31, 2018

1. Organization and Basis of Presentation

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation. All of the management, leasing and construction services that are provided to the properties that are wholly-owned by us and that are provided to certain joint ventures are conducted through SL Green Management LLC which is 100% owned by the Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and all of our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of December 31, 2018, noncontrolling investors held, in the aggregate, a 4.70% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. The Operating Partnership is considered a variable interest entity, or VIE, in which we are the primary beneficiary. See Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements."

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of SL Green Realty Corp.

As of December 31, 2018, we owned the following interests in properties in the New York metropolitan area, primarily in midtown Manhattan. Our investments located outside of Manhattan are referred to as the Suburban properties:

Location	Property Type	Consolidated		Unconsolidated		Total		Weighted Average Occupancy ⁽¹⁾ (unaudited)
		Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	
Commercial:								
Manhattan	Office	20	12,387,091	10	11,329,183	30	23,716,274	94.5%
	Retail	7 ⁽²⁾	325,648	9	352,174	16	677,822	96.7%
	Development/Redevelopment	5	486,101	2	347,000	7	833,101	54.1%
	Fee Interest	—	—	1	—	1	—	—%
		32	13,198,840	22	12,028,357	54	25,227,197	93.2%
Suburban	Office	13	2,295,200	—	—	13	2,295,200	91.3%
	Retail	1	52,000	—	—	1	52,000	100.0%
	Development/Redevelopment	1	1,000	—	—	1	1,000	—%
		15	2,348,200	—	—	15	2,348,200	91.4%
Total commercial properties		47	15,547,040	22	12,028,357	69	27,575,397	93.1%
Residential:								
Manhattan	Residential	2 ⁽²⁾	445,105	10	2,156,751	12	2,601,856	91.5%
Suburban	Residential	—	—	—	—	—	—	—%
Total residential properties		2	445,105	10	2,156,751	12	2,601,856	91.5%
Total portfolio		49	15,992,145	32	14,185,108	81	30,177,253	92.9%

(1) The weighted average occupancy for commercial properties represents the total occupied square feet divided by total square footage at acquisition. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.

(2) As of December 31, 2018, we owned a building at 315 West 33rd Street, also known as The Olivia, that was comprised of approximately 270,132 square feet (unaudited) of retail space and approximately 222,855 square feet (unaudited) of residential space. For the purpose of this report, we have included this building in the number of retail properties we own. However, we have included only the retail square footage in the retail approximate square footage, and have listed the balance of the square footage as residential square footage.

As of December 31, 2018, we also managed two office buildings owned by third parties encompassing approximately 2.1 million square feet (unaudited) and held debt and preferred equity investments with a book value of \$2.1 billion, including \$0.1 billion of debt and preferred equity investments and other financing receivables that are included in balance sheet line items other than the Debt and Preferred Equity Investments line item.

Partnership Agreement

In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership Agreement, we allocate all distributions and profits and losses in proportion to the percentage of ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to minimize any Federal income or excise tax at the Company level. Under the Operating Partnership Agreement, each limited partner has the right to redeem units of limited partnership interests for cash, or if we so elect, shares of SL Green's common stock on a one-for-one basis.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method. See Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures." All significant intercompany balances and transactions have been eliminated.

We consolidate a VIE in which we are considered the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

A noncontrolling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to us. Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet and the presentation of net income is modified to present earnings and other comprehensive income attributed to controlling and noncontrolling interests.

We assess the accounting treatment for each joint venture and debt and preferred equity investment. This assessment includes a review of each joint venture or limited liability company agreement to determine the rights provided to each party and whether those rights are protective or participating. For all VIEs, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we and our partner approve, among other things, the annual budget, receive a detailed monthly reporting package, meet on a quarterly basis to review the results of the joint venture, review and approve the joint venture's tax return before filing, and approve all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of the joint venture. Our joint venture agreements typically contain certain protective rights such as requiring partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

Investment in Commercial Real Estate Properties

Real estate properties are presented at cost less accumulated depreciation and amortization. Costs directly related to the development or redevelopment of properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

We recognize the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests in an acquired entity at their respective fair values on the acquisition date. When we acquire our partner's equity interest in an existing unconsolidated joint venture and gain control over the investment, we record the consolidated investment at fair value. The difference between the book value of our equity investment on the purchase date and our share of the fair value of the investment's purchase

price is recorded as a purchase price fair value adjustment in our consolidated statements of operations. See Note 3, "Property Acquisitions."

We allocate the purchase price of real estate to land and building (inclusive of tenant improvements) and, if determined to be material, intangibles, such as the value of above- and below-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building (inclusive of tenant improvements) over their estimated useful lives, which generally range from three to 40 years. We amortize the amount allocated to the above- and below-market leases over the remaining term of the associated lease, which generally range from one to 14 years, and record it as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income. We amortize the amount allocated to the values associated with in-place leases over the expected term of the associated lease, which generally ranges from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. To the extent acquired leases contain fixed rate renewal options that are below-market and determined to be material, we amortize such below-market lease value into rental income over the renewal period. As of December 31, 2018, the weighted average amortization period for above-market leases, below-market leases, and in-place lease costs is 1.8 years, 4.6 years, and 5.8 years, respectively.

We incur a variety of costs in the development and leasing of our properties. After the determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include, but are not limited to, pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year after major construction activity ceases. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Category	Term
Building (fee ownership)	40 years
Building improvements	shorter of remaining life of the building or useful life
Building (leasehold interest)	lesser of 40 years or remaining term of the lease
Property under capital lease	remaining lease term
Furniture and fixtures	four to seven years
Tenant improvements	shorter of remaining term of the lease or useful life

Depreciation expense (including amortization of capital lease assets) totaled \$242.8 million, \$365.3 million, and \$783.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property.

We also evaluate our real estate properties for impairment when a property has been classified as held for sale. Real estate assets held for sale are valued at the lower of their carrying value or fair value less costs to sell and depreciation expense is no longer recorded.

We recognized \$6.8 million, \$20.3 million, and \$196.2 million of rental revenue for the years ended December 31, 2018, 2017, and 2016 respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. Included in rental revenue

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for the year ended December 31, 2016 is \$172.4 million related to the amortization of below-market leases at 388-390 Greenwich Street as a result of the tenant exercising their option to purchase the property and entering into an agreement to accelerate the sale.

We recognized as a reduction to interest expense the amortization of the above-market rate mortgages assumed of \$0.0 million, \$0.8 million, and \$2.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2018 and 2017 (in thousands):

	December 31,	
	2018	2017
Identified intangible assets (included in other assets):		
Gross amount	\$ 266,540	\$ 325,880
Accumulated amortization	(241,040)	(277,038)
Net ⁽¹⁾	<u>\$ 25,500</u>	<u>\$ 48,842</u>
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$ 276,245	\$ 540,283
Accumulated amortization	(253,767)	(402,583)
Net ⁽¹⁾	<u>\$ 22,478</u>	<u>\$ 137,700</u>

(1) As of December 31, 2018, no net intangible assets and no net intangible liabilities were reclassified to assets held for sale and liabilities related to assets held for sale. As of December 31, 2017, \$13.9 million net intangible assets and \$4.1 million net intangible liabilities were reclassified to assets held for sale and liabilities related to assets held for sale.

The estimated annual amortization of acquired above-market leases, net of acquired (below-market) leases (a component of rental revenue), for each of the five succeeding years is as follows (in thousands):

2019	\$ (5,227)
2020	(3,655)
2021	(1,631)
2022	(1,328)
2023	(749)

The estimated annual amortization of all other identifiable assets (a component of depreciation and amortization expense) including tenant improvements for each of the five succeeding years is as follows (in thousands):

2019	\$ 9,825
2020	4,817
2021	3,454
2022	1,892
2023	1,507

Cash and Cash Equivalents

We consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash primarily consists of security deposits held on behalf of our tenants, interest reserves, as well as capital improvement and real estate tax escrows required under certain loan agreements.

Fair Value Measurements

See Note 16, "Fair Value Measurements."

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Investment in Marketable Securities

At acquisition, we designate a security as held-to-maturity, available-for-sale, or trading. As of December 31, 2018, we did not have any securities designated as held-to-maturity or trading. We account for our available-for-sale securities at fair value pursuant to Accounting Standards Codification, or ASC, 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive income or loss. The cost of marketable securities sold and the amount reclassified out of accumulated other comprehensive income into earnings is determined using the specific identification method. Any unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component.

The Company adopted ASU 2016-01 effective January 1, 2018 which required entities to measure investments in equity securities at fair value and recognize any changes in fair value in net income. Upon adoption we did not hold investments in equity securities and therefore did not record a cumulative-effect adjustment. We did not hold investments in equity securities as of December 31, 2018.

At December 31, 2018 and 2017, we held the following marketable securities (in thousands):

	December 31,	
	2018	2017
Commercial mortgage-backed securities	\$ 28,638	\$ 28,579
Total marketable securities available-for-sale	<u>\$ 28,638</u>	<u>\$ 28,579</u>

The cost basis of the commercial mortgage-backed securities was \$27.5 million and \$27.5 million at December 31, 2018 and 2017, respectively. These securities mature at various times through 2035. We held no equity marketable securities at December 31, 2018 and 2017.

During the year ended December 31, 2018, we did not dispose of any marketable securities.

During the year ended December 31, 2017, we disposed of marketable securities for aggregate net proceeds of \$55.1 million and realized a loss of \$3.3 million, which is included in gain (loss) on sale of investment in marketable securities on the consolidated statements of operations.

During the year ended December 31, 2016, we disposed of marketable securities for aggregate net proceeds of \$7.0 million and realized a loss of \$0.1 million, which is included in gain (loss) on sale of investment in marketable securities on the consolidated statements of operations.

Investments in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Equity in net income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture and includes adjustments related to basis differences that were identified as part of the initial accounting for the investment. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us. The Company has performance guarantees under a master lease at one joint venture. See Note 6, "Investments in Unconsolidated Joint Ventures."

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint ventures' projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at December 31, 2018.

We may originate loans for real estate acquisition, development and construction, where we expect to receive some of the residual profit from such projects. When the risk and rewards of these arrangements are essentially the same as an investor or joint

venture partner, we account for these arrangements as real estate investments under the equity method of accounting for investments. Otherwise, we account for these arrangements consistent with the accounting for our debt and preferred equity investments.

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to execute operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. For the years ended December 31, 2018, 2017 and 2016, \$15.7 million, \$16.4 million, and \$15.4 million of their compensation, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal, title and other third party costs associated with obtaining commitments for financing which result in a closing of such financing. These costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period in which it is determined that the financing will not close. Deferred financing costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes, we record amounts funded to construct the tenant improvements as a capital asset. For these tenant improvements, we record amounts reimbursed by tenants as a reduction of the capital asset. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, we record our contribution towards those improvements as a lease incentive, which is included in deferred costs, net on our consolidated balance sheets and amortized as a reduction to rental revenue on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the consolidated balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the consolidated balance sheets is net of such allowance.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. Electricity is most often supplied by the landlord either on a sub-metered basis, or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) are typically provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided outside normal business hours. These escalations are based on actual expenses incurred in the prior calendar year. If the expenses in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

We record a gain on sale of real estate assets when we no longer hold a controlling financial interest in the entity holding the real estate, a contract exists with a third party and that third party has control of the assets acquired.

Investment income on debt and preferred equity investments is accrued based on the contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. Some debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest is ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Deferred origination fees, original issue discounts and loan origination costs, if any, are recognized as an adjustment to interest income over the terms of the related investments using the effective interest method. Fees received in connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Discounts or premiums associated with the purchase of loans are amortized or accreted into interest income as a yield adjustment on the effective interest method based on expected cash flows through the expected maturity date of the related investment. If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount into income as an adjustment to yield over the term of the investment. If we purchase a debt or preferred equity investment at a discount with the intention of foreclosing on the collateral, we do not accrete the discount. For debt investments acquired at a discount for credit quality, the difference between contractual cash flows and expected cash flows at acquisition is not accreted. Anticipated exit fees, the collection of which is expected, are also recognized over the term of the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity investment becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received.

We may syndicate a portion of the loans that we originate or sell the loans individually. When a transaction meets the criteria for sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, original issue discounts, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income on the consolidated statement of operations. Any fees received at the time of sale or syndication are recognized as part of investment income.

Asset management fees are recognized on a straight-line basis over the term of the asset management agreement.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required.

Allowance for Loan Loss and Other Investment Reserves

The expense for loan loss and other investment reserves in connection with debt and preferred equity investments is the charge to earnings to adjust the allowance for possible losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality.

The Company evaluates debt and preferred equity investments that are classified as held to maturity for possible impairment or credit deterioration associated with the performance and/or value of the underlying collateral property as well as the financial and operating capability of the borrower/sponsor. Quarterly, the Company assigns each loan a risk rating. Based on a 3-point scale, loans are rated "1" through "3," from less risk to greater risk, which ratings are defined as follows: 1 - Low Risk Assets - Low probability of loss, 2 - Watch List Assets - Higher potential for loss, 3 - High Risk Assets - Loss more likely than not.

When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired. A valuation allowance is measured based upon the excess of the recorded investment amount over the fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If additional information reflects increased recovery of our investment, we will adjust our reserves accordingly.

Debt and preferred equity investments that are classified as held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

Rent Expense

Rent expense is recognized on a straight-line basis over the initial term of the lease. The excess of the rent expense recognized over the amounts contractually due pursuant to the underlying lease is included in the deferred lease payable on the consolidated balance sheets.

Underwriting Commissions and Costs

Underwriting commissions and costs incurred in connection with our stock offerings are reflected as a reduction of additional paid-in-capital.

Exchangeable Debt Instruments

The initial proceeds from exchangeable debt that may be settled in cash, including partial cash settlements, are bifurcated between a liability component and an equity component associated with the embedded conversion option. The objective of the accounting guidance is to require the liability and equity components of exchangeable debt to be separately accounted for in a manner such that the interest expense on the exchangeable debt is not recorded at the stated rate of interest but rather at an effective rate that reflects the issuer's conventional debt borrowing rate at the date of issuance. We calculate the liability component of exchangeable debt based on the present value of the contractual cash flows discounted at our comparable market conventional debt borrowing rate at the date of issuance. The difference between the principal amount and the fair value of the liability component is reported as a discount on the exchangeable debt that is accreted as additional interest expense from the issuance date through the contractual maturity date using the effective interest method. A portion of this additional interest expense may be capitalized to the development and redevelopment balances qualifying for interest capitalization each period. The liability component of the exchangeable debt is reported net of discounts on our consolidated balance sheets. We calculate the equity component of exchangeable debt based on the difference between the initial proceeds received from the issuance of the exchangeable debt and the fair value of the liability component at the issuance date. The equity component is included in additional paid-in-capital, net of issuance costs, on our consolidated balance sheets. We allocate issuance costs for exchangeable debt between the liability and the equity components based on their relative values.

Transaction Costs

In January 2017, we adopted ASU No. 2017-01, Business Combinations: Clarifying the Definition of a Business, which changed how we account for transaction costs. Prior to January 2017, transaction costs were expensed as incurred. Starting in January 2017, transaction costs for asset acquisitions are capitalized to the investment basis which is then subject to a purchase price allocation based on relative fair value and transaction costs for business combinations or costs incurred on potential transactions which are not consummated are expensed as incurred.

Income Taxes

SL Green is taxed as a REIT under Section 856(c) of the Code. As a REIT, SL Green generally is not subject to Federal income tax. To maintain its qualification as a REIT, SL Green must distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. If SL Green fails to qualify as a REIT in any taxable year, SL Green will be subject to Federal income tax on its taxable income at regular corporate rates. SL Green may also be subject to certain state, local and franchise taxes. Under certain circumstances, Federal income and excise taxes may be due on its undistributed taxable income.

The Operating Partnership is a partnership and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective income tax returns. The only provision for income taxes included in the consolidated statements of operations relates to the Operating Partnership's consolidated taxable REIT subsidiaries. The Operating Partnership may also be subject to certain state, local and franchise taxes.

We have elected, and may elect in the future, to treat certain of our corporate subsidiaries as taxable REIT subsidiaries, or TRSs. In general, TRSs may perform non-customary services for the tenants of the Company, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. The TRSs generate income, resulting in Federal and state income tax liability for these entities.

During the years ended December 31, 2018, 2017 and 2016, we recorded Federal, state and local tax provisions of \$2.8 million, \$4.3 million, and \$2.8 million, respectively. For the year ended December 31, 2018, the Company paid distributions on its common stock of \$3.25 per share which represented \$1.46 per share of ordinary income and \$1.79 per share of capital gains. For the year ended December 31, 2017, the Company paid distributions on its common stock of \$3.10 per share which represented \$1.24 per share of ordinary income, and \$1.86 per share of capital gains. For the year ended December 31, 2016, the Company

paid distributions on its common stock of \$2.88 per share which represented \$2.48 per share of ordinary income and \$0.40 per share of capital gains.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law and makes substantial changes to the Code. The Tax Act has not had a material impact on our financial statements for the years ended December 31, 2018 or December 31, 2017.

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 14, "Share-based Compensation."

The Company's stock options are recorded at fair value at the time of issuance. Fair value of the stock options is determined using the Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our plan has characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the employee stock options.

Compensation cost for stock options, if any, is recognized over the vesting period of the award. Our policy is to grant options with an exercise price equal to the quoted closing market price of the Company's common stock on either the grant date or the date immediately preceding the grant date. Awards of stock or restricted stock are expensed as compensation over the benefit period based on the fair value of the stock on the grant date.

For share-based awards with a performance or market measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date the compensation committee of our board of directors authorizes the award, adopts any relevant performance measures and communicates the award to the employees. For programs with awards that vest based on the achievement of a performance condition or market condition, we determine whether it is probable that the performance condition will be met, and estimate compensation cost based on the fair value of the award at the applicable award date estimated using a binomial model or market quotes. For share-based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of the Company's common stock, at the current quoted market price, from certain key employees to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

Awards can also be made in the form of a separate series of units of limited partnership interest in the Operating Partnership called long-term incentive plan units, or LTIP units. LTIP units, which can be granted either as free-standing awards or in tandem with other awards under our stock incentive plan, are valued by reference to the value of the Company's common stock at the time of grant, and are subject to such conditions and restrictions as the compensation committee of the Company's board of directors may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

Derivative Instruments

In the normal course of business, we use a variety of commonly used derivative instruments, such as interest rate swaps, caps, collars and floors, to manage, or hedge, interest rate risk. Effectiveness is essential for those derivatives that we intend to qualify for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

To determine the fair values of derivative instruments, we use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option

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pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

In the normal course of business, we are exposed to the effect of interest rate changes and limit these risks by following established risk management policies and procedures including the use of derivatives. To address exposure to interest rates, derivatives are used primarily to fix the rate on debt based on floating-rate indices and manage the cost of borrowing obligations.

We use a variety of conventional derivative products. These derivatives typically include interest rate swaps, caps, collars and floors. We expressly prohibit the use of unconventional derivative instruments and using derivative instruments for trading or speculative purposes. Further, we have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors.

We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated.

Hedges that are reported at fair value and presented on the balance sheet could be characterized as cash flow hedges or fair value hedges. Interest rate caps and collars are examples of cash flow hedges. Cash flow hedges address the risk associated with future cash flows of interest payments. For all hedges held by us and which were deemed to be fully effective in meeting the hedging objectives established by our corporate policy governing interest rate risk management, no net gains or losses were reported in earnings. The changes in fair value of hedge instruments are reflected in accumulated other comprehensive income. For derivative instruments not designated as hedging instruments, the gain or loss, resulting from the change in the estimated fair value of the derivative instruments, is recognized in current earnings during the period of change.

Earnings per Share of the Company

The Company presents both basic and diluted earnings per share, or EPS, using the two-class method, which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared (whether paid or unpaid). Under the two-class method, basic EPS is computed by dividing the income available to common stockholders by the weighted-average number of common stock shares outstanding for the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. Diluted EPS also includes units of limited partnership interest. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There was no dilutive effect for the exchangeable senior notes as the conversion premium was to be paid in cash.

Earnings per Unit of the Operating Partnership

The Operating Partnership presents both basic and diluted earnings per unit, or EPU, using the two-class method, which is an earnings allocation formula that determines EPU for common units and any participating securities according to dividends declared (whether paid or unpaid). Under the two-class method, basic EPU is computed by dividing the income available to common unitholders by the weighted-average number of common units outstanding for the period. Basic EPU includes participating securities, consisting of unvested restricted units that receive nonforfeitable dividends similar to shares of common units. Diluted EPU reflects the potential dilution that could occur if securities or other contracts to issue common units were exercised or converted into common units, where such exercise or conversion would result in a lower EPU amount. The dilutive effect of unit options is reflected in the weighted average diluted outstanding units calculation by application of the treasury stock method. There was no dilutive effect for the exchangeable senior notes as the conversion premium was to be paid in cash.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments with high quality financial institutions. The collateral securing our debt and preferred equity investments is located in the New York metropolitan area. See Note 5, "Debt and Preferred Equity Investments."

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We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost revenue and the costs associated with re-tenanting a space. The properties in our real estate portfolio are located in the New York metropolitan area. The tenants located in our buildings operate in various industries. Other than one tenant, Credit Suisse Securities (USA), Inc., who accounts for 8.2% of our share of annualized cash rent, no other tenant in our portfolio accounted for more than 5.0% of our share of annualized cash rent, including our share of joint venture annualized cash rent, at December 31, 2018.

For the years ended December 31, 2018, 2017, and 2016, the following properties contributed more than 5.0% of our annualized cash rent, including our share of joint venture annualized cash rent:

<u>Property</u>	<u>2018</u>	<u>Property</u>	<u>2017</u>	<u>Property</u>	<u>2016</u>
11 Madison Avenue	7.4%	11 Madison Avenue	7.1%	1515 Broadway	8.8%
1185 Avenue of the Americas	6.7%	1185 Avenue of the Americas	7.1%	1185 Avenue of the Americas	6.9%
420 Lexington Avenue	6.5%	1515 Broadway	7.0%	11 Madison Avenue	6.1%
1515 Broadway	6.0%	420 Lexington Avenue	6.0%	420 Lexington Avenue	5.9%
One Madison Avenue	5.8%	One Madison Avenue	5.6%	One Madison Avenue	5.6%

As of December 31, 2018, 68.7% of our work force is covered by six collective bargaining agreements and 56.0% of our work force, which services substantially all of our properties, is covered by collective bargaining agreements that expire in December 2019. See Note 19, "Benefits Plans."

Reclassification

Certain prior year balances have been reclassified to conform to our current year presentation.

Accounting Standards Updates

In October 2018, the FASB issued Accounting Standard Update (ASU) No. 2018-17, Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities. Under this amendment reporting entities, when determining if the decision-making fees are variable interests, are to consider indirect interests held through related parties under common control on a proportional basis rather than as a direct interest in its entirety. The guidance is effective for the Company for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company has adopted this guidance and it had no impact on the Company's consolidated financial statements.

In August 2018, The Securities and Exchange Commission adopted a final rule that eliminated or amended disclosure requirements that were redundant or outdated in light of changes in its requirements, generally accepted accounting principles, or changes in the business environment. The commission also referred certain disclosure requirements to the Financial Accounting Standards Board for potential incorporation into generally accepted accounting principles. The rule is effective for filings after November 5, 2018. The Company assessed the impact of this rule and determined that the changes resulted in clarification or expansion of existing requirements. The Company early adopted the rule upon publication to the federal register on October 5, 2018 and it did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued Accounting Standard Update (ASU) No. 2018-15, Intangibles - Goodwill and Other-Internal-Use Software (Topic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. The amendments provide guidance on accounting for fees paid when the arrangement includes a software license and align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs to develop or obtain internal-use software. The guidance is effective for the Company for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company has not yet adopted this new guidance and does not expect it to have a material impact on the Company's consolidated financial statements when the new standard is implemented.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This amendment removed, modified and added the disclosure requirements under Topic 820. The changes are effective for the Company for fiscal years beginning after December 15, 2019. Early adoption is permitted for the removed or modified disclosures with adoption of the additional disclosures upon the effective date. The Company has not yet adopted this new guidance and does not expect it to have a material impact on the Company's consolidated financial statements when the new standard is implemented.

In June 2018, the FASB issued ASU No. 2018-07, Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting. This amendment provides additional guidance related to share-based payment transactions for acquiring goods or services from nonemployees. The guidance is effective for the Company for fiscal years beginning after December 15, 2018, including the interim periods within that fiscal year. The Company will adopt this guidance January 1, 2019 and does not expect it to have a material impact on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. These amendments provide additional guidance related to equity securities without a readily determinable fair value, forward contracts and options purchased on those equity securities and fair value option liabilities. The Company adopted the guidance on July 1, 2018, and it did not have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities, and in July 2018, the FASB issued ASU No. 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in the new standards will permit more flexibility in hedging interest rate risk for both variable rate and fixed rate financial instruments. The standards will also enhance the presentation of hedge results in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company will adopt this guidance January 1, 2019, and does not expect a material impact on the Company's consolidated financial statements when the new standards are implemented.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting. The guidance clarifies the changes to the terms or conditions of a share-based payment award that require an entity to apply modification accounting in Topic 718. The Company adopted the guidance on January 1, 2018 and it had no impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. As a result, entities will no longer present transfers between these items on the statement of cash flows. The Company adopted the guidance on January 1, 2018 and has included the changes in restricted cash when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and in November 2018 issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. The guidance changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current 'incurred loss' model with an 'expected loss' approach. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted after December 15, 2018. The Company's DPE portfolio and capital lease assets will be subject to this guidance once the Company adopts it. ASU No. 2018-19 excludes operating lease receivables from the scope of this guidance. The Company continues to evaluate the impact of adopting this new accounting standard on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. In July 2018, the FASB issued ASU No. 2018-10 - Codification Improvements to Topic 842, Leases and ASU No. 2018-11 - Targeted Improvements. In December 2018, the FASB issued ASU No. 2018-20 - Narrow-Scope Improvements for Lessors. This guidance requires lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under the previous standard. Depending on the lease classification, lessees will recognize expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. The Company will apply this guidance to the ground leases under which the Company is lessee. The Company is required to record a liability for the obligation to make payments under the lease and an asset for the right to use the underlying asset during the lease term and will also apply the new expense recognition requirements given the lease classification. While the Company is continuing to assess all potential impacts of the standard, we expect total liabilities and total assets to increase by \$0.4 to \$0.5 billion as of the date of adoption. The accounting applied by a lessor is largely unchanged from that applied under the previous standard. The Company does expect to adopt the practical expedient offered in ASU No. 2018-11 that allows lessors to not separate non-lease components from the related lease components under certain conditions, which the Company expects most of its leases to qualify for. Additionally, for future leases, the Company will no longer capitalize internal leasing costs as these costs are not considered to be incremental under the new guidance. The Company is assessing all potential impacts of the standard and currently estimates a decrease in net income of approximately \$10.0 million related to this change based on its initial assessment. This guidance in this standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early

adoption is permitted. The Company will adopt this guidance January 1, 2019 and will apply the modified retrospective approach. The Company will elect the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases.

In January 2016, the FASB issued ASU 2016-01 (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. The guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value through earnings, to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income, use the exit price notion when measuring an instrument's fair value for disclosure and to separately present financial assets and liabilities by measurement category and form of instrument on the balance sheet or in the notes to the financial statements. The Company adopted the guidance effective January 1, 2018, and it had no impact on the Company's consolidated financial statements.

In May 2014, the FASB issued a new comprehensive revenue recognition guidance which requires us to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services (ASU 2014-09). The FASB also issued implementation guidance in March 2016, April 2016 and May 2016 - ASU's 2016-08, 2016-10 and 2016-12, respectively. The Company adopted this guidance on January 1, 2018. Since the Company's revenue is related to leasing activities, the adoption of this guidance did not have a material impact on the consolidated financial statements. The new guidance is applicable to service contracts with joint ventures for which the Company earns property management fees, leasing commissions and development and construction fees. The adoption of this new guidance did not change the accounting for these fees as the pattern of recognition of revenue does not change with the new guidance. We will continue to recognize revenue over time on these contracts because the customer simultaneously receives and consumes the benefits provided by our performance.

In February 2017, the FASB issued ASU No. 2017-05 to clarify the scope of asset derecognition guidance in Subtopic 610-20, which also provided guidance on accounting for partial sales of nonfinancial assets. Subtopic 610-20 was issued in May 2014 as part of ASU 2014-09. The Company adopted this guidance on January 1, 2018, and applied the modified retrospective approach. The Company elected to adopt the practical expedient under ASC 606, Revenue from Contracts with Customers, which allows an entity to apply the guidance only to contracts with non-customers that are open based on ASU 360-20, Real Estate Sales, (i.e. failed sales) as of the adoption date. The Company had one open contract in 2017 with a non-customer that was evaluated under ASC 610-20. The Company entered into an agreement to sell a portion of their interest in an entity that held a controlling interest in the property at 1515 Broadway. Upon execution of the agreement in 2017, the transaction was evaluated under ASC 360-20, Real Estate Sales, and did not meet the criteria for sale accounting. Upon adoption of ASC 606, this contract met the criteria for sale accounting under ASC 610-20. Through the sale, the Company no longer retains a controlling interest, as defined in ASC 810, Consolidation, and the impact of this adjustment is a gain of \$0.6 billion from the sale of the partial interest and related step-up in basis to fair value of the non-controlling interest retained. This was recorded in the first quarter of 2018 as an adjustment to beginning retained earnings.

3. Property Acquisitions

2018 Acquisitions

During the year ended December 31, 2018, the properties listed below were acquired from third parties.

Property	Acquisition Date	Property Type	Approximate Square Feet	Acquisition Price (in millions)
2 Herald Square ⁽¹⁾	May 2018	Leasehold Interest	369,000	\$ 266.0
1231 Third Avenue ⁽²⁾⁽³⁾	July 2018	Fee Interest	39,000	55.4
Upper East Side Residential ⁽³⁾⁽⁴⁾	August 2018	Fee Interest	0.2 acres	30.2
133 Greene Street ⁽²⁾	October 2018	Fee Interest	6,425	31.0
712 Madison Avenue ⁽²⁾	December 2018	Fee Interest	6,600	58.0

(1) In May 2018, the Company was the successful bidder for the leasehold interest in 2 Herald Square, at the foreclosure of the asset. In April and May 2017, the Company had purchased, at par, loans in maturity default that were secured by the leasehold interest in 2 Herald Square. At the time the loans were purchased, the Company expected to collect all contractually required payments, including interest. In August 2017, the Company determined that it was probable that the loans would not be repaid in full and therefore, the loans were put on non-accrual status. No impairment was recorded as the Company believed that the fair value of the leasehold exceeded the carrying amount of the loans. In May 2018, the Company was the successful bidder at the foreclosure of the asset. We recorded the assets acquired and liabilities assumed at fair value. This resulted in the recognition of a fair value adjustment of \$8.1 million.

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December 31, 2018

which is reflected in the Company's consolidated statement of operations within purchase price and other fair value adjustments. See Note 16, "Fair Value Measurements." The Company subsequently sold a 49% interest in the property in November 2018. See Note 4, "Properties Held for Sale and Dispositions." and Note 6, "Investments in Unconsolidated Joint Ventures."

- (2) The Company accepted an assignment of the equity interests in the property in lieu of repayment of the Company's debt investment, and recorded the assets received and liabilities assumed at fair value.
- (3) This property was subsequently sold in October 2018. See Note 4, "Properties Held for Sale and Dispositions."
- (4) In August 2018, the Company acquired the fee interest in three additional land parcels at the Upper East Side Residential Assemblage.

2017 Acquisitions

During the year ended December 31, 2017, we did not acquire any properties from a third party.

2016 Acquisitions

During the year ended December 31, 2016, the property listed below was acquired from a third party. The following summarizes our final allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of this acquisition (in thousands):

	<u>183 Broadway</u>
Acquisition Date	March 2016
Ownership Type	Fee Interest
Property Type	Retail/Residential
Purchase Price Allocation:	
Land	\$ 5,799
Building and building leasehold	23,431
Above-market lease value	—
Acquired in-place leases	773
Other assets, net of other liabilities	20
Assets acquired	<u>30,023</u>
Mark-to-market assumed debt	—
Below-market lease value	(1,523)
Derivatives	—
Liabilities assumed	<u>(1,523)</u>
Purchase price	<u>\$ 28,500</u>
Net consideration funded by us at closing, excluding consideration financed by debt	<u>\$ 28,500</u>
Equity and/or debt investment held	<u>\$ —</u>
Debt assumed	<u>\$ —</u>

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4. Properties Held for Sale and Property Dispositions

Properties Held for Sale

As of December 31, 2018, no properties were classified as held for sale.

Property Dispositions

The following table summarizes the properties sold during the years ended December 31, 2018, 2017, and 2016:

<u>Property</u>	<u>Disposition Date</u>	<u>Property Type</u>	<u>Unaudited Approximate Usable Square Feet</u>	<u>Sales Price⁽¹⁾ (in millions)</u>	<u>Gain (Loss) on Sale⁽²⁾ (in millions)</u>
2 Herald Square ⁽³⁾	November 2018	Office/Retail	369,000	\$ 265.0	\$ —
400 Summit Lake Drive	November 2018	Land	39.5 acres	3.0	(36.2)
Upper East Side Assemblage ⁽⁴⁾⁽⁵⁾	October 2018	Development	70,142	143.8	(6.3)
1-6 International Drive	July 2018	Office	540,000	55.0	(2.6)
635 Madison Avenue	June 2018	Retail	176,530	153.0	(14.1)
115-117 Stevens Avenue	May 2018	Office	178,000	12.0	(0.7)
600 Lexington Avenue	January 2018	Office	303,515	305.0	23.8
1515 Broadway ⁽⁶⁾	December 2017	Office	1,750,000	1,950.0	—
125 Chubb Way	October 2017	Office	278,000	29.5	(26.1)
16 Court Street	October 2017	Office	317,600	171.0	64.9
680-750 Washington Boulevard	July 2017	Office	325,000	97.0	(44.2)
520 White Plains Road	April 2017	Office	180,000	21.0	(14.6)
102 Greene Street ⁽⁷⁾	April 2017	Retail	9,200	43.5	4.9
400 East 57th Street	October 2016	Residential	290,482	83.3	23.9
11 Madison Avenue ⁽⁸⁾	August 2016	Office	2,314,000	2,605.0	3.6
500 West Putnam	July 2016	Office	121,500	41.0	(10.4)
388 Greenwich	June 2016	Office	2,635,000	2,002.3	206.5
7 International Drive	May 2016	Land	31 Acres	20.0	(6.9)
248-252 Bedford Avenue	February 2016	Residential	66,611	55.0	15.3
885 Third Avenue ⁽⁹⁾	February 2016	Leased Fee Interest	607,000	453.0	(8.8)

- (1) Sales price represents the actual sales price for an entire property or the gross asset valuation for interests in a property.
- (2) The gain on sale for 600 Lexington, 16 Court Street, 102 Greene Street, 400 East 57th Street, 11 Madison Avenue, 388 Greenwich, and 248-252 Bedford Avenue are net of \$1.3 million, \$2.5 million, \$0.9 million, \$1.0 million, \$0.6 million, \$1.6 million, and \$1.3 million in employee compensation accrued in connection with the realization of these investment gains. Additionally, amounts do not include adjustments for expenses recorded in subsequent periods.
- (3) In November 2018, the company sold a 49% interest in 2 Herald Square to an Israeli institutional investor. See Note 6, "Investments in Unconsolidated Joint Ventures."
- (4) Upper East Side Assemblage consists of 260 East 72nd Street, 31,076 square feet of development rights, 252-254 East 72nd Street, 257 East 71st Street, 259 East 71st Street, and 1231 Third Avenue.
- (5) The Company recorded a \$5.8 million charge in 2018 that is included in depreciable real estate reserves and impairment in the consolidated statement of operations.
- (6) In November 2017, the Company sold a 30.13% interest in 1515 Broadway to affiliates of Allianz Real Estate. At that time, the sale did not meet the criteria for sale accounting and as a result the property was accounted for under the profit sharing method. The Company achieved sale accounting upon adoption of ASC 610-20 in January 2018 and closed on the sale of an additional 12.87% interest in the property to Allianz in February 2018. See Note 6, "Investments in Unconsolidated Joint Ventures."
- (7) In April 2017, we closed on the sale of a 90% interest 102 Greene Street and had subsequently accounted for our interest in the property as an investment in unconsolidated joint ventures. We sold the remaining 10% interest in September 2017. See Note 6, "Investments in Unconsolidated Joint Ventures."
- (8) In August 2016, we sold a 40% interest in 11 Madison Avenue. At that time, the sale did not meet the criteria for sale accounting and, as a result, the property was accounted for under the profit sharing method. In November 2016, the Company obtained consent to the modifications to the mortgage on the property, which resulted in the Company achieving sale accounting on the transaction. See Note 6, "Investments in Unconsolidated Joint Ventures."
- (9) In February 2016, we closed on the sale of 885 Third Avenue. At that time, the sale did not meet the criteria for sale accounting and as a result the property remained on our consolidated financial statements until the criteria was met in April 2017.

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5. Debt and Preferred Equity Investments

Below is a summary of the activity relating to our debt and preferred equity investments as of December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017
Balance at beginning of period ⁽¹⁾	\$ 2,114,041	\$ 1,640,412
Debt investment originations/accretion ⁽²⁾	834,304	1,142,591
Preferred equity investment originations/accretion ⁽²⁾	151,704	144,456
Redemptions/sales/syndications/amortization ⁽³⁾	(994,906)	(813,418)
Net change in loan loss reserves	(5,750)	—
Balance at end of period ⁽¹⁾	\$ 2,099,393	\$ 2,114,041

(1) Net of unamortized fees, discounts, and premiums.

(2) Accretion includes amortization of fees and discounts and paid-in-kind investment income.

(3) Certain participations in debt investments that were sold or syndicated did not meet the conditions for sale accounting and are included in other assets and other liabilities on the consolidated balance sheets.

The following table is a rollforward of our total loan loss reserves at December 31, 2018, 2017 and 2016 (in thousands):

	December 31,		
	2018	2017	2016
Balance at beginning of year	\$ —	\$ —	\$ —
Expensed	6,839	—	—
Recoveries	—	—	—
Charge-offs and reclassifications	(1,089)	—	—
Balance at end of period	\$ 5,750	\$ —	\$ —

At December 31, 2018, all debt and preferred equity investments were performing in accordance with the terms of the relevant investments. At December 31, 2018 the Company's loan loss reserves of \$5.8 million were attributable to two investments with an unpaid principal balance of \$159.9 million that are being marketed for sale, are performing in accordance with their respective terms, and were not put on nonaccrual.

At December 31, 2017, all debt and preferred equity investments were performing in accordance with the terms of the relevant investments, with the exception of our investment in 2 Herald Square which was purchased in maturity default in May 2017 and April 2017, respectively, for which we subsequently were the successful bidder for the leasehold interest at the foreclosure of the asset as discussed in Note 3, "Property Acquisitions," and a junior mortgage participation acquired in September 2014, which was acquired for zero, had a carrying value of zero and was canceled in 2018.

We have determined that we have one portfolio segment of financing receivables at December 31, 2018 and 2017 comprising commercial real estate which is primarily recorded in debt and preferred equity investments. Included in other assets is an additional amount of financing receivables totaling \$88.8 million and \$65.5 million at December 31, 2018 and 2017, respectively. No financing receivables were 90 days past due at December 31, 2018 with the exception of a \$28.4 million financing receivable which was put on nonaccrual in August as a result of interest default. The loan was evaluated in accordance with our loan review procedures and the Company concluded that the fair value of the collateral exceeded the carrying amount of the loan.

As of December 31, 2018, Management estimated the weighted average risk rating for our debt and preferred equity investments to be 1.2.

Debt Investments

As of December 31, 2018 and 2017, we held the following debt investments with an aggregate weighted average current yield of 8.99%, at December 31, 2018 (in thousands):

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December 31, 2018

Loan Type	December 31, 2018 Future Funding Obligations	December 31, 2018 Senior Financing	December 31, 2018 Carrying Value ⁽¹⁾	December 31, 2017 Carrying Value ⁽¹⁾	Maturity Date ⁽²⁾
Fixed Rate Investments:					
Mezzanine Loan ^(3a)	\$ —	\$ 1,160,000	\$ 213,185	\$ 204,005	March 2020
Mezzanine Loan	—	15,000	3,500	3,500	September 2021
Mezzanine Loan	—	147,000	24,932	24,913	April 2022
Mezzanine Loan	—	280,000	36,585	34,600	August 2022
Mezzanine Loan	—	85,097	12,706	12,699	November 2023
Mezzanine Loan	—	180,000	30,000	—	December 2023
Mezzanine Loan ^(3b)	—	115,000	12,941	12,932	June 2024
Mezzanine Loan	—	95,000	30,000	30,000	January 2025
Mezzanine Loan	—	340,000	11,000	15,000	November 2026
Mezzanine Loan	—	1,712,750	55,250	55,250	June 2027
Mortgage/Jr. Mortgage Loan ⁽⁴⁾	—	—	—	250,464	
Mortgage Loan ⁽⁵⁾	—	—	—	26,366	
Mortgage Loan ⁽⁵⁾	—	—	—	239	
Total fixed rate	\$ —	\$ 4,129,847	\$ 430,099	\$ 669,968	
Floating Rate Investments:					
Mezzanine Loan ⁽⁶⁾	\$ —	\$ 45,025	\$ 37,499	\$ 34,879	January 2019
Mezzanine Loan ^{(3c)(7)}	—	85,000	15,333	15,381	March 2019
Mezzanine Loan ^{(3d)(7)}	—	65,000	14,822	14,869	March 2019
Mezzanine Loan ⁽⁸⁾	—	38,000	21,990	21,939	March 2019
Mezzanine Loan ⁽⁷⁾	—	40,000	19,986	19,982	April 2019
Mezzanine Loan	—	265,000	24,961	24,830	April 2019
Mortgage/Jr. Mortgage Participation Loan	40,530	233,086	84,012	71,832	August 2019
Mezzanine Loan ⁽⁷⁾⁽⁸⁾	—	65,000	14,998	14,955	August 2019
Mortgage/Mezzanine Loan ⁽⁷⁾	—	—	19,999	19,940	August 2019
Mortgage/Mezzanine Loan	1,027	—	154,070	143,919	September 2019
Mezzanine Loan	—	350,000	34,886	34,737	October 2019
Mortgage/Mezzanine Loan ⁽⁹⁾	7,243	—	62,493	43,845	January 2020
Mezzanine Loan ⁽⁹⁾	559	575,955	79,164	75,834	January 2020
Mortgage Loan	11,204	—	88,501	—	February 2020
Mezzanine Loan	1,277	322,300	53,402	—	March 2020
Mortgage/Mezzanine Loan	14,860	—	277,694	—	April 2020
Mortgage/Mezzanine Loan ⁽⁷⁾	—	—	37,094	—	June 2020
Mezzanine Loan	7,887	38,167	12,627	11,259	July 2020
Mortgage/Mezzanine Loan	—	—	83,449	—	October 2020
Mezzanine Loan	38,575	362,908	88,817	75,428	November 2020
Mortgage/Mezzanine Loan	33,131	—	98,804	88,989	December 2020
Mortgage/Mezzanine Loan	—	—	35,266	35,152	December 2020
Jr. Mortgage Participation/Mezzanine Loan	—	60,000	15,665	15,635	July 2021
Mezzanine Loan ⁽⁸⁾	—	38,596	7,305	34,947	December 2021
Mortgage/Mezzanine Loan ⁽⁵⁾	—	—	—	162,553	
Mortgage/Mezzanine Loan ⁽⁵⁾	—	—	—	74,755	
Mortgage/Mezzanine Loan ⁽¹⁰⁾	—	—	—	23,609	

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Notes to Consolidated Financial Statements (cont.)
December 31, 2018

Loan Type	December 31, 2018 Future Funding Obligations	December 31, 2018 Senior Financing	December 31, 2018 Carrying Value ⁽¹⁾	December 31, 2017 Carrying Value ⁽¹⁾	Maturity Date ⁽²⁾
Mortgage/Mezzanine Loan ⁽⁵⁾	—	—	—	16,969	
Mezzanine Loan ⁽⁵⁾	—	—	—	59,723	
Mezzanine Loan ⁽⁵⁾	—	—	—	37,851	
Mezzanine Loan ⁽⁵⁾	—	—	—	14,855	
Mezzanine Loan ⁽¹¹⁾	—	—	—	12,174	
Mezzanine Loan ⁽¹¹⁾	—	—	—	10,934	
Mezzanine Loan ⁽⁵⁾	—	—	—	37,250	
Mezzanine Loan ⁽⁵⁾	—	—	—	15,148	
Mezzanine Loan ⁽⁵⁾	—	—	—	8,550	
Mezzanine Loan ⁽¹¹⁾	—	—	—	26,927	
Total floating rate	\$ 156,293	\$ 2,584,037	\$ 1,382,837	\$ 1,299,650	
Total	\$ 156,293	\$ 6,713,884	\$ 1,812,936	\$ 1,969,618	

- (1) Carrying value is net of discounts, premiums, original issue discounts and deferred origination fees.
(2) Represents contractual maturity, excluding any unexercised extension options.
(3) Carrying value is net of the following amounts that were sold or syndicated, which are included in other assets and other liabilities on the consolidated balance sheets as a result of the transfers not meeting the conditions for sale accounting: (a) \$1.3 million, (b) \$12.0 million, (c) \$14.6 million, and (d) \$14.1 million.
(4) These loans were purchased at par in April and May 2017 and were in maturity default at the time of acquisition. At the time the loans were purchased, the Company expected to collect all contractually required payments, including interest. In August 2017, the Company determined that it was probable that the loans would not be repaid in full and therefore, the loans were put on non-accrual status. No impairment was recorded as the Company believed that the fair value of the property exceeded the carrying amount of the loans. In May 2018, the Company was the successful bidder at the foreclosure of the asset, at which time the loans were credited to our equity investment in the property.
(5) This loan was repaid in 2018.
(6) As of January 2019, this loan is in maturity default. No impairment was recorded as the Company believes that the fair value of the property exceeded the carrying amount of the loans.
(7) This loan was extended in 2018.
(8) This loan was repaid in 2019.
(9) This loan was modified in 2019.
(10) This loan was sold in 2018.
(11) In 2018, the Company accepted an assignment of the equity interests in the property in lieu of repayment of the loan, and recorded the assets received and liabilities assumed at fair value.

Preferred Equity Investments

As of December 31, 2018 and 2017, we held the following preferred equity investments with an aggregate weighted average current yield of 9.12% at December 31, 2018 (in thousands):

Type	December 31, 2018 Future Funding Obligations	December 31, 2018 Senior Financing	December 31, 2018 Carrying Value ⁽¹⁾	December 31, 2017 Carrying Value ⁽¹⁾	Mandatory Redemption ⁽²⁾
Preferred Equity ⁽³⁾	\$ —	\$ 272,000	\$ 143,183	\$ 144,423	April 2021
Preferred Equity	—	1,768,000	143,274	—	June 2022
	\$ —	\$ 2,040,000	\$ 286,457	\$ 144,423	

- (1) Carrying value is net of deferred origination fees.
(2) Represents contractual maturity, excluding any unexercised extension options.
(3) In February 2016, we closed on the sale of 885 Third Avenue and retained a preferred equity position in the property. The sale did not meet the criteria for sale accounting under the full accrual method in ASC 360-20, Property, Plant and Equipment - Real Estate Sales. As a result the property remained on our consolidated balance sheet until the criteria was met in April 2017 at which time the property was deconsolidated and the preferred equity investment was recognized.

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6. Investments in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners. As of December 31, 2018, the book value of these investments was \$3.0 billion, net of investments with negative book values totaling \$85.8 million for which we have an implicit commitment to fund future capital needs.

As of December 31, 2018 and December 31, 2017, 800 Third Avenue, 21 East 66th Street, 605 West 42nd Street, 333 East 22nd Street, One Vanderbilt and certain properties within the Stonehenge Portfolio are VIEs in which we are not the primary beneficiary. Our net equity investment in these VIEs was \$808.3 million as of December 31, 2018 and \$606.2 million as of December 31, 2017. Our maximum loss is limited to the amount of our equity investment in these VIEs. See the "Principles of Consolidation" section of Note 2, "Significant Accounting Policies". All other investments below are voting interest entities. As we do not control the joint ventures listed below, we account for them under the equity method of accounting.

The table below provides general information on each of our joint ventures as of December 31, 2018:

Property	Partner	Ownership Interest ⁽¹⁾	Economic Interest ⁽¹⁾	Unaudited Approximate Square Feet	Acquisition Date ⁽²⁾	Acquisition Price ⁽²⁾ (in thousands)
100 Park Avenue	Prudential Real Estate Investors	49.90%	49.90%	834,000	February 2000	\$ 95,800
717 Fifth Avenue	Jeff Sutton/Private Investor	10.92%	10.92%	119,500	September 2006	251,900
800 Third Avenue	Private Investors	60.52%	60.52%	526,000	December 2006	285,000
919 Third Avenue ⁽³⁾	New York State Teacher's Retirement System	51.00%	51.00%	1,454,000	January 2007	1,256,727
11 West 34th Street	Private Investor/ Jeff Sutton	30.00%	30.00%	17,150	December 2010	10,800
280 Park Avenue	Vornado Realty Trust	50.00%	50.00%	1,219,158	March 2011	400,000
1552-1560 Broadway ⁽⁴⁾	Jeff Sutton	50.00%	50.00%	57,718	August 2011	136,550
10 East 53rd Street	Canadian Pension Plan Investment Board	55.00%	55.00%	354,300	February 2012	252,500
521 Fifth Avenue	Plaza Global Real Estate Partners LP	50.50%	50.50%	460,000	November 2012	315,000
21 East 66th Street ⁽⁵⁾	Private Investors	32.28%	32.28%	13,069	December 2012	75,000
650 Fifth Avenue ⁽⁶⁾	Jeff Sutton	50.00%	50.00%	69,214	November 2013	—
121 Greene Street	Jeff Sutton	50.00%	50.00%	7,131	September 2014	27,400
55 West 46th Street	Prudential Real Estate Investors	25.00%	25.00%	347,000	November 2014	295,000
Stonehenge Portfolio ⁽⁷⁾	Various	Various	Various	1,439,016	February 2015	36,668
131-137 Spring Street ⁽⁸⁾	Invesco Real Estate	20.00%	20.00%	68,342	August 2015	277,750
605 West 42nd Street	The Moinian Group	20.00%	20.00%	927,358	April 2016	759,000
11 Madison Avenue	PGIM Real Estate	60.00%	60.00%	2,314,000	August 2016	2,605,000
333 East 22nd Street	Private Investors	33.33%	33.33%	26,926	August 2016	—
400 East 57th Street ⁽⁹⁾	BlackRock, Inc and Stonehenge Partners	51.00%	41.00%	290,482	October 2016	170,000
One Vanderbilt ⁽¹⁰⁾	National Pension Service of Korea/Hines Interest LP	71.01%	71.01%	—	January 2017	3,310,000
Worldwide Plaza	RXR Realty / New York REIT / Private Investor	24.35%	24.35%	2,048,725	October 2017	1,725,000
1515 Broadway ⁽¹¹⁾	Allianz Real Estate of America	56.87%	56.87%	1,750,000	November 2017	1,950,000
2 Herald Square	Israeli Institutional Investor	51.00%	51.00%	369,000	November 2018	266,000

- (1) Ownership interest and economic interest represent the Company's interests in the joint venture as of December 31, 2018. Changes in ownership or economic interests within the current year are disclosed in the notes below.
(2) Acquisition date and price represent the date on which the Company initially acquired an interest in the joint venture and the actual or implied gross purchase price for the joint venture on that date. Acquisition date and price are not adjusted for subsequent acquisitions or dispositions of interest.
(3) In January 2018, the partnership agreement for our investment was modified resulting in the Company no longer having a controlling interest in this investment. As a result the investment was deconsolidated as of January 1, 2018. The Company recorded its non-controlling interest at fair value resulting

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in a \$49.3 million fair value adjustment in the consolidated statement of operations. This fair value was allocated to the assets and liabilities, including identified intangibles of the property.

- (4) The purchase price represents only the purchase of the 1552 Broadway interest which comprised approximately 13,045 square feet. The joint venture also owns a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway.
- (5) We hold a 32.28% interest in three retail and two residential units at the property and a 16.14% interest in three residential units at the property.
- (6) The joint venture owns a long-term leasehold interest in the retail space at 650 Fifth Avenue. In connection with the ground lease obligation, SLG provided a performance guaranty and our joint venture partner executed a contribution agreement to reflect its pro rata obligation. In the event the property is converted into a condominium unit and the landlord elects the purchase option, the joint venture shall be obligated to acquire the unit at the then fair value.
- (7) In February and March 2018, the Company, together with its joint venture partner, closed on the sale of two properties from the Stonehenge Portfolio. These sales are further described under Sale of Joint Venture Interest of Properties below.
- (8) In January 2019, we closed on the sale of our interest in this property to our joint venture partner. The transaction generated net cash proceeds to the Company of \$15.2 million.
- (9) In October 2016, the Company sold a 49% interest in this property to an investment account managed by BlackRock, Inc. The Company's interest in the property was sold within a consolidated joint venture owned 90% by the Company and 10% by Stonehenge. The transaction resulted in the deconsolidation of the venture's remaining 51% interest in the property. The Company's joint venture with Stonehenge remains consolidated resulting in the combined 51% interest being shown within investments in unconsolidated joint ventures on the Company's balance sheet.
- (10) The partners have committed aggregate equity to the project totaling no less than \$525 million and their ownership interest in the joint venture is based on their capital contributions, up to an aggregate maximum of 29.0%. At December 31, 2018 the total of the two partners' ownership interests based on equity contributed was 23.4%.
- (11) In November 2017, the Company sold a 30% interest in 1515 Broadway to affiliates of Allianz Real Estate. The sale did not meet the criteria for sale accounting and as a result the property was accounted for under the profit sharing method at December 31, 2017. The Company achieved sale accounting upon adoption of ASC 610-20 in January 2018 and recorded a \$0.6 billion gain from the sale of the partial interest and related step-up in basis to fair value of the retained non-controlling interest as an adjustment to beginning retained earnings based on the application of the modified retrospective adoption approach. The Company closed on the sale of an additional 13% interest in the property to Allianz in February 2018.

Acquisition, Development and Construction Arrangements

Based on the characteristics of the following arrangements, which are similar to those of an investment, combined with the expected residual profit of not greater than 50%, we have accounted for these debt and preferred equity investments under the equity method. As of December 31, 2018 and 2017, the carrying value for acquisition, development and construction arrangements were as follows (in thousands):

Loan Type	December 31, 2018	December 31, 2017	Maturity Date
Mezzanine Loan ⁽¹⁾	\$ 44,357	44,823	February 2022
Mezzanine Loan and Preferred Equity ⁽²⁾	—	100,000	
Mezzanine Loan ⁽³⁾	—	26,716	
	<u>\$ 44,357</u>	<u>\$ 171,539</u>	

- (1) We have an option to convert our loan to an equity interest subject to certain conditions. We have determined that our option to convert the loan to equity is not a derivative financial instrument pursuant to GAAP.
- (2) The mezzanine loan was repaid and the preferred equity interest was redeemed in March 2018.
- (3) The Company was redeemed on this investment in July 2018.

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Disposition of Joint Venture Interests or Properties

The following table summarizes the investments in unconsolidated joint ventures sold during the years ended December 31, 2018, 2017, and 2016:

Property	Ownership Interest Sold	Disposition Date	Type of Sale	Gross Asset Valuation (in thousands) ⁽¹⁾	Gain (Loss) on Sale (in thousands) ⁽²⁾
3 Columbus Circle	48.90%	November 2018	Ownership Interest	\$ 851,000	\$ 160,368
Mezzanine Loan ⁽³⁾	33.33%	August 2018	Repayment	15,000	N/A
724 Fifth Avenue	49.90%	July 2018	Ownership Interest	365,000	64,587
Jericho Plaza ⁽⁴⁾	11.67%	June 2018	Ownership Interest	117,400	147
1745 Broadway	56.87%	May 2018	Property	633,000	52,038
175-225 Third Street Brooklyn, New York	95.00%	April 2018	Property	115,000	19,483
Stonehenge Village ⁽⁵⁾	0.50%	March 2018	Property	287,000	(5,701)
1515 Broadway ⁽⁶⁾	13.00%	February 2018	Ownership Interest	1,950,000	—
1274 Fifth Avenue ⁽⁵⁾	9.83%	February 2018	Property	44,100	(362)
102 Greene Street	10.00%	September 2017	Ownership Interest	43,500	283
76 11th Avenue ⁽⁷⁾	33.33%	May 2017	Repayment	138,240	N/A
Stonehenge Portfolio (partial) ⁽⁶⁾	Various	March 2017	Ownership Interest	300,000	871
EOP Denver	0.48%	September 2016	Ownership Interest	180,700	300
33 Beekman ⁽⁸⁾	45.90%	May 2016	Property	196,000	33,000
EOP Denver	4.79%	March 2016	Ownership Interest	180,700	2,800
7 Renaissance Square	50.00%	March 2016	Property	20,700	4,200
Jericho Plaza ⁽⁴⁾	66.11%	February 2016	Ownership Interest	95,200	3,300

- (1) Represents implied gross valuation for the joint venture or sales price of the property.
- (2) Represents the Company's share of the gain or loss. The gain on sale is net of \$11.7 million, \$0, and \$1.1 million of employee compensation accrued in connection with the realization of these investment gains in the years ended December 31, 2018, 2017, and 2016, respectively. Additionally, gain (loss) amounts do not include adjustments for expenses recorded in subsequent periods.
- (3) Our investment in a joint venture that owned a mezzanine loan secured by a commercial property in midtown Manhattan was repaid after the joint venture received repayment of the underlying loan.
- (4) We sold our 11.67% interest in June 2018. In the first quarter of 2016, our ownership percentage was reduced from 77.78% to 11.67%, upon completion of a restructuring of the joint venture.
- (5) Properties were part of the Stonehenge Portfolio.
- (6) Our investment in 1515 Broadway was marked to fair value on January 1, 2018 upon adoption of ASC 610-20.
- (7) Our investment in a joint venture that owned two mezzanine notes secured by interests in the entity that owns 76 11th Avenue was repaid after the joint venture received repayment of the underlying loans.
- (8) In connection with the sale of the property, we also recognized a promote of \$10.8 million.

In May 2017, we recognized a gain of \$13.0 million related to the sale in May 2014 of our ownership interest in 747 Madison Avenue. The sale did not meet the criteria for sale accounting at that time and, therefore, remained on our consolidated financial statements. The sale criteria was met in May of 2017 resulting in recognition of the deferred gain on the sale.

Joint Venture Mortgages and Other Loans Payable

We generally finance our joint ventures with non-recourse debt. In certain cases we may provide guarantees or master leases for tenant space, which terminate upon the satisfaction of specified circumstances or repayment of the underlying loans. The first mortgage notes and other loans payable collateralized by the respective joint venture properties and assignment of leases at December 31, 2018 and 2017, respectively, are as follows (amounts in thousands):

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Property	Economic Interest ⁽¹⁾	Maturity Date	Interest Rate ⁽²⁾	December 31, 2018	December 31, 2017
Fixed Rate Debt:					
521 Fifth Avenue	50.50%	November 2019	3.73%	\$ 170,000	\$ 170,000
717 Fifth Avenue ⁽³⁾	10.92%	July 2022	4.45%	300,000	300,000
717 Fifth Avenue ⁽³⁾	10.92%	July 2022	5.50%	355,328	355,328
650 Fifth Avenue ⁽⁴⁾	50.00%	October 2022	4.46%	210,000	210,000
650 Fifth Avenue ⁽⁴⁾	50.00%	October 2022	5.45%	65,000	65,000
21 East 66th Street	32.28%	April 2023	3.60%	12,000	12,000
919 Third Avenue	51.00%	June 2023	5.12%	500,000	—
1515 Broadway	56.87%	March 2025	3.93%	855,876	872,528
11 Madison Avenue	60.00%	September 2025	3.84%	1,400,000	1,400,000
800 Third Avenue	60.52%	February 2026	3.37%	177,000	177,000
400 East 57th Street	41.00%	November 2026	3.00%	99,828	100,000
Worldwide Plaza	24.35%	November 2027	3.98%	1,200,000	1,200,000
Stonehenge Portfolio ⁽⁵⁾	Various	Various	4.20%	321,076	357,282
3 Columbus Circle ⁽⁶⁾				—	350,000
Total fixed rate debt				\$ 5,666,108	\$ 5,569,138
Floating Rate Debt:					
280 Park Avenue	50.00%	September 2019	L+ 1.73%	\$ 1,200,000	\$ 1,200,000
121 Greene Street	50.00%	November 2019	L+ 1.50%	15,000	15,000
10 East 53rd Street	55.00%	February 2020	L+ 2.25%	170,000	170,000
131-137 Spring Street ⁽⁷⁾	20.00%	August 2020	L+ 1.55%	141,000	141,000
1552 Broadway	50.00%	October 2020	L+ 2.65%	195,000	195,000
55 West 46th Street ⁽⁸⁾	25.00%	November 2020	L+ 2.13%	185,569	171,444
11 West 34th Street	30.00%	January 2021	L+ 1.45%	23,000	23,000
103 East 86th Street ⁽⁹⁾	1.00%	January 2021	L+ 1.40%	38,000	55,340
100 Park Avenue	49.90%	February 2021	L+ 1.75%	360,000	360,000
One Vanderbilt ⁽¹⁰⁾	71.01%	September 2021	L+ 2.75%	375,000	355,535
2 Herald Square ⁽¹¹⁾	51.00%	November 2021	L+ 1.55%	133,565	—
605 West 42nd Street	20.00%	August 2027	L+ 1.44%	550,000	550,000
21 East 66th Street	32.28%	June 2033	1 Year Treasury+ 2.75%	1,571	1,648
175-225 Third Street Brooklyn, New York ⁽¹²⁾				—	40,000
1745 Broadway ⁽¹²⁾				—	345,000
Jericho Plaza ⁽¹³⁾				—	81,099
724 Fifth Avenue ⁽¹⁴⁾				—	275,000
Total floating rate debt				\$ 3,387,705	\$ 3,979,066
Total joint venture mortgages and other loans payable				\$ 9,053,813	\$ 9,548,204
Deferred financing costs, net				(103,191)	(136,103)
Total joint venture mortgages and other loans payable, net				\$ 8,950,622	\$ 9,412,101

- (1) Economic interest represents the Company's interests in the joint venture as of December 31, 2018. Changes in ownership or economic interests, if any, within the current year are disclosed in the notes to the investment in unconsolidated joint ventures table above.
- (2) Interest rate as of December 31, 2018, taking into account interest rate hedges in effect during the period. Floating rate debt is presented with the stated interest rate spread over 30-day LIBOR, unless otherwise specified.
- (3) These loans are comprised of a \$300.0 million fixed rate mortgage loan and \$355.3 million mezzanine loan. The mezzanine loan is subject to accretion based on the difference between contractual interest rate and contractual pay rate.
- (4) These loans are comprised of a \$210.0 million fixed rate mortgage loan and \$65.0 million fixed rate mezzanine loan.
- (5) Amount is comprised of \$134.3 million, \$54.1 million, and \$132.6 million in fixed-rated mortgages that mature in August 2019, June 2024, and April 2028, respectively.
- (6) In November 2018, we closed on the sale of our interest in the property to our joint venture partner.

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- (7) In January 2019, we closed on the sale of our interest in this property to our joint venture partner.
- (8) This loan has a committed amount of \$195.0 million, of which \$9.4 million was unfunded as of December 31, 2018.
- (9) In February 2019, along with our joint venture partner, we closed on the sale of the property.
- (10) This loan is a \$1.75 billion construction facility, with reductions in interest cost based on meeting certain conditions, and has an initial five-year term with two one-year extension options. Advances under the loan are subject to incurred costs, funded equity, loan to value thresholds, and entering into construction contracts.
- (11) This loan has a committed amount of \$150.0 million.
- (12) In 2018, along with our joint venture partner, we closed on the sale of the property.
- (13) In 2018, we closed on the sale of our interest in the property.
- (14) In 2018, we closed on the sale of substantially all of our interest in the property to our joint venture partner.

We act as the operating partner and day-to-day manager for all our joint ventures, except for Worldwide Plaza, 800 Third Avenue, 280 Park Avenue, 21 East 66th Street, 605 West 42nd Street, 400 East 57th Street, and the Stonehenge Portfolio. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to certain of our joint ventures. We earned \$14.2 million, \$22.6 million and \$4.0 million from these services, net of our ownership share of the joint ventures, for the years ended December 31, 2018, 2017, and 2016, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

The combined balance sheets for the unconsolidated joint ventures, at December 31, 2018 and 2017, are as follows (in thousands):

	December 31, 2018	December 31, 2017
Assets ⁽¹⁾		
Commercial real estate property, net	\$ 14,347,673	\$ 12,822,133
Cash and restricted cash	381,301	494,909
Tenant and other receivables, related party receivables, and deferred rents receivable, net of allowance	273,141	349,944
Debt and preferred equity investments, net	44,357	202,539
Other assets	2,187,166	1,407,806
Total assets	\$ 17,233,638	\$ 15,277,331
Liabilities and equity ⁽¹⁾		
Mortgages and other loans payable, net	\$ 8,950,622	\$ 9,412,101
Deferred revenue/gain	1,660,838	985,648
Other liabilities	946,313	411,053
Equity	5,675,865	4,468,529
Total liabilities and equity	\$ 17,233,638	\$ 15,277,331
Company's investments in unconsolidated joint ventures	\$ 3,019,020	\$ 2,362,989

- (1) The combined assets, liabilities and equity for the unconsolidated joint ventures reflects the effect of step ups in basis on the retained non-controlling interests in deconsolidated investments as a result of the adoption of ASC 610-20 in January 2018.

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The combined statements of operations for the unconsolidated joint ventures, from acquisition date through the years ended December 31, 2018, 2017, and 2016 are as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Total revenues	\$ 1,244,804	\$ 904,230	\$ 712,689
Operating expenses	219,440	157,610	126,913
Real estate taxes	226,961	142,774	111,673
Ground rent	18,697	16,794	14,924
Interest expense, net of interest income	363,055	250,063	197,741
Amortization of deferred financing costs	21,634	23,026	24,829
Transaction related costs	—	146	5,566
Depreciation and amortization	421,458	279,419	199,011
Total expenses	\$ 1,271,245	\$ 869,832	\$ 680,657
Loss on early extinguishment of debt	—	(7,899)	(1,606)
Net (loss) income before gain on sale ⁽¹⁾	\$ (26,441)	\$ 26,499	\$ 30,426
Company's equity in net income from unconsolidated joint ventures ⁽¹⁾	\$ 7,311	\$ 21,892	\$ 11,874

(1) The combined statements of operations and the Company's equity in net income for the unconsolidated joint ventures reflects the effect of step ups in basis on the retained non-controlling interests in deconsolidated investments as a result of the adoption of ASC 610-20 in January 2018.

7. Deferred Costs

Deferred costs at December 31, 2018 and 2017 consisted of the following (in thousands):

	December 31,	
	2018	2017
Deferred leasing costs	\$ 453,833	\$ 443,341
Less: accumulated amortization	(244,723)	(217,140)
Deferred costs, net	\$ 209,110	\$ 226,201

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8. Mortgages and Other Loans Payable

The first mortgages and other loans payable collateralized by the respective properties and assignment of leases or debt investments at December 31, 2018 and 2017, respectively, were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate ⁽¹⁾	December 31, 2018	December 31, 2017
Fixed Rate Debt:				
762 Madison Avenue	February 2022	5.00%	771	771
100 Church Street	July 2022	4.68%	213,208	217,273
420 Lexington Avenue	October 2024	3.99%	300,000	300,000
400 East 58th Street ⁽²⁾	November 2026	3.00%	39,931	40,000
Landmark Square	January 2027	4.90%	100,000	100,000
485 Lexington Avenue	February 2027	4.25%	450,000	450,000
1080 Amsterdam ⁽³⁾	February 2027	3.58%	35,807	36,363
315 West 33rd Street	February 2027	4.17%	250,000	250,000
919 Third Avenue ⁽⁴⁾			—	500,000
Unsecured Loan ⁽⁵⁾			—	16,000
Series J Preferred Units ⁽⁶⁾			—	4,000
One Madison Avenue ⁽⁷⁾			—	486,153
Total fixed rate debt			\$ 1,389,717	\$ 2,400,560
Floating Rate Debt:				
FHLB Facility	May 2019	L+ 0.27%	\$ 13,000	\$ —
2017 Master Repurchase Agreement	June 2019	L+ 2.34%	300,000	90,809
FHLB Facility	December 2019	L+ 0.18%	14,500	—
133 Greene Street	August 2020	L+ 2.00%	15,523	—
185 Broadway ⁽⁸⁾	November 2021	L+ 2.85%	111,869	58,000
712 Madison	December 2021	L+ 2.50%	28,000	—
115 Spring Street	September 2023	L+ 3.40%	65,550	—
719 Seventh Avenue	September 2023	L+ 1.20%	50,000	41,622
220 East 42nd Street ⁽⁹⁾			—	275,000
Total floating rate debt			\$ 598,442	\$ 465,431
Total fixed rate and floating rate debt			\$ 1,988,159	\$ 2,865,991
Mortgages reclassified to liabilities related to assets held for sale			—	—
Total mortgages and other loans payable			\$ 1,988,159	\$ 2,865,991
Deferred financing costs, net of amortization			(26,919)	(28,709)
Total mortgages and other loans payable, net			\$ 1,961,240	\$ 2,837,282

- (1) Interest rate as of December 31, 2018, taking into account interest rate hedges in effect during the period. Floating rate debt is presented with the stated interest rate spread over 30-day LIBOR, unless otherwise specified.
- (2) The loan carries a fixed interest rate of 300 basis points for the first five years and is prepayable without penalty at the end of year five.
- (3) The loan is comprised of a \$35.5 million mortgage loan and \$0.9 million subordinate loan with a fixed interest rate of 350 basis points and 700 basis points, respectively, for the first five years and is prepayable without penalty at the end of year five.
- (4) Our investment in the property was deconsolidated as of January 1, 2018. See Note 6, "Investments in Unconsolidated Joint Ventures".
- (5) In May 2018, the loan was repaid in connection with the sale of the property.
- (6) In June 2018, the Series J Preferred Units were redeemed in connection with the sale of the property.
- (7) In 2018, the Company recognized a \$14.9 million loss on extinguishment of debt related to the early repayment of this loan.
- (8) This loan is a \$225.0 million construction facility, with reductions in interest cost based on meeting certain conditions, and has an initial three-year term with two one-year extension options. Advances under the loan are subject to incurred costs and funded equity requirements.
- (9) In 2018, the mortgage was repaid.

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At December 31, 2018 and 2017, the gross book value of the properties and debt and preferred equity investments collateralizing the mortgages and other loans payable, not including assets held for sale, was approximately \$3.9 billion and \$4.8 billion, respectively.

Federal Home Loan Bank of New York Facility

The Company's wholly-owned subsidiary, Ticonderoga Insurance Company, or Ticonderoga, a Vermont licensed captive insurance company, is a member of the Federal Home Loan Bank of New York, or FHLBNY. As a member, Ticonderoga may borrow funds from the FHLBNY in the form of secured advances. As of December 31, 2018, we had \$13.0 million and \$14.5 million in outstanding secured advances with a borrowing rate of 30-day LIBOR over 27 basis points and 30-day LIBOR over 18 basis points, respectively.

Master Repurchase Agreements

The Company has entered into two Master Repurchase Agreements, or MRAs, known as the 2016 MRA and 2017 MRA, which provide us with the ability to sell certain debt investments with a simultaneous agreement to repurchase the same at a certain date or on demand. We seek to mitigate risks associated with our repurchase agreement by managing the credit quality of our assets, early repayments, interest rate volatility, liquidity, and market value. The margin call provisions under our repurchase facilities permit valuation adjustments based on capital markets activity, and are not limited to collateral-specific credit marks. To monitor credit risk associated with our debt investments, our asset management team regularly reviews our investment portfolio and is in contact with our borrowers in order to monitor the collateral and enforce our rights as necessary. The risk associated with potential margin calls is further mitigated by our ability to recollateralize the facility with additional assets from our portfolio of debt investments, our ability to satisfy margin calls with cash or cash equivalents and our access to additional liquidity through the 2017 credit facility, as defined below.

In June 2017, we entered into the 2017 MRA, with a maximum facility capacity of \$300.0 million. In April 2018, we increased the maximum facility capacity to \$400.0 million. The facility bears interest on a floating rate basis at a spread to 30-day LIBOR based on the pledged collateral and advance rate and has an initial one year term, with two one year extension options. In June 2018, we exercised a one year extension option. At December 31, 2018, the facility had a carrying value of \$299.6 million, net of deferred financing costs.

In July 2016, we entered into a restated 2016 MRA, with a maximum facility capacity of \$300.0 million. In June 2018, we terminated the restated 2016 MRA. The facility bore interest ranging from 225 and 400 basis points over 30-day LIBOR depending on the pledged collateral and had an initial two-year term, with a one year extension option. Since December 6, 2015, we had been required to pay monthly in arrears a 25 basis point fee on the excess of \$150.0 million over the average daily balance during the period when the average daily balance was less than \$150.0 million.

9. Corporate Indebtedness

2017 Credit Facility

In November 2017, we entered into an amendment to the credit facility, referred to as the 2017 credit facility, that was originally entered into by the Company in November 2012, or the 2012 credit facility. As of December 31, 2018, the 2017 credit facility consisted of a \$1.5 billion revolving credit facility, a \$1.3 billion term loan (or "Term Loan A"), and a \$200.0 million term loan (or "Term Loan B") with maturity dates of March 31, 2022, March 31, 2023, and November 21, 2024, respectively. The revolving credit facility has two six-month as-of-right extension options to March 31, 2023. We also have an option, subject to customary conditions, to increase the capacity of the credit facility to \$4.5 billion at any time prior to the maturity dates for the revolving credit facility and term loans without the consent of existing lenders, by obtaining additional commitments from our existing lenders and other financial institutions.

As of December 31, 2018, the 2017 credit facility bore interest at a spread over 30-day LIBOR ranging from (i) 82.5 basis points to 155 basis points for loans under the revolving credit facility, (ii) 90 basis points to 175 basis points for loans under Term Loan A, and (iii) 150 basis points to 245 basis points for loans under Term Loan B, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of the Company.

At December 31, 2018, the applicable spread was 100 basis points for the revolving credit facility, 110 basis points for Term Loan A, and 165 basis points for Term Loan B. We are required to pay quarterly in arrears a 12.5 to 30 basis point facility fee on the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of the Company. As of December 31, 2018, the facility fee was 20 basis points.

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As of December 31, 2018, we had \$11.8 million of outstanding letters of credit, \$500.0 million drawn under the revolving credit facility and \$1.5 billion outstanding under the term loan facilities, with total undrawn capacity of \$1.0 billion under the 2017 credit facility. At December 31, 2018 and December 31, 2017, the revolving credit facility had a carrying value of \$492.2 million and \$30.3 million, respectively, net of deferred financing costs. At December 31, 2018 and December 31, 2017, the term loan facilities had a carrying value of \$1.5 billion and \$1.5 billion, respectively, net of deferred financing costs.

The Company and the Operating Partnership are borrowers jointly and severally obligated under the 2017 credit facility.

The 2017 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures as of December 31, 2018 and 2017, respectively, by scheduled maturity date (amounts in thousands):

Issuance	December 31, 2018 Unpaid Principal Balance	December 31, 2018 Accreted Balance	December 31, 2017 Accreted Balance	Interest Rate (1)	Initial Term (in Years)	Maturity Date
March 16, 2010 ⁽²⁾	\$ 250,000	\$ 250,000	\$ 250,000	7.75%	10	March 2020
August 7, 2018 ⁽³⁾⁽⁴⁾	350,000	350,000	—	L+ 0.98%	3	August 2021
October 5, 2017 ⁽³⁾	500,000	499,591	499,489	3.25%	5	October 2022
November 15, 2012 ⁽⁵⁾	300,000	304,168	305,163	4.50%	10	December 2022
December 17, 2015 ⁽²⁾	100,000	100,000	100,000	4.27%	10	December 2025
August 5, 2011 ⁽²⁾⁽⁶⁾	—	—	249,953			
	\$ 1,500,000	\$ 1,503,759	\$ 1,404,605			
Deferred financing costs, net		(8,545)	(8,666)			
	\$ 1,500,000	\$ 1,495,214	\$ 1,395,939			

- (1) Interest rate as of December 31, 2018, taking into account interest rate hedges in effect during the period. Floating rate notes are presented with the stated spread over 3-month LIBOR, unless otherwise specified. Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.
- (2) Issued by the Company and the Operating Partnership as co-obligors.
- (3) Issued by the Operating Partnership with the Company as the guarantor.
- (4) Beginning on August 8, 2019 and at any time thereafter, the notes are subject to redemption at the Company's option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes, plus unpaid accrued interest thereon to the redemption date.
- (5) In October 2017, the Company and the Operating Partnership as co-obligors issued an additional \$100.0 million of 4.50% senior unsecured notes due December 2022. The notes were priced at 105.334%.
- (6) The balance was repaid in August 2018.

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Restrictive Covenants

The terms of the 2017 credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends, make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable the Company to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2018 and 2017, we were in compliance with all such covenants.

Junior Subordinated Deferrable Interest Debentures

In June 2005, the Company and the Operating Partnership issued \$100.0 million in unsecured trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of the Operating Partnership. The securities mature in 2035 and bear interest at a floating rate of 125 basis points over the three-month LIBOR. Interest payments may be deferred for a period of up to eight consecutive quarters if the Operating Partnership exercises its right to defer such payments. The Trust preferred securities are redeemable at the option of the Operating Partnership, in whole or in part, with no prepayment premium. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our consolidated balance sheets and the related payments are classified as interest expense.

Principal Maturities

Combined aggregate principal maturities of mortgages and other loans payable, 2017 credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of December 31, 2018, including as-of-right extension options and put options, were as follows (in thousands):

	Scheduled Amortization	Principal	Revolving Credit Facility	Unsecured Term Loans	Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2019	\$ 6,241	\$ 27,500	\$ —	\$ —	\$ —	\$ —	\$ 33,741	\$ 115,295
2020	11,117	315,523	—	—	—	250,000	576,640	278,791
2021	11,636	139,869	—	—	—	350,000	501,505	518,371
2022	9,429	198,588	—	—	—	800,000	1,008,017	220,810
2023	7,301	115,550	500,000	1,300,000	—	—	1,922,851	277,996
Thereafter	9,290	1,136,115	—	200,000	100,000	100,000	1,545,405	2,430,198
	<u>\$ 55,014</u>	<u>\$ 1,933,145</u>	<u>\$ 500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 100,000</u>	<u>\$ 1,500,000</u>	<u>\$ 5,588,159</u>	<u>\$ 3,841,461</u>

Consolidated interest expense, excluding capitalized interest, was comprised of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Interest expense before capitalized interest	\$ 244,788	\$ 284,649	\$ 348,062
Interest capitalized	(34,162)	(26,020)	(24,067)
Interest income	(1,957)	(1,584)	(2,796)
Interest expense, net	<u>\$ 208,669</u>	<u>\$ 257,045</u>	<u>\$ 321,199</u>

10. Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Alliance Building Services, or Alliance, and its affiliates are partially owned by Gary Green, a son of Stephen L. Green, who serves as a member and as the chairman emeritus of our board of directors, and provide services to certain properties owned by us. Alliance's affiliates include First Quality Maintenance, L.P., or First Quality, Classic Security LLC, Bright Star Couriers LLC and Onyx Restoration Works, and provide cleaning, extermination, security, messenger, and restoration services, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered

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into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements.

Income earned from the profit participation, which is included in other income on the consolidated statements of operations, was \$3.9 million, \$3.9 million and \$3.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

We also recorded expenses, inclusive of capitalized expenses, of \$18.8 million, \$22.6 million and \$23.4 million the years ended December 31, 2018, 2017 and 2016, respectively, for these services (excluding services provided directly to tenants).

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. We received management fees from this entity of \$0.6 million, \$0.5 million and \$0.7 million for the years ended December 31, 2018, 2017, and 2016 respectively.

One Vanderbilt Investment

In December 2016, we entered into agreements with entities owned and controlled by Marc Holliday and Andrew Mathias, pursuant to which they agreed to make an investment in our One Vanderbilt project at the appraised fair market value for the interests acquired. This investment entitles these entities to receive approximately 1.50% - 1.80% and 1.00% - 1.20%, respectively, of any profits realized by the Company from its One Vanderbilt project in excess of the Company's capital contributions. The entities have no right to any return of capital. Accordingly, subject to previously disclosed repurchase rights, these interests will have no value and will not entitle these entities to any amounts (other than limited distributions to cover tax liabilities incurred) unless and until the Company has received distributions from the One Vanderbilt project in excess of the Company's aggregate investment in the project. In the event that the Company does not realize a profit on its investment in the project (or would not realize a profit based on the value at the time the interests are repurchased), the entities owned and controlled by Messrs. Holliday and Mathias will lose the entire amount of their investment. The entities owned and controlled by Messrs. Holliday and Mathias paid \$1.4 million and \$1.0 million, respectively, which equal the fair market value of the interests acquired as of the date the investment agreements were entered into as determined by an independent third party appraisal that we obtained.

Messrs. Holliday and Mathias cannot monetize their interests until after stabilization of the property (50% within three years after stabilization and 100% three years or more after stabilization). In addition, the agreement calls for us to repurchase these interests in the event of a sale of One Vanderbilt or a transactional change of control of the Company. We also have the right to repurchase these interests on the seven-year anniversary of the stabilization of the project or upon the occurrence of certain separation events prior to the stabilization of the project relating to each of Messrs. Holliday's and Mathias's continued service with us. The price paid upon monetization of the interests will equal the liquidation value of the interests at the time, with the value of One Vanderbilt being based on its sale price, if applicable, or fair market value as determined by an independent third party appraiser.

Other

We are entitled to receive fees for providing management, leasing, construction supervision, and asset management services to certain of our joint ventures as further described in Note 6, "Investments in Unconsolidated Joint Ventures." Amounts due from joint ventures and related parties at December 31, 2018 and 2017 consisted of the following (in thousands):

	December 31,	
	2018	2017
Due from joint ventures	\$ 18,655	\$ 15,025
Other	9,378	8,014
Related party receivables	<u>\$ 28,033</u>	<u>\$ 23,039</u>

11. Noncontrolling Interests on the Company's Consolidated Financial Statements

Noncontrolling interests represent the common and preferred units of limited partnership interest in the Operating Partnership not held by the Company as well as third party equity interests in our other consolidated subsidiaries. Noncontrolling interests in the Operating Partnership are shown in the mezzanine equity while the noncontrolling interests in our other consolidated subsidiaries are shown in the equity section of the Company's consolidated financial statements.

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Common Units of Limited Partnership Interest in the Operating Partnership

As of December 31, 2018 and 2017, the noncontrolling interest unit holders owned 4.70%, or 4,130,579 units, and 4.58%, or 4,452,979 units, of the Operating Partnership, respectively. As of December 31, 2018, 4,130,579 shares of our common stock were reserved for issuance upon the redemption of units of limited partnership interest of the Operating Partnership.

Noncontrolling interests in the Operating Partnership is recorded at the greater of its cost basis or fair market value based on the closing stock price of our common stock at the end of the reporting period.

Below is a summary of the activity relating to the noncontrolling interests in the Operating Partnership as of December 31, 2018 and 2017 (in thousands):

	December 31,	
	2018	2017
Balance at beginning of period	\$ 461,954	\$ 473,882
Distributions	(15,000)	(14,266)
Issuance of common units	23,655	25,723
Redemption of common units	(60,718)	(21,574)
Net income	12,216	3,995
Accumulated other comprehensive income allocation	(66)	(94)
Fair value adjustment	(34,236)	(5,712)
Balance at end of period	\$ 387,805	\$ 461,954

Preferred Units of Limited Partnership Interest in the Operating Partnership

The Operating Partnership has 1,902,000 4.50% Series G Preferred Units of limited partnership interest, or the Series G Preferred Units outstanding, with a liquidation preference of \$25.00 per unit, which were issued in January 2012 in conjunction with an acquisition. The Series G Preferred unitholders receive annual dividends of \$1.125 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series G Preferred Units are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$88.50. The common units of limited partnership interest in the Operating Partnership may be redeemed in exchange for our common stock on a 1-to-1 basis. The Series G Preferred Units also provide the holder with the right to require the Operating Partnership to repurchase the Series G Preferred Units for cash before January 31, 2022.

The Operating Partnership has 60 Series F Preferred Units outstanding with a mandatory liquidation preference of \$1,000.00 per unit.

The Operating Partnership has authorized up to 700,000 3.50% Series K Preferred Units of limited partnership interest, or the Series K Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2014, the Company issued 563,954 Series K Preferred Units in conjunction with an acquisition. The Series K Preferred unitholders receive annual dividends of \$0.875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series K Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$134.67.

The Operating Partnership has authorized up to 500,000 4.00% Series L Preferred Units of limited partnership interest, or the Series L Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2014, the Company issued 378,634 Series L Preferred Units in conjunction with an acquisition. The Series L Preferred unitholders receive annual dividends of \$1.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series L Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 1,600,000 3.75% Series M Preferred Units of limited partnership interest, or the Series M Preferred Units, with a liquidation preference of \$25.00 per unit. In February 2015, the Company issued 1,600,000 Series M Preferred Units in conjunction with the acquisition of ownership interests in and relating to certain residential and retail real estate properties. The Series M Preferred unitholders receive annual dividends of \$0.9375 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series M Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

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The Operating Partnership has authorized up to 552,303 3.00% Series N Preferred Units of limited partnership interest, or the Series N Preferred Units, with a liquidation preference of \$25.00 per unit. In June 2015, the Company issued 552,303 Series N Preferred Units in conjunction with an acquisition. The Series N Preferred unitholders receive annual dividends of \$0.75 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series N Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized an aggregate of one 6.25% Series O Preferred Unit of limited partnership interest, or the Series O Preferred Unit. In June 2015, the Company issued the Series O Preferred Unit in connection with an acquisition.

The Operating Partnership has authorized up to 200,000 4.00% Series P Preferred Units of limited partnership interest, or the Series P Preferred Units, with a liquidation preference of \$25.00 per unit. In July 2015, the Company issued 200,000 Series P Preferred Units in conjunction with an acquisition. The Series P Preferred unitholders receive annual dividends of \$1.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series P Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 268,000 3.50% Series Q Preferred Units of limited partnership interest, or the Series Q Preferred Units, with a liquidation preference of \$25.00 per unit. In July 2015, the Company issued 268,000 Series Q Preferred Units in conjunction with an acquisition. The Series Q Preferred unitholders receive annual dividends of \$0.875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series Q Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$148.95.

The Operating Partnership has authorized up to 400,000 3.50% Series R Preferred Units of limited partnership interest, or the Series R Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2015, the Company issued 400,000 Series R Preferred Units in conjunction with an acquisition. The Series R Preferred unitholders receive annual dividends of \$0.875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series R Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$154.89.

The Operating Partnership has authorized up to 1,077,280 4.00% Series S Preferred Units of limited partnership interest, or the Series S Preferred Units, with a liquidation preference of \$25.00 per unit. In August 2015, the Company issued 1,077,280 Series S Preferred Units in conjunction with an acquisition. The Series S Preferred unitholders receive annual dividends of \$1.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series S Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

The Operating Partnership has authorized up to 230,000 2.75% Series T Preferred Units of limited partnership interest, or the Series T Preferred Units, with a liquidation preference of \$25.00 per unit. In March 2016, the Company issued 230,000 Series T Preferred Units in conjunction with an acquisition. The Series T Preferred unitholders receive annual dividends of \$0.6875 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series T Preferred Units can be redeemed at any time at par, at the option of the unitholder, either for cash or are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$119.02.

The Operating Partnership has authorized up to 680,000 4.50% Series U Preferred Units of limited partnership interest, or the Series U Preferred Units, with a liquidation preference of \$25.00 per unit. In March 2016, the Company issued 680,000 Series U Preferred Units in conjunction with an acquisition. The Series U Preferred unitholders initially receive annual dividends of \$1.125 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The annual dividend is subject to reduction upon the occurrence of certain circumstances set forth in the terms of the Series U Preferred Units. The minimum annual dividend is \$0.75 per unit. The Series U Preferred Units can be redeemed at any time at par for cash at the option of the unitholder.

Through a consolidated subsidiary, we have authorized up to 109,161 3.50% Series A Preferred Units of limited partnership interest, or the Subsidiary Series A Preferred Units, with a liquidation preference of \$1,000.00 per unit. In August 2015, the Company issued 109,161 Subsidiary Series A Preferred Units in conjunction with an acquisition. The Subsidiary Series A Preferred unitholders receive annual dividends of \$35.00 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Subsidiary Series A Preferred Units can be redeemed at any time, at the option of the unitholder, either for cash or are convertible on a one-for-one basis, into the Series B Preferred Units of limited partnership interest, or the Subsidiary Series

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B Preferred Units. The Subsidiary Series B Preferred Units can be converted at any time, at the option of the unitholder, into a number of common stock equal to 6.71348 shares of common stock for each Subsidiary Series B Preferred Unit. As of December 31, 2018, no Subsidiary Series B Preferred Units have been issued.

Below is a summary of the activity relating to the preferred units in the Operating Partnership as of December 31, 2018 and 2017 (in thousands):

	December 31,	
	2018	2017
Balance at beginning of period	\$ 301,735	\$ 302,010
Issuance of preferred units	—	—
Redemption of preferred units	(1,308)	(275)
Balance at end of period	<u>\$ 300,427</u>	<u>\$ 301,735</u>

12. Stockholders' Equity of the Company

Common Stock

Our authorized capital stock consists of 260,000,000 shares, \$0.01 par value per share, consisting of 160,000,000 shares of common stock, \$0.01 par value per share, 75,000,000 shares of excess stock, at \$0.01 par value per share, and 25,000,000 shares of preferred stock, par value \$0.01 per share. As of December 31, 2018, 83,683,847 shares of common stock and no shares of excess stock were issued and outstanding.

Share Repurchase Program

In August 2016, our Board of Directors approved a share repurchase plan under which we can buy up to \$1.0 billion of shares of our common stock. The Board of Directors has since authorized three separate \$500.0 million increases to the size of the share repurchase program in the fourth quarter of 2017, second quarter of 2018, and fourth quarter of 2018, bringing the program total to \$2.5 billion.

At December 31, 2018 repurchases executed under the plan were as follows:

Period	Shares repurchased	Average price paid per share	Cumulative number of shares repurchased as part of the repurchase plan or programs
Year ended 2017	8,342,411	\$101.64	8,342,411
First quarter 2018	3,653,928	\$97.07	11,996,339
Second quarter 2018	3,479,552	\$97.22	15,475,891
Third quarter 2018	252,947	\$99.75	15,728,838
Fourth quarter 2018	2,358,484	\$93.04	18,087,322

At-The-Market Equity Offering Program

In March 2015, the Company, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$300.0 million of our common stock. The Company did not make any sales of its common stock under the ATM program in the years ended December 31, 2018, 2017, or 2016.

Perpetual Preferred Stock

We have 9,200,000 shares of our 6.50% Series I Cumulative Redeemable Preferred Stock, or the Series I Preferred Stock, outstanding with a mandatory liquidation preference of \$25.00 per share. The Series I Preferred stockholders receive annual dividends of \$1.625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. We are entitled to redeem the Series I Preferred Stock at par for cash at our option. In August 2012, we received \$221.9 million in net proceeds from the issuance of the Series I Preferred Stock, which were recorded net of underwriters' discount and issuance costs, and contributed the net proceeds to the Operating Partnership in exchange for 9,200,000 units of 6.50% Series I Cumulative Redeemable Preferred Units of limited partnership interest, or the Series I Preferred Units.

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Dividend Reinvestment and Stock Purchase Plan ("DRSPP")

In February 2018, the Company filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRSPP, which automatically became effective upon filing. The Company registered 3,500,000 shares of our common stock under the DRSPP. The DRSPP commenced on September 24, 2001.

The following table summarizes SL Green common stock issued, and proceeds received from dividend reinvestments and/or stock purchases under the DRSPP for the years ended December 31, 2018, 2017, and 2016, respectively (dollars in thousands):

	Year Ended December 31,		
	2018	2017	2016
Shares of common stock issued	1,399	2,141	2,687
Dividend reinvestments/stock purchases under the DRSPP	\$ 136	\$ 223	\$ 277

Earnings per Share

We use the two-class method of computing earnings per share ("EPS"), which is an earnings allocation formula that determines EPS for common stock and any participating securities according to dividends declared (whether paid or unpaid). Under the two-class method, basic EPS is computed by dividing the income available to common stockholders by the weighted-average number of common stock shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from share equivalent activity.

SL Green's earnings per share for the years ended December 31, 2018, 2017, and 2016 are computed as follows (in thousands):

Numerator	Year Ended December 31,		
	2018	2017	2016
Basic Earnings:			
Income attributable to SL Green common stockholders	\$ 232,312	\$ 86,424	\$ 234,946
Less: distributed earnings allocated to participating securities	(552)	(471)	(634)
Net income attributable to SL Green common stockholders (numerator for basic earnings per share)	\$ 231,760	\$ 85,953	\$ 234,312
Add back: undistributed earnings allocated to participating securities	552	471	634
Add back: Effect of dilutive securities (redemption of units to common shares)	12,216	3,995	10,136
Income attributable to SL Green common stockholders (numerator for diluted earnings per share)	\$ 244,528	\$ 90,419	\$ 245,082
Denominator			
Basic Shares:			
Weighted average common stock outstanding	86,753	98,571	100,185
Effect of Dilutive Securities:			
Operating Partnership units redeemable for common shares	4,562	4,556	4,323
Stock-based compensation plans	215	276	373
Diluted weighted average common stock outstanding	<u>91,530</u>	<u>103,403</u>	<u>104,881</u>

SL Green has excluded 1,138,647, 774,782 and 263,991 common stock equivalents from the diluted shares outstanding for the years ended December 31, 2018, 2017, and 2016 respectively, as they were anti-dilutive.

13. Partners' Capital of the Operating Partnership

The Company is the sole managing general partner of the Operating Partnership and at December 31, 2018 owned 83,683,847 general and limited partnership interests in the Operating Partnership and 9,200,000 Series I Preferred Units. Partnership interests in the Operating Partnership are denominated as "common units of limited partnership interest" (also referred to as "OP Units") or "preferred units of limited partnership interest" (also referred to as "Preferred Units"). All references to OP Units and Preferred Units outstanding exclude such units held by the Company. A holder of an OP Unit may present such OP Unit to the Operating Partnership for redemption at any time (subject to restrictions agreed upon at the issuance of OP Units to particular holders that may restrict such right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, the Operating Partnership must redeem such OP Unit in exchange for the cash equal to the then value of a share of common stock of the Company, except that the Company may, at its election, in lieu of cash redemption, acquire such OP Unit for one share of common stock. Because the number of shares of common stock outstanding at all times equals the number of OP Units that the Company owns, one share of common stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of common stock. Each series of Preferred Units makes a distribution that is set in accordance with an amendment to the partnership agreement of the Operating Partnership. Preferred Units may also be convertible into OP Units at the election of the holder thereof or the Company, subject to the terms of such Preferred Units.

Net income (loss) allocated to the preferred unitholders and common unitholders reflects their pro rata share of net income (loss) and distributions.

Limited Partner Units

As of December 31, 2018, limited partners other than SL Green owned 4.70%, or 4,130,579 common units, of the Operating Partnership.

Preferred Units

Preferred units not owned by SL Green are further described in Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements - Preferred Units of Limited Partnership Interest in the Operating Partnership."

Earnings per Unit

The Operating Partnership's earnings per unit for the years ended December 31, 2018, 2017, and 2016 respectively are computed as follows (in thousands):

Numerator	Year Ended December 31,		
	2018	2017	2016
Basic Earnings:			
Income attributable to SLGOP common unitholders	\$ 244,528	\$ 90,419	\$ 245,082
Less: distributed earnings allocated to participating securities	(552)	(471)	(634)
Net Income attributable to SLGOP common unitholders (numerator for basic earnings per unit)	\$ 243,976	\$ 89,948	\$ 244,448
Add back: undistributed earnings allocated to participating securities	552	471	634
Income attributable to SLGOP common unitholders	\$ 244,528	\$ 90,419	\$ 245,082
Denominator	Year Ended December 31,		
	2018	2017	2016
Basic units:			
Weighted average common units outstanding	91,315	103,127	104,508
Effect of Dilutive Securities:			
Stock-based compensation plans	215	276	373
Diluted weighted average common units outstanding	91,530	103,403	104,881

The Operating Partnership has excluded 1,138,647, 774,782, and 263,991 common unit equivalents from the diluted units outstanding for the years ended December 31, 2018, 2017, and 2016 respectively, as they were anti-dilutive.

14. Share-based Compensation

We have stock-based employee and director compensation plans. Our employees are compensated through the Operating Partnership. Under each plan, whenever the Company issues common or preferred stock, the Operating Partnership issues an equivalent number of units of limited partnership interest of a corresponding class to the Company.

Fourth Amended and Restated 2005 Stock Option and Incentive Plan

The Fourth Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by the Company's board of directors in April 2016 and its stockholders in June 2016 at the Company's annual meeting of stockholders. The 2005 Plan authorizes the issuance of stock options, stock appreciation rights, unrestricted and restricted stock, phantom shares, dividend equivalent rights, cash-based awards and other equity-based awards. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 27,030,000 fungible units may be granted under the 2005 Plan. Currently, different types of awards count against the limit on the number of fungible units differently, with (1) full-value awards (i.e., those that deliver the full value of the award upon vesting, such as restricted stock) counting as 3.74 Fungible Units per share subject to such awards, (2) stock options, stock appreciation rights and other awards that do not deliver full value and expire five years from the date of grant counting as 0.73 fungible units per share subject to such awards, and (3) all other awards (e.g., ten-year stock options) counting as 1.0 fungible units per share subject to such awards. Awards granted under the 2005 Plan prior to the approval of the fourth amendment and restatement in June 2016 continue to count against the fungible unit limit based on the ratios that were in effect at the time such awards were granted, which may be different than the current ratios. As a result, depending on the types of awards issued, the 2005 Plan may result in the issuance of more or less than 27,030,000 shares. If a stock option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Currently, unless the 2005 Plan has been previously terminated by the Company's board of directors, new awards may be granted under the 2005 Plan until June 2, 2026, which is the tenth anniversary of the date that the 2005 Plan was most recently approved by the Company's stockholders. As of December 31, 2018, 6.7 million fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units.

Options are granted under the plan with an exercise price at the fair market value of the Company's common stock on the date of grant and, subject to employment, generally expire five or ten years from the date of grant, are not transferable other than on death, and generally vest in one to five years commencing one year from the date of grant. We have also granted Class O LTIP Units, which are a class of LTIP Units in the Operating Partnership structured to provide economics similar to those of stock options. Class O LTIP Units, once vested, may be converted, at the election of the holder, into a number of common units of the Operating Partnership per Class O LTIP Unit determined by the increase in value of a share of the Company's common stock at the time of conversion over a participation threshold, which equals the fair market value of a share of the Company's common stock at the time of grant. Class O LTIP Units are entitled to distributions, subject to vesting, equal per unit to 10% of the per unit distributions paid with respect to the common units of the Operating Partnership.

The fair value of each stock option or LTIP Unit granted is estimated on the date of grant using the Black-Scholes option pricing model based on historical information with the following weighted average assumptions for grants during the years ended December 31, 2018, 2017, and 2016.

	2018	2017	2016
Dividend yield	2.85%	2.51%	2.37%
Expected life	3.5 years	4.4 years	3.7 years
Risk-free interest rate	2.48%	1.73%	1.57%
Expected stock price volatility	22.00%	28.10%	26.76%

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A summary of the status of the Company's stock options as of December 31, 2018, 2017, and 2016 and changes during the years ended December 31, 2018, 2017, and 2016 are as follows:

	2018		2017		2016	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	\$ 1,548,719	\$ 101.48	\$ 1,737,213	\$ 98.44	\$ 1,595,007	\$ 95.52
Granted	6,000	97.91	174,000	105.66	445,100	105.86
Exercised	(316,302)	90.22	(292,193)	81.07	(192,875)	76.90
Lapsed or canceled	(101,400)	113.22	(70,301)	121.68	(110,019)	123.86
Balance at end of year	<u>\$ 1,137,017</u>	<u>\$ 135.54</u>	<u>\$ 1,548,719</u>	<u>\$ 101.48</u>	<u>\$ 1,737,213</u>	<u>\$ 98.44</u>
Options exercisable at end of year	783,035	\$ 101.28	800,902	\$ 94.33	748,617	\$ 87.72
Weighted average fair value of options granted during the year	\$ 84,068		\$ 3,816,652		\$ 8,363,036	

All options were granted with strike prices ranging from \$20.67 to \$137.18. The remaining weighted average contractual life of the options outstanding was 3.5 years and the remaining weighted average contractual life of the options exercisable was 3.7 years.

During the years ended December 31, 2018, 2017, and 2016, we recognized compensation expense for these options of \$5.4 million, \$7.8 million, and \$8.9 million, respectively. As of December 31, 2018, there was \$2.6 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 1.0 years.

Stock-based Compensation

Effective January 1, 1999, the Company implemented a stock-based compensation plan where shares are granted to certain employees, including our executives, and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached.

A summary of the Company's restricted stock as of December 31, 2018, 2017, and 2016 and charges during the years ended December 31, 2018, 2017, and 2016 are as follows:

	2018	2017	2016
Balance at beginning of year	3,298,216	3,202,031	3,137,881
Granted	162,900	96,185	98,800
Canceled	(9,100)	—	(34,650)
Balance at end of year	<u>3,452,016</u>	<u>3,298,216</u>	<u>3,202,031</u>
Vested during the year	92,114	95,736	83,822
Compensation expense recorded	\$ 12,757,704	\$ 9,809,749	\$ 7,153,966
Weighted average fair value of restricted stock granted during the year	\$ 13,440,503	\$ 9,905,986	\$ 10,650,077

The fair value of restricted stock that vested during the years ended December 31, 2018, 2017, and 2016 was \$9.8 million, \$9.4 million and \$7.6 million, respectively. As of December 31, 2018, there was \$22.7 million of total unrecognized compensation cost related to restricted stock, which is expected to be recognized over a weighted average period of 2.3 years.

For the years ended December 31, 2018, 2017, and 2016, \$6.3 million, \$7.2 million, and \$6.0 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options.

We granted LTIP Units, which include bonus, time-based and performance based awards, with a fair value of \$22.0 million and \$20.5 million during the years ended December 31, 2018 and 2017, respectively. The grant date fair value of the LTIP Unit awards was calculated in accordance with ASC 718. A third party consultant determined the fair value of the LTIP Units to have

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a discount from our common stock price. The discount was calculated by considering the inherent uncertainty that the LTIP Units will reach parity with other common partnership units and the illiquidity due to transfer restrictions. As of December 31, 2018, there was \$2.9 million of total unrecognized compensation expense related to the time-based and performance based LTIP Unit awards, which is expected to be recognized over a weighted average period of 1.3 years.

During the years ended December 31, 2018, 2017, and 2016, we recorded compensation expense related to bonus, time-based and performance based LTIP Unit awards of \$24.4 million, \$26.1 million, and \$26.5 million, respectively.

2014 Outperformance Plan

In August 2014, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2014 Outperformance Plan, or the 2014 Outperformance Plan. Participants in the 2014 Outperformance Plan could earn, in the aggregate, up to 610,000 LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2014. Under the 2014 Outperformance Plan, two-thirds of the LTIP Units were subject to performance based vesting based on the Company's absolute total return to stockholders and one-third of the LTIP Units were subject to performance based vesting based on relative total return to stockholders compared to the constituents of the MSCI REIT Index. LTIP Units earned under the 2014 Outperformance Plan were to be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2017 and the remaining 50% vesting on August 31, 2018, subject to continued employment with us through such dates. Participants were not entitled to distributions with respect to LTIP Units granted under the 2014 Outperformance Plan unless and until they are earned. If LTIP Units were earned, each participant would have been entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of cash or additional LTIP Units. Thereafter, distributions were to be paid currently with respect to all earned LTIP Units, whether vested or unvested.

Based on our performance, none of the LTIP Units granted under the 2014 Outperformance Plan were earned pursuant to the terms of the 2014 Outperformance Plan, and all units issued were forfeited in 2017.

The cost of the 2014 Outperformance Plan (\$27.9 million subject to forfeitures), based on the portion of the 2014 Outperformance Plan granted prior to termination, was amortized into earnings through December 31, 2017. We recorded zero compensation expense during the year ended December 31, 2018, and compensation expense of \$13.6 million and \$8.4 million during the years ended December 31, 2017 and 2016, respectively, related to the 2014 Outperformance Plan.

Deferred Compensation Plan for Directors

Under our Non-Employee Director's Deferral Program, which commenced July 2004, the Company's non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees, meeting fees and annual stock grant. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The program provides that a director's phantom stock units generally will be settled in an equal number of shares of common stock upon the earlier of (i) the January 1 coincident with or the next following such director's termination of service from the Board of Directors or (ii) a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of our common stock on the first business day of the respective quarter. Each participating non-employee director is also credited with dividend equivalents or phantom stock units based on the dividend rate for each quarter, which are either paid in cash currently or credited to the director's account as additional phantom stock units.

During the year ended December 31, 2018, 13,638 phantom stock units were earned and 9,459 shares of common stock were issued to our board of directors. We recorded compensation expense of \$2.4 million during the year ended December 31, 2018 related to the Deferred Compensation Plan. As of December 31, 2018, there were 113,492 phantom stock units outstanding pursuant to our Non-Employee Director's Deferral Program.

Employee Stock Purchase Plan

In 2007, the Company's board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase the Company's shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. The Company filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a

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purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2018, 116,368 shares of our common stock had been issued under the ESPP.

15. Accumulated Other Comprehensive Income

The following tables set forth the changes in accumulated other comprehensive income (loss) by component as of December 31, 2018, 2017 and 2016 (in thousands):

	Net unrealized gain on derivative instruments ⁽¹⁾	SL Green's share of joint venture net unrealized gain on derivative instruments ⁽²⁾	Net unrealized gain on marketable securities	Total
Balance at December 31, 2015	\$ (10,160)	\$ (592)	\$ 2,003	\$ (8,749)
Other comprehensive income before reclassifications	13,534	1,160	3,517	18,211
Amounts reclassified from accumulated other comprehensive income	9,222	3,453	—	12,675
Balance at December 31, 2016	12,596	4,021	5,520	22,137
Other comprehensive (loss) income before reclassifications	(1,618)	233	(1,348)	(2,733)
Amounts reclassified from accumulated other comprehensive income	1,564	766	(3,130)	(800)
Balance at December 31, 2017	12,542	5,020	1,042	18,604
Other comprehensive (loss) income before reclassifications	(2,252)	(103)	51	(2,304)
Amounts reclassified from accumulated other comprehensive income	(574)	(618)	—	(1,192)
Balance at December 31, 2018	<u>\$ 9,716</u>	<u>\$ 4,299</u>	<u>\$ 1,093</u>	<u>\$ 15,108</u>

- (1) Amount reclassified from accumulated other comprehensive income (loss) is included in interest expense in the respective consolidated statements of operations. As of December 31, 2018 and 2017, the deferred net losses from these terminated hedges, which is included in accumulated other comprehensive loss relating to net unrealized loss on derivative instrument, was \$1.3 million and \$3.2 million, respectively.
- (2) Amount reclassified from accumulated other comprehensive income (loss) is included in equity in net income from unconsolidated joint ventures in the respective consolidated statements of operations.

16. Fair Value Measurements

We are required to disclose fair value information with regard to our financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate fair value. The FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. We measure and/or disclose the estimated fair value of financial assets and liabilities based on a hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels: Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date; Level 2 - inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 - unobservable inputs for the asset or liability that are used when little or no market data is available. We follow this hierarchy for our assets and liabilities measured at fair value on a recurring and nonrecurring basis. In instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. Our assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following tables set forth the assets and liabilities that we measure at fair value on a recurring and non-recurring basis by their levels in the fair value hierarchy at December 31, 2018 and 2017 (in thousands):

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December 31, 2018

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 28,638	\$ —	\$ 28,638	\$ —
Interest rate cap and swap agreements (included in other assets)	\$ 18,676	\$ —	\$ 18,676	\$ —
Liabilities:				
Interest rate cap and swap agreements (included in other liabilities)	\$ 7,663	\$ —	\$ 7,663	\$ —

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 28,579	\$ —	\$ 28,579	\$ —
Interest rate cap and swap agreements (included in other assets)	\$ 16,692	\$ —	\$ 16,692	\$ —

We determine impairment in real estate investments and debt and preferred equity investments, including intangibles primarily utilizing cash flow projections that apply, among other things, estimated revenue and expense growth rates, discount rates and capitalization rates, as well as sales comparison approach, which utilizes comparable sales, listings and sales contracts. All of which are classified as Level 3 inputs.

In December 2018, the Company determined that it was more likely than not that its suburban properties would be sold or otherwise disposed of significantly before the end of their previously estimated useful life. The Company tested the recoverability of the assets and, as a result of the carrying amount of the assets not being deemed recoverable and exceeding their fair value as measured on a asset by asset basis, recorded a \$221.9 million impairment loss. These charges are included in depreciable real estate reserves and impairment in the consolidated statement of operations. The fair value of the assets were determined primarily utilizing cash flow projections that apply, among other things, estimated revenue and expense growth rates, discount rates and capitalization rates, as well as sales comparison approach, which utilizes comparable sales, listings and sales contracts. All of which are classified as Level 3 inputs.

In May 2018, the Company was the successful bidder at the foreclosure of 2 Herald Square, at which time the Company's \$250.5 million outstanding principal balance and \$7.7 million accrued interest balance receivables were credited to our equity investment in the property. We recorded the assets acquired and liabilities assumed at fair value. This resulted in the recognition of a fair value adjustment of \$8.1 million, which is reflected on the Company's consolidated statement of operations within purchase price and other fair value adjustments. This fair value was determined by utilizing our successful bid at the foreclosure of the asset, the agreement to sell a partial interest in the property, and cash flow projections that apply, among other things, estimated revenue and expense growth rates, discount rates and capitalization rates, as well as a sales comparison approach, which utilizes comparable sales, listings and sales contracts, all of which are classified as Level 3 inputs.

In January 2018, the partnership agreement for our investment in 919 Third Avenue was modified resulting in the Company no longer having a controlling interest in this investment. As a result the investment was deconsolidated as of January 1, 2018. The Company recorded its non-controlling interest at fair value resulting in a \$49.3 million fair value adjustment in the consolidated statement of operations. This fair value was determined using a third party valuation which primarily utilized cash flow projections that apply, among other things, estimated revenue and expense growth rates, discount rates and capitalization rates, as well as sales comparison approach, which utilizes comparable sales, listings and sales contracts. All of which are classified as Level 3 inputs.

Marketable securities classified as Level 1 are derived from quoted prices in active markets. The valuation technique used to measure the fair value of marketable securities classified as Level 2 were valued based on quoted market prices or model driven valuations using the significant inputs derived from or corroborated by observable market data. Marketable securities in an unrealized loss position are not considered to be other than temporarily impaired. We do not intend to sell these securities and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases.

The fair value of derivative instruments is based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well-recognized financial principles and reasonable estimates about relevant future market conditions, which are classified as Level 2 inputs.

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The financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, debt and preferred equity investments, mortgages and other loans payable and other secured and unsecured debt. The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued expenses reported in our consolidated balance sheets approximates fair value due to the short term nature of these instruments. The fair value of debt and preferred equity investments, which is classified as Level 3, is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings. The fair value of borrowings, which is classified as Level 3, is estimated by discounting the contractual cash flows of each debt instrument to their present value using adjusted market interest rates, which is provided by a third-party specialist.

The following table provides the carrying value and fair value of these financial instruments as of December 31, 2018 and December 31, 2017 (in thousands):

	December 31, 2018		December 31, 2017	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
Debt and preferred equity investments	\$ 2,099,393	⁽²⁾	\$ 2,114,041	⁽²⁾
Fixed rate debt	\$ 3,543,476	\$ 3,230,127	\$ 4,305,165	\$ 4,421,866
Variable rate debt	2,048,442	2,057,966	1,605,431	1,612,224
	<u>\$ 5,591,918</u>	<u>\$ 5,288,093</u>	<u>\$ 5,910,596</u>	<u>\$ 6,034,090</u>

(1) Amounts exclude net deferred financing costs.

(2) At December 31, 2018, debt and preferred equity investments had an estimated fair value ranging between \$2.1 billion and \$2.3 billion. At December 31, 2017, debt and preferred equity investments had an estimated fair value ranging between \$2.1 billion and \$2.3 billion.

Disclosure about fair value of financial instruments was based on pertinent information available to us as of December 31, 2018 and 2017. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

17. Financial Instruments: Derivatives and Hedging

In the normal course of business, we use a variety of commonly used derivative instruments, such as interest rate swaps, caps, collar and floors, to manage, or hedge interest rate risk. We hedge our exposure to variability in future cash flows for forecasted transactions in addition to anticipated future interest payments on existing debt. We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through earnings. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedge asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Reported net income and equity may increase or decrease prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows. Currently, all of our designated derivative instruments are effective hedging instruments.

The following table summarizes the notional value at inception and fair value of our consolidated derivative financial instruments at December 31, 2018 based on Level 2 information. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (amounts in thousands).

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	Notional Value	Strike Rate	Effective Date	Expiration Date	Balance Sheet Location	Fair Value
Interest Rate Swap	\$ 200,000	1.131%	July 2016	July 2023	Other Assets	\$ 11,148
Interest Rate Swap	100,000	1.161%	July 2016	July 2023	Other Assets	5,447
Interest Rate Cap	137,500	4.000%	September 2017	September 2019	Other Assets	—
Interest Rate Swap	100,000	1.928%	December 2017	November 2020	Other Assets	1,045
Interest Rate Swap	100,000	1.934%	December 2017	November 2020	Other Assets	1,035
Interest Rate Swap	150,000	2.696%	January 2019	January 2024	Other Liabilities	(1,858)
Interest Rate Swap	150,000	2.721%	January 2019	January 2026	Other Liabilities	(2,450)
Interest Rate Swap	200,000	2.740%	January 2019	January 2026	Other Liabilities	(3,354)
						<u>\$ 11,013</u>

During the years ended December 31, 2018, 2017, and 2016, we recorded a \$0.2 million loss, a \$0.5 million loss, and a \$0.5 million gain, respectively, on the changes in the fair value, which is included in interest expense in the consolidated statements of operations.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. As of December 31, 2018, the fair value of derivatives in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk related to these agreements, was \$7.7 million. As of December 31, 2018, the Company has not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company had breached any of these provisions, it could have been required to settle its obligations under the agreements at their aggregate termination value of \$7.7 million at December 31, 2018.

Gains and losses on terminated hedges are included in accumulated other comprehensive income, and are recognized into earnings over the term of the related mortgage obligation. Over time, the realized and unrealized gains and losses held in accumulated other comprehensive income will be reclassified into earnings as an adjustment to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that \$2.5 million of the current balance held in accumulated other comprehensive income will be reclassified into interest expense and \$0.6 million of the portion related to our share of joint venture accumulated other comprehensive income will be reclassified into equity in net income from unconsolidated joint ventures within the next 12 months.

The following table presents the effect of our derivative financial instruments and our share of our joint ventures' derivative financial instruments that are designated and qualify as hedging instruments on the consolidated statements of operations for the years ended December 31, 2018, 2017, and 2016, respectively (in thousands):

Derivative	Amount of (Loss) Gain Recognized in Other Comprehensive Loss (Effective Portion)			Location of Loss Reclassified from Accumulated Other Comprehensive Loss into Income	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)			Location of (Loss) Gain Recognized in Income on Derivative	Amount of (Loss) Gain Recognized into Income (Ineffective Portion)		
	Year Ended December 31,				Year Ended December 31,				Year Ended December 31,		
	2018	2017	2016		2018	2017	2016		2018	2017	2016
Interest Rate Swaps/Caps	\$ (2,284)	\$ (2,282)	\$ 14,616	Interest expense	\$ 609	\$ 1,821	\$ 9,521	Interest expense	\$ (559)	\$ 5	\$ (28)
Share of unconsolidated joint ventures' derivative instruments	(1,788)	(200)	2,012	Equity in net income from unconsolidated joint ventures	726	1,035	1,981	Equity in net income from unconsolidated joint ventures	(371)	55	785
	<u>\$ (4,072)</u>	<u>\$ (2,482)</u>	<u>\$ 16,628</u>		<u>\$ 1,335</u>	<u>\$ 2,856</u>	<u>\$ 11,502</u>		<u>\$ (930)</u>	<u>\$ 60</u>	<u>\$ 757</u>

18. Rental Income

The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from January 1, 2019 to 2064. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in effect at December 31, 2018 for the consolidated properties, including consolidated joint venture properties, and our share of unconsolidated joint venture properties are as follows (in thousands):

	Consolidated Properties	Unconsolidated Properties
2019	\$ 830,336	\$ 348,060
2020	765,610	375,228
2021	625,956	380,886
2022	562,250	348,222
2023	500,499	333,501
Thereafter	3,272,014	2,098,995
	<u>\$ 6,556,665</u>	<u>\$ 3,884,892</u>

19. Benefit Plans

The building employees are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. We participate in the Building Service 32BJ, or Union, Pension Plan and Health Plan. The Pension Plan is a multi-employer, non-contributory defined benefit pension plan that was established under the terms of collective bargaining agreements between the Service Employees International Union, Local 32BJ, the Realty Advisory Board on Labor Relations, Inc. and certain other employees. This Pension Plan is administered by a joint board of trustees consisting of union trustees and employer trustees and operates under employer identification number 13-1879376. The Pension Plan year runs from July 1 to June 30. Employers contribute to the Pension Plan at a fixed rate on behalf of each covered employee. Separate actuarial information regarding such pension plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit. However, on September 28, 2016, September 28, 2017, and September 28, 2018, the actuary certified that for the plan years beginning July 1, 2016, July 1, 2017, and July 1, 2018, the Pension Plan was in critical status under the Pension Protection Act of 2006. The Pension Plan trustees adopted a rehabilitation plan consistent with this requirement. No surcharges have been paid to the Pension Plan as of December 31, 2018. For the Pension Plan years ended June 30, 2018, 2017, and 2016, the plan received contributions from employers totaling \$272.3 million, \$257.8 million, and \$249.5 million. Our contributions to the Pension Plan represent less than 5.0% of total contributions to the plan.

The Health Plan was established under the terms of collective bargaining agreements between the Union, the Realty Advisory Board on Labor Relations, Inc. and certain other employers. The Health Plan provides health and other benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements, or other written agreements, with the Union. The Health Plan is administered by a Board of Trustees with equal representation by the employers and the Union and operates under employer identification number 13-2928869. The Health Plan receives contributions in accordance with collective bargaining agreements or participation agreements. Generally, these agreements provide that the employers contribute to the Health Plan at a fixed rate on behalf of each covered employee. For the Health Plan years ended, June 30, 2018, 2017, and 2016, the plan received contributions from employers totaling \$1.4 billion, \$1.3 billion and \$1.2 billion, respectively. Our contributions to the Health Plan represent less than 5.0% of total contributions to the plan.

Contributions we made to the multi-employer plans for the years ended December 31, 2018, 2017 and 2016 are included in the table below (in thousands):

Benefit Plan	2018	2017	2016
Pension Plan	\$ 3,017	\$ 3,856	\$ 3,979
Health Plan	9,310	11,426	11,530
Other plans	1,106	1,463	1,583
Total plan contributions	<u>\$ 13,433</u>	<u>\$ 16,745</u>	<u>\$ 17,092</u>

401(K) Plan

In August 1997, we implemented a 401(K) Savings/Retirement Plan, or the 401(K) Plan, to cover eligible employees of ours, and any designated affiliate. The 401(K) Plan permits eligible employees to defer up to 15% of their annual compensation,

subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(K) Plan. During 2003, we amended our 401(K) Plan to provide for discretionary matching contributions only. For 2018, a matching contribution equal to 100% of the first 4% of annual compensation was made. For 2017 and 2016, a matching contribution equal to 50% of the first 6% of annual compensation was made. For the year ended December 31, 2018, we made a matching contribution of \$1,075,267. For the years ended December 31, 2017 and 2016, we made matching contributions of \$1,011,830 and \$906,875, respectively.

20. Commitments and Contingencies

Legal Proceedings

As of December 31, 2018, the Company and the Operating Partnership were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio which if adversely determined could have a material adverse impact on us.

Environmental Matters

Our management believes that the properties are in compliance in all material respects with applicable Federal, state and local ordinances and regulations regarding environmental issues. Management is not aware of any environmental liability that it believes would have a materially adverse impact on our financial position, results of operations or cash flows. Management is unaware of any instances in which it would incur significant environmental cost if any of our properties were sold.

Employment Agreements

We have entered into employment agreements with certain executives, which expire between February 2020 and January 2022. The minimum cash-based compensation, including base salary and guaranteed bonus payments, associated with these employment agreements total \$3.3 million for 2019.

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism, excluding nuclear, biological, chemical, and radiological terrorism ("NBCR")), within three property insurance programs and liability insurance. Separate property and liability coverage may be purchased on a stand-alone basis for certain assets, such as the development of One Vanderbilt. Additionally, one of our captive insurance companies, Belmont Insurance Company, or Belmont, provides coverage for NBCR terrorist acts above a specified trigger. Belmont's retention is reinsured by our other captive insurance company, Ticonderoga Insurance Company ("Ticonderoga"). If Belmont or Ticonderoga are required to pay a claim under our insurance policies, we would ultimately record the loss to the extent of required payments. However, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. Further, if we experience losses that are uninsured or that exceed policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. Additionally, our debt instruments contain customary covenants requiring us to maintain insurance and we could default under debt our instruments if the cost and/or availability of certain types of insurance make it impractical or impossible to comply with such covenants relating to insurance. Belmont and Ticonderoga provide coverage solely on properties owned by the Company or its affiliates.

Furthermore, with respect to certain of our properties, including properties held by joint ventures, or subject to triple net leases, insurance coverage is obtained by a third-party and we do not control the coverage. While we may have agreements with such third parties to maintain adequate coverage and we monitor these policies, such coverage ultimately may not be maintained or adequately cover our risk of loss.

Belmont had loss reserves of \$4.0 million and \$5.5 million as of December 31, 2018 and 2017, respectively. Ticonderoga had no loss reserves as of December 31, 2018.

Capital and Ground Leases Arrangements

In 2015, we entered into a ground lease for the land and building located at 30 East 40th Street with a lease term ending in August 2114. Based on our evaluation of the arrangement under ASC 840, land was estimated to be approximately 63.6% of the fair market value of the property. The portion attributable to land was classified as operating lease with an expiration date of 2114 (\$76.0 million total over the lease term attributed to ground rent) and the remainder as a capital lease in the amount of \$20.0 million. The ground rent will reset in 2035.

The property located at 420 Lexington Avenue operates under a ground lease (\$10.9 million of ground rent annually through December 2019, \$11.2 million of ground rent annually through December 2029, and \$12.3 million annually afterwards, subject

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
December 31, 2018

to a one-time adjustment based on 6% of the fair value of the land) with an expiration date of 2050 and two options to renew for an additional 30 years.

The property located at 1080 Amsterdam Avenue operates under a ground and capital lease with an expiration date of 2111 (\$41.6 million total over the lease term attributed to ground rent). Land was estimated to be 40.0% of the fair market value of the property, which was classified as an operating lease. The remainder was classified as a capital lease. The ground rent will reset in 2038.

The property located at 711 Third Avenue operates under an operating sub-lease with an expiration date of 2033 and five options to renew for an additional 10 years each. The ground rent was reset in July 2011. Following the reset, we were responsible for ground rent payments of \$5.25 million annually through July 2016 and then \$5.5 million annually thereafter on the 50% portion of the fee that we do not own. The ground rent will reset in July 2021 to the greater of \$5.5 million or 7.75% of the fair value of the land.

The property located at 461 Fifth Avenue operates under a ground lease (\$2.1 million of ground rent annually) with an expiration date of 2027 and two options to renew for an additional 21 years each, followed by a third option for 15 years. We also have an option to purchase the fee position for a fixed price on a specific date.

The property located at 625 Madison Avenue operates under a ground lease (\$4.6 million of ground rent annually) with an expiration date of 2022 and two options to renew for an additional 32 years.

The property located at 1185 Avenue of the Americas operates under a ground lease (\$6.9 million of ground rent annually) with an expiration date of 2043.

The property located at 1055 Washington Boulevard operates under a ground lease (\$0.6 million of ground rent annually) with an expiration date of 2090.

The following is a schedule of future minimum lease payments under capital leases and non-cancellable operating leases with initial terms in excess of one year as of December 31, 2018 (in thousands):

	<u>Capital lease</u>	<u>Non-cancellable operating leases ⁽¹⁾</u>
2019	\$ 2,411	\$ 31,066
2020	2,620	31,436
2021	2,794	31,628
2022	2,794	29,472
2023	2,794	27,166
Thereafter	817,100	676,090
Total minimum lease payments	<u>\$ 830,513</u>	<u>\$ 826,858</u>
Amount representing interest	(786,897)	
Capital lease obligations	<u>\$ 43,616</u>	

(1) As of December 31, 2018, the total minimum sublease rentals to be received in the future under non-cancellable subleases is \$1.7 billion.

21. Segment Information

The Company has two reportable segments, real estate and debt and preferred equity investments. We evaluate real estate performance and allocate resources based on earnings contributions.

The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, insurance, real estate taxes and ground rent expense (at certain applicable properties). See Note 5, "Debt and Preferred Equity Investments," for additional details on our debt and preferred equity investments.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
December 31, 2018

Selected consolidated results of operations for the years ended December 31, 2018, 2017, and 2016, and selected asset information as of December 31, 2018 and 2017, regarding our operating segments are as follows (in thousands):

	<u>Real Estate Segment</u>	<u>Debt and Preferred Equity Segment</u>	<u>Total Company</u>
Total revenues			
Years ended:			
December 31, 2018	\$ 1,025,900	\$ 201,492	\$ 1,227,392
December 31, 2017	1,317,602	193,871	1,511,473
December 31, 2016	1,650,973	213,008	1,863,981
Net Income			
Years ended:			
December 31, 2018	\$ 129,253	\$ 141,603	\$ 270,856
December 31, 2017	(69,294)	170,363	101,069
December 31, 2016	74,655	204,256	278,911
Total assets			
As of:			
December 31, 2018	\$ 10,481,594	\$ 2,269,764	\$ 12,751,358
December 31, 2017	11,598,438	2,384,466	13,982,904

Interest costs for the debt and preferred equity segment include actual costs incurred for borrowings on the 2016 MRA and 2017 MRA. Interest is imputed on the investments that do not collateralize the 2016 MRA or 2017 MRA using our weighted average corporate borrowing cost. We also allocate loan loss reserves, net of recoveries, and transaction related costs to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses to the debt and preferred equity segment since the use of personnel and resources is dependent on transaction volume between the two segments and varies period over period. In addition, we base performance on the individual segments prior to allocating marketing, general and administrative expenses. For the years ended, December 31, 2018, 2017, and 2016 marketing, general and administrative expenses totaled \$92.6 million, \$100.5 million, and \$99.8 million respectively. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
December 31, 2018

22. Quarterly Financial Data of the Company (unaudited)

Summarized quarterly financial data for the years ended December 31, 2018 and 2017 was as follows (in thousands, except for per share amounts):

2018 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$ 317,036	\$ 307,545	\$ 301,116	\$ 301,695
Total expenses	(267,678)	(265,553)	(258,303)	(258,282)
Equity in net income from unconsolidated joint ventures	(2,398)	971	4,702	4,036
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	167,445	70,937	72,025	(6,440)
Gain (loss) on sale of real estate, net	(36,984)	(2,504)	(14,790)	23,521
Purchase price and other fair value adjustments	—	(3,057)	11,149	49,293
Depreciable real estate reserves and impairment	(220,852)	(6,691)	—	—
Loss on early extinguishment of debt	(14,889)	(2,194)	—	—
Noncontrolling interests and preferred unit distributions	838	(7,507)	(8,606)	(8,319)
Net income attributable to SL Green	(57,482)	91,947	107,293	105,504
Perpetual preferred stock dividends	(3,737)	(3,738)	(3,737)	(3,738)
Net (loss) income attributable to SL Green common stockholders	\$ (61,219)	\$ 88,209	\$ 103,556	\$ 101,766
Net (loss) income attributable to common stockholders per common share—basic	\$ (0.73)	\$ 1.03	\$ 1.19	\$ 1.12
Net (loss) income attributable to common stockholders per common share—diluted	\$ (0.73)	\$ 1.03	\$ 1.19	\$ 1.12
2017 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$ 361,342	\$ 374,600	\$ 398,150	\$ 377,381
Total expenses	(314,108)	(333,913)	(365,749)	(332,675)
Equity in net income from unconsolidated joint ventures	7,788	4,078	3,412	6,614
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	—	1,030	13,089	2,047
Gain (loss) on sale of real estate, net	76,497	—	(3,823)	567
Depreciable real estate reserves and impairment	(93,184)	—	(29,064)	(56,272)
Gain on the sale of investment in marketable securities	—	—	—	3,262
Noncontrolling interests and preferred unit distributions	(6,616)	(3,188)	(4,056)	14,165
Net income attributable to SL Green	31,719	42,607	11,959	15,089
Perpetual preferred stock dividends	(3,737)	(3,738)	(3,737)	(3,738)
Net income attributable to SL Green common stockholders	\$ 27,982	\$ 38,869	\$ 8,222	\$ 11,351
Net income attributable to common stockholders per common share—basic	\$ 0.29	\$ 0.40	\$ 0.08	\$ 0.11
Net income attributable to common stockholders per common share—diluted	\$ 0.29	\$ 0.40	\$ 0.08	\$ 0.11

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements (cont.)
December 31, 2018

23. Quarterly Financial Data of the Operating Partnership (unaudited)

Summarized quarterly financial data for the years ended December 31, 2018 and 2017 was as follows (in thousands, except for per share amounts):

2018 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$ 317,036	\$ 307,545	\$ 301,116	\$ 301,695
Total expenses	(267,678)	(265,553)	(258,303)	(258,282)
Equity in net (loss) income from unconsolidated joint ventures	(2,398)	971	4,702	4,036
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	167,445	70,937	72,025	(6,440)
(Loss) gain on sale of real estate, net	(36,984)	(2,504)	(14,790)	23,521
Purchase price and other fair value adjustments	—	(3,057)	11,149	49,293
Depreciable real estate reserves and impairment	(220,852)	(6,691)	—	—
Loss on early extinguishment of debt	(14,889)	(2,194)	—	—
Noncontrolling interests and preferred unit distributions	(2,601)	(2,710)	(3,020)	(3,047)
Net income attributable to SLOP	(60,921)	96,744	112,879	110,776
Perpetual preferred units distributions	(3,737)	(3,738)	(3,737)	(3,738)
Net (loss) income attributable to SLGOP common unitholders	\$ (64,658)	\$ 93,006	\$ 109,142	\$ 107,038
Net (loss) income attributable to common unitholders per common share—basic	\$ (0.73)	\$ 1.03	\$ 1.19	\$ 1.12
Net (loss) income attributable to common unitholders per common share—diluted	\$ (0.73)	\$ 1.03	\$ 1.19	\$ 1.12
2017 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$ 361,342	\$ 374,600	\$ 398,150	\$ 377,381
Total expenses	(314,108)	(333,913)	(365,749)	(332,675)
Equity in net income from unconsolidated joint ventures	7,788	4,078	3,412	6,614
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	—	1,030	13,089	2,047
Gain (loss) on sale of real estate, net	76,497	—	(3,823)	567
Depreciable real estate reserves and impairment	(93,184)	—	(29,064)	(56,272)
Gain on the sale of investment in marketable securities	—	—	—	3,262
Noncontrolling interests and preferred unit distributions	(5,328)	(1,376)	(3,637)	14,641
Net income attributable to SLOP	33,007	44,419	12,378	15,565
Perpetual preferred units distributions	(3,737)	(3,738)	(3,737)	(3,738)
Net income attributable to SLGOP common unitholders	\$ 29,270	\$ 40,681	\$ 8,641	\$ 11,827
Net income attributable to common unitholders per common share—basic	\$ 0.29	\$ 0.40	\$ 0.08	\$ 0.11
Net income attributable to common unitholders per common share—diluted	\$ 0.29	\$ 0.40	\$ 0.08	\$ 0.11

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Schedule II - Valuation and Qualifying Accounts
December 31, 2018
(in thousands)

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2018
(in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Additions Charged Against Operations	Uncollectible Accounts Written-off/Recovery (1)	Balance at End of Year
Year Ended December 31, 2018				
Tenant and other receivables—allowance	\$ 18,637	\$ 3,726	\$ (6,661)	\$ 15,702
Deferred rent receivable—allowance	\$ 17,207	\$ 491	\$ (2,241)	\$ 15,457
Year Ended December 31, 2017				
Tenant and other receivables—allowance	\$ 16,592	\$ 6,106	\$ (4,061)	\$ 18,637
Deferred rent receivable—allowance	\$ 25,203	\$ 2,321	\$ (10,317)	\$ 17,207
Year Ended December 31, 2016				
Tenant receivables—allowance	\$ 17,618	\$ 10,630	\$ (11,656)	\$ 16,592
Deferred rent receivable—allowance	\$ 21,730	\$ 13,620	\$ (10,147)	\$ 25,203

(1) Includes the effect of properties that were sold and/or deconsolidated within the period.

Column A	Column B	Column C Initial Cost		Column D Cost Capitalized Subsequent To Acquisition		Column E Gross Amount at Which Carried at Close of Period			Column F	Column G	Column H	Column I
Description	Encumbrances	Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation is Computed
420 Lexington Ave(1)	\$ 300,000	\$ —	\$ 107,832	\$ —	\$ 225,667	\$ —	\$ 333,499	\$ 333,499	\$ 133,978	1927	3/1998	Various
711 Third Avenue(1)	—	19,844	42,499	—	73,270	19,844	115,769	135,613	45,066	1955	5/1998	Various
555 W. 57th Street(1)	—	18,846	78,704	—	62,242	18,846	140,946	159,792	69,817	1971	1/1999	Various
220 East 42nd Street(1)	—	50,373	203,727	635	161,705	51,008	365,432	416,440	108,450	1929	2/2003	Various
461 Fifth Avenue(1)	—	—	62,695	—	25,581	—	88,276	88,276	29,680	1988	10/2003	Various
750 Third Avenue(1)	—	51,093	205,972	—	45,551	51,093	251,523	302,616	101,854	1958	7/2004	Various
625 Madison Avenue(1)	—	—	246,673	—	44,646	—	291,319	291,319	118,380	1956	10/2004	Various
485 Lexington Avenue(1)	450,000	77,517	326,825	765	125,806	78,282	452,631	530,913	183,003	1956	12/2004	Various
609 Fifth Avenue(1)	—	36,677	145,954	—	49,527	36,677	195,481	232,158	43,777	1925	6/2006	Various
810 Seventh Avenue(1)	—	114,077	476,386	—	74,433	114,077	550,819	664,896	176,354	1970	1/2007	Various
1185 Avenue of the Americas(1)	—	—	728,213	—	62,893	—	791,106	791,106	265,896	1969	1/2007	Various
1350 Avenue of the Americas(1)	—	91,038	380,744	(97)	50,773	90,941	431,517	522,458	136,853	1966	1/2007	Various
100 Summit Lake Drive(2)	—	10,526	43,109	(3,337)	(94)	7,189	43,015	50,204	18,936	1988	1/2007	Various
200 Summit Lake Drive(2)	—	11,183	47,906	(5,321)	(9,102)	5,862	38,804	44,666	21,203	1990	1/2007	Various
500 Summit Lake Drive(2)	—	9,777	39,048	(3,601)	(7,875)	6,176	31,173	37,349	14,523	1986	1/2007	Various
360 Hamilton Avenue(2)	—	29,497	118,250	(2,625)	8,005	26,872	126,255	153,127	43,901	2000	1/2007	Various
1-6 Landmark Square(3)	100,000	50,947	195,167	(23,095)	(33,824)	27,852	161,343	189,195	79,012	1973-1984	1/2007	Various
7 Landmark Square(3)	—	2,088	7,748	(367)	669	1,721	8,417	10,138	1,539	2007	1/2007	Various
1010 Washington Boulevard(3)	—	7,747	30,423	(1,259)	2,928	6,488	33,351	39,839	12,489	1988	1/2007	Various
1055 Washington Boulevard(3)	—	13,516	53,228	(5,130)	(9,986)	8,386	43,242	51,628	20,382	1987	6/2007	Various
1 Madison Avenue(1)	—	172,641	654,394	905	18,411	173,546	672,805	846,351	193,033	1960	8/2007	Various
100 Church Street(1)	213,208	32,494	79,996	2,500	103,936	34,994	183,932	218,926	53,269	1959	1/2010	Various
125 Park Avenue(1)	—	120,900	189,714	—	80,884	120,900	270,598	391,498	77,542	1923	10/2010	Various
Williamsburg(4)	—	3,677	14,708	2,523	(4,550)	6,200	10,158	16,358	2,127	2010	12/2010	Various
110 East 42nd Street(1)	—	34,000	46,411	2,196	31,942	36,196	78,353	114,549	17,400	1921	5/2011	Various
400 East 58th Street(1)(5)	39,931	17,549	30,916	—	7,833	17,549	38,749	56,298	6,119	1929	1/2012	Various
752 Madison Avenue(1)	—	282,415	7,131	1,871	1,183	284,286	8,314	292,600	1,380	1996/2012	1/2012	Various
762 Madison Avenue(1)(5)	771	6,153	10,461	—	109	6,153	10,570	16,723	1,884	1910	1/2012	Various
19-21 East 65th Street(1)	—	—	7,389	—	1,100	—	8,489	8,489	1,228	1928-1940	1/2012	Various
304 Park Avenue(1)	—	54,189	75,619	300	15,024	54,489	90,643	145,132	19,315	1930	6/2012	Various
635 Sixth Avenue(1)	—	24,180	37,158	163	51,103	24,343	88,261	112,604	10,931	1902	9/2012	Various
641 Sixth Avenue(1)	—	45,668	67,316	308	9,760	45,976	77,076	123,052	15,891	1902	9/2012	Various
1080 Amsterdam(1)(6)	35,807	—	27,445	—	20,503	—	47,948	47,948	5,441	1932	10/2012	Various
315 West 33rd Street(1)	250,000	195,834	164,429	—	15,133	195,834	179,562	375,396	25,397	2000-2001	11/2013	Various
562 Fifth Avenue(1)	—	57,052	10,487	—	1,213	57,052	11,700	68,752	4,458	1909/1920/1921	11/2013	Various

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2018
(in thousands)

Column A Description	Column B Encumbrances	Column C Initial Cost		Column D Cost Capitalized Subsequent To Acquisition		Column E Gross Amount at Which Carried at Close of Period			Column F Accumulated Depreciation	Column G Date of Construction	Column H Date Acquired	Column I Life on Which Depreciation is Computed
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements	Total				
719 Seventh Avenue(1)(7)	50,000	41,850	—	(670)	46,232	41,180	46,232	87,412	3,025	1927	7/2014	Various
115 Spring Street(1)	65,550	11,078	44,799	—	1,850	11,078	46,649	57,727	5,248	1900	7/2014	Various
1640 Flatbush Avenue(4)	—	6,226	501	—	503	6,226	1,004	7,230	50	1966	3/2015	Various
110 Greene Street(1)(5)	—	45,120	215,470	—	12,923	45,120	228,393	273,513	23,683	1910	7/2015	Various
185 Broadway(1)(8)	111,869	13,400	34,175	32,022	(6,310)	45,422	27,865	73,287	419	1921	8/2015	Various
30 East 40th Street(1)(9)	—	4,650	20,000	2	6,654	4,652	26,654	31,306	2,017	1927	8/2015	Various
133 Greene Street(1)	15,523	3,446	27,542	—	—	3,446	27,542	30,988	119	1900	10/2018	Various
712 Madison Avenue(1)	28,000	7,207	47,397	—	—	7,207	47,397	54,604	—	1900/1980	12/2018	Various
Other(10)	—	1,738	16,225	(2)	(1)	1,736	16,224	17,960	4,068			
Total	\$ 1,660,659	\$ 1,776,213	\$ 5,370,786	\$ (1,314)	\$ 1,368,250	\$ 1,774,899	\$ 6,739,036	\$ 8,513,935	\$ 2,099,137			

- (1) Property located in New York, New York.
(2) Property located in Westchester County, New York.
(3) Property located in Connecticut.
(4) Property located in Brooklyn, New York.
(5) We own a 90.0% interest in this property.
(6) We own a 92.5% interest in this property.
(7) We own a 75.0% interest in this property.
(8) Properties at 5-7 Dey Street, 183 Broadway, and 185 Broadway were demolished in preparation of the development site for the 185 Broadway project.
(9) We own a 60.0% interest in this property.
(10) Other includes tenant improvements of eEmerge, capitalized interest and corporate improvements.

SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2018
(in thousands)

The changes in real estate for the years ended December 31, 2018, 2017 and 2016 are as follows (in thousands):

	2018	2017	2016
Balance at beginning of year	\$ 10,206,122	\$ 12,743,332	\$ 16,681,602
Property acquisitions	52,939	13,323	29,230
Improvements	267,726	342,014	426,060
Retirements/disposals/deconsolidation	(2,012,852)	(2,892,547)	(4,393,560)
Balance at end of year	\$ 8,513,935	\$ 10,206,122	\$ 12,743,332

The aggregate cost of land, buildings and improvements, before depreciation, for Federal income tax purposes at December 31, 2018 was \$9.9 billion (unaudited).

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, and furniture and fixtures, for the years ended December 31, 2018, 2017 and 2016 are as follows (in thousands):

	2018	2017	2016
Balance at beginning of year	\$ 2,300,116	\$ 2,264,694	\$ 2,060,706
Depreciation for year	245,033	347,015	353,502
Retirements/disposals/deconsolidation	(446,012)	(311,593)	(149,514)
Balance at end of year	\$ 2,099,137	\$ 2,300,116	\$ 2,264,694

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of SL Green Realty Corp.

Opinion on the Financial Statements

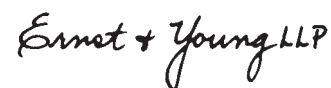
We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



We have served as the Company's auditor since 1997.

New York, New York

February 26, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of SL Green Realty Corp.

Opinion on Internal Control Over Financial Reporting

We have audited SL Green Realty Corp.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, SL Green Realty Corp. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

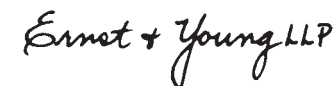
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York

February 26, 2019

Report of Independent Registered Public Accounting Firm

To the Partners of SL Green Operating Partnership, L.P.

Opinion on the Financial Statements

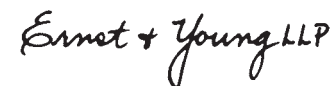
We have audited the accompanying consolidated balance sheets of SL Green Operating Partnership, L.P. (the Operating Partnership) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, capital and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Operating Partnership at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Operating Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on the Operating Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



We have served as the Operating Partnership's auditor since 2010.

New York, New York

February 26, 2019

Report of Independent Registered Public Accounting Firm

To the Partners of SL Green Operating Partnership, L.P.

Opinion on Internal Control Over Financial Reporting

We have audited SL Green Operating Partnership L.P.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, SL Green Operating Partnership, L.P. (the Operating Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Operating Partnership and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Operating Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Operating Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

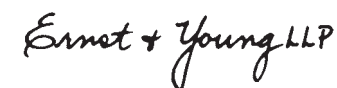
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York

February 26, 2019

CONTROLS AND PROCEDURES

SL GREEN REALTY CORP.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) of the Exchange Act. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Also, the Company has investments in certain unconsolidated entities. As the Company does not control these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those the Company maintains with respect to its consolidated subsidiaries.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

Management's Report on Internal Control over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO). Based on that evaluation, the Company concluded that its internal control over financial reporting was effective as of December 31, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting during the year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

SL GREEN OPERATING PARTNERSHIP, L.P.

Evaluation of Disclosure Controls and Procedures

The Operating Partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Operating Partnership's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) of the Exchange Act. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Operating Partnership to disclose material information otherwise required to be set forth in the Operating Partnership's periodic reports. Also, the Operating Partnership has investments in certain unconsolidated entities. As the Operating Partnership does not control these entities, the Operating Partnership's disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those it maintains with respect to its consolidated subsidiaries.

As of the end of the period covered by this report, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, of the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures. Based upon that evaluation as of the end of the period covered by this report, the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner concluded that the Operating Partnership's disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Operating Partnership that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

Management's Report on Internal Control over Financial Reporting

The Operating Partnership is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15 (f) and 15d-15 (f). Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, the Operating Partnership conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2018 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (COSO). Based on that evaluation, the Operating Partnership concluded that its internal control over financial reporting was effective as of December 31, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

The effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Operating Partnership's internal control over financial reporting during the year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

SL GREEN REALTY CORP.

Our common stock trades on the New York Stock Exchange, or the NYSE, under the symbol "SLG." On February 25, 2019, the reported closing sale price per share of common stock on the NYSE was \$91.18 and there were 391 holders of record of our common stock.

SL GREEN OPERATING PARTNERSHIP, L.P.

At December 31, 2018, there were 4,130,579 units of limited partnership interest of the Operating Partnership outstanding and held by persons other than the Company, which received distributions per unit of the same amount and in the same manner as dividends per share were distributed to common stockholders.

There is no established public trading market for the common units of the Operating Partnership. On February 25, 2019, there were 35 holders of record and 88,489,537 common units outstanding, 84,325,436 of which were held by SL Green.

In order for SL Green to maintain its qualification as a REIT, it must make annual distributions to its stockholders of at least 90% of its taxable income (not including net capital gains). SL Green has adopted a policy of paying regular quarterly dividends on its common stock, and the Operating Partnership has adopted a policy of paying regular quarterly distributions to its common units in the same amount as dividends paid by SL Green. Cash distributions have been paid on the common stock of SL Green and the common units of the Operating Partnership since the initial public offering of SL Green. Distributions are declared at the discretion of the board of directors of SL Green and depend on actual and anticipated cash from operations, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors SL Green's board of directors may consider relevant.

Each time SL Green issues shares of stock (other than in exchange for common units of limited partnership interest of the Operating Partnership, or OP Units, when such OP Units are presented for redemption), it contributes the proceeds of such issuance to the Operating Partnership in return for an equivalent number of units of limited partnership interest with rights and preferences analogous to the shares issued.

ISSUER PURCHASES OF EQUITY SECURITIES

In August 2016, our Board of Directors approved a share repurchase plan under which we can buy up to \$1.0 billion of shares of our common stock. The Board of Directors has since authorized three separate \$500.0 million increases to the size of the share repurchase program in the fourth quarter of 2017, second quarter of 2018, and fourth quarter of 2018, bringing the total program size to \$2.5 billion.

At December 31, 2018 repurchases executed under the plan were as follows:

Period	Shares repurchased	Average price paid per share	Cumulative number of shares repurchased as part of the repurchase plan or programs
Year ended 2017	8,342,411	\$101.64	8,342,411
First quarter 2018	3,653,928	\$97.07	11,996,339
Second quarter 2018	3,479,552	\$97.22	15,475,891
Third quarter 2018	252,947	\$99.75	15,728,838
Fourth quarter 2018	2,358,484	\$93.04	18,087,322

SALE OF UNREGISTERED AND REGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

During the year ended December 31, 2018, we issued 160,466 shares of our common stock to holders of units of limited partnership interest in the Operating Partnership upon the redemption of such units pursuant to the partnership agreement of the Operating Partnership. During the years ended December 31, 2017 and 2016, we issued 201,696, and 292,291 shares of our common stock, respectively, to holders of units of limited partnership interest in the Operating Partnership upon the redemption of such units pursuant to the partnership agreement of the Operating Partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(a)(2) thereof for transactions not involving a public offering. The units were exchanged for an equal number of shares of our common stock.

The following table summarizes information, as of December 31, 2018, relating to our equity compensation plans pursuant to which shares of our common stock or other equity securities may be granted from time to time.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
Equity compensation plans approved by security holders ⁽¹⁾	<u>3,655,400</u> ⁽²⁾	<u>\$ 101.28</u> ⁽³⁾	<u>7,086,746</u> ⁽⁴⁾
Equity compensation plans not approved by security holders	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>3,655,400</u>	<u>\$ 101.28</u>	<u>7,086,746</u>

- (1) Includes our Fourth Amended and Restated 2005 Stock Option and Incentive Plan, Amended 1997 Stock Option and Incentive Plan, as amended, and 2008 Employee Stock Purchase Plan.
- (2) Includes (i) 1,137,017 shares of common stock issuable upon the exercise of outstanding options (783,035 of which are vested and exercisable), (ii) 32,250 restricted stock units and 113,492 phantom stock units that may be settled in shares of common stock (113,492 of which are vested), (iii) 2,328,675 LTIP units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to us for redemption and acquired by us for shares of our common stock (1,800,827 of which are vested).
- (3) Because there is no exercise price associated with restricted stock units, phantom stock units or LTIP units, these awards are not included in the weighted-average exercise price calculation.
- (4) Balance is after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units. The number of securities remaining available consists of shares remaining available for issuance under our 2008 Employee Stock Purchase Plan and Third Amended and Restated 2005 Stock Option and Incentive Plan.

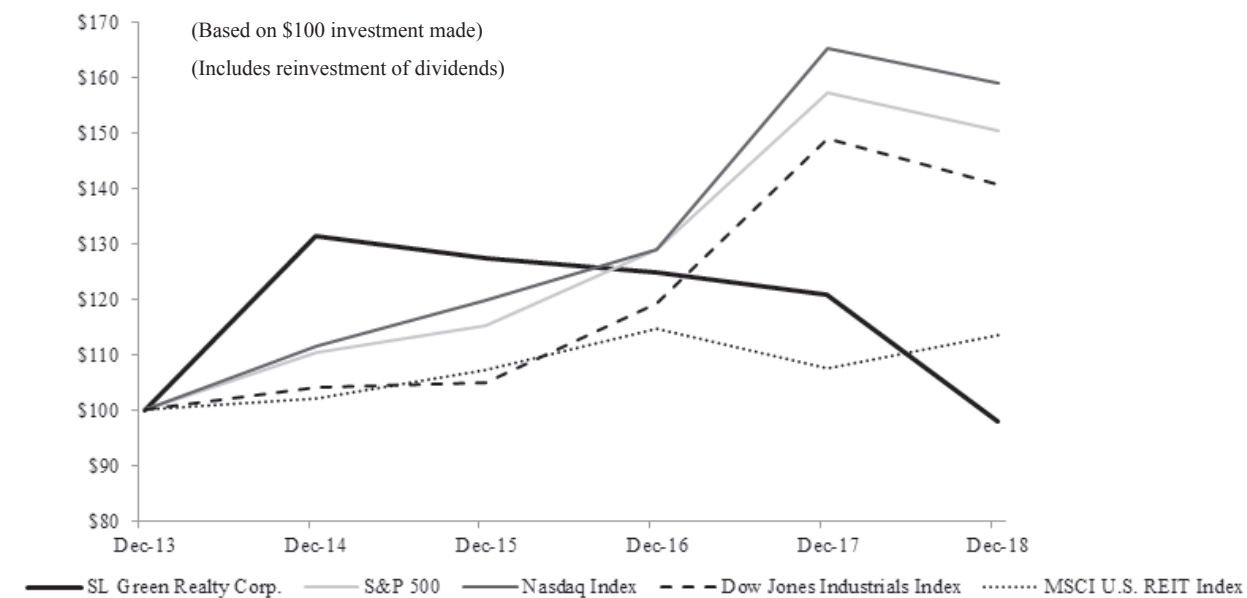
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Funds From Operations (FFO) Reconciliation

Below are reconciliations of net income attributable to our stockholders to Normalized FFO per share and FFO per share for the years ended December 31, 2018, and 2017 (amounts in thousands, except per share data).

	Year Ended December 31,	
	2018	2017
FFO Reconciliation:		
Net income attributable to SL Green common stockholders	\$ 232,312	\$ 86,424
Add:		
Depreciation and amortization	279,507	403,320
Discontinued operations depreciation adjustments	—	—
Joint venture depreciation and noncontrolling interest adjustments	12,210	102,334
Net (loss) income attributable to noncontrolling interests	(3,680)	(11,706)
Less:		
(Loss) Gain on sale of real estate and discontinued operations, net	(30,757)	73,241
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	303,967	16,166
Purchase price fair value adjustment	57,385	—
Depreciable real estate reserve	(227,543)	(178,520)
Depreciation on non-rental real estate assets	2,404	2,191
Funds From Operations attributable to SL Green common stockholders and noncontrolling interest	\$ 605,720	\$ 667,294
FFO attributable to the early repayment of the debt at One Madison Avenue in 2018	(14,889)	
Normalized Funds From Operations attributable to SL Green common stockholders and noncontrolling interests	\$620,609	
Diluted weighted average shares and units outstanding	91,530	103,403
Normalized FFO / FFO per share	\$ 6.78	\$ 6.45

TOTAL RETURN TO SHAREHOLDERS



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SL GREEN REALTY CORP.

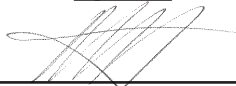




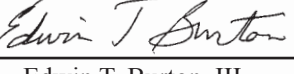


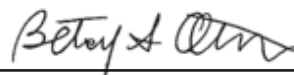

By:


Matthew J. DiLiberto
Chief Financial Officer

Dated: February 26, 2019

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of SL Green Realty Corp. hereby severally constitute Marc Holliday and Matthew J. DiLiberto, and each of them singly, our true and lawful attorneys and with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Annual Report on Form 10-K filed herewith and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable SL Green Realty Corp. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Annual Report on Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
 _____ Marc Holliday	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 26, 2019
 _____ Andrew W. Mathias	President and Director	February 26, 2019
 _____ Matthew J. DiLiberto	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2019
 _____ Stephen L. Green	Director	February 26, 2019
 _____ John H. Alschuler, Jr.	Director	February 26, 2019
 _____ Edwin T. Burton, III	Director	February 26, 2019
 _____ John S. Levy	Director	February 26, 2019
 _____ Craig M. Hatkoff	Director	February 26, 2019
 _____ Betsy S. Atkins	Director	February 26, 2019
 _____ Lauren B. Dillard	Director	February 26, 2019

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SL GREEN OPERATING PARTNERSHIP, L.P.

By: SL Green Realty Corp.









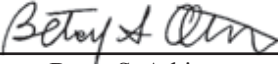
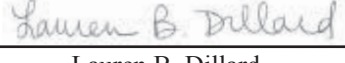
By: 

Matthew J. DiLiberto
Chief Financial Officer

Dated: February 26, 2019

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of SL Green Realty Corp., the sole general partner of SL Green Operating Partnership, L.P., hereby severally constitute Marc Holliday and Matthew J. DiLiberto, and each of them singly, our true and lawful attorneys and with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Annual Report on Form 10-K filed herewith and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable SL Green Operating Partnership, L.P. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Annual Report on Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
 _____ Marc Holliday	Chairman of the Board of Directors and Chief Executive Officer of SL Green, the sole general partner of the Operating Partnership (Principal Executive Officer)	February 26, 2019
 _____ Andrew W. Mathias	President and Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ Matthew J. DiLiberto	Chief Financial Officer of SL Green, the sole general partner of the Operating Partnership (Principal Financial and Accounting Officer)	February 26, 2019
 _____ Stephen L. Green	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ John H. Alschuler, Jr.	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ Edwin T. Burton, III	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ John S. Levy	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ Craig M. Hatkoff	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ Betsy S. Atkins	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019
 _____ Lauren B. Dillard	Director of SL Green, the sole general partner of the Operating Partnership	February 26, 2019

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (i) Registration Statement (Form S-3 Nos. 333-70111, 333-30394, 333-62434, 333-126058, 333-211945, 333-228887 and 333-223209) of SL Green Realty Corp. and the related Prospectuses;
- (ii) Registration Statement (Form S-8 Nos. 333-61555, 333-87485, 333-89964, 333-127014, 333-143721, 333-189362 and 333-212108) pertaining to the Stock Option and Incentive Plans of SL Green Realty Corp., and
- (iii) Registration Statement (Form S-8 No. 333-148973) pertaining to the 2008 Employee Stock Purchase Plan of SL Green Realty Corp.,

of our reports dated February 26, 2019, with respect to the consolidated financial statements of SL Green Realty Corp and the effectiveness of internal control over financial reporting of SL Green Realty Corp., included in this Annual Report (Form 10-K) for the year ended December 31, 2018.

Ernst + Young LLP

New York, New York
February 26, 2019

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-228887) of SL Green Operating Partnership, L.P. and in the related Prospectus of our reports dated February 26, 2019, with respect to the consolidated financial statements of SL Green Operating Partnership, L.P., and the effectiveness of internal control over financial reporting of SL Green Operating Partnership, L.P., included in this Annual Report (Form 10-K) for the year ended December 31, 2018.


New York, New York
February 26, 2019

Ernst + Young LLP

CERTIFICATION**I, Marc Holliday, certify that:**

1. I have reviewed this annual report on Form 10-K of SL Green Realty Corp. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

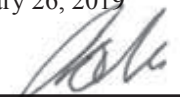
Date: February 26, 2019


 Name: Marc Holliday
 Title: Chairman and Chief Executive Officer

CERTIFICATION**I, Matthew J. DiLiberto, certify that:**

1. I have reviewed this annual report on Form 10-K of SL Green Realty Corp. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

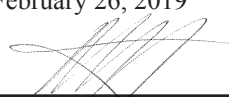
Date: February 26, 2019



 Name: Matthew J. DiLiberto
 Title: Chief Financial Officer
CERTIFICATION**I, Marc Holliday, certify that:**

1. I have reviewed this annual report on Form 10-K of SL Green Operating Partnership, L.P. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2019

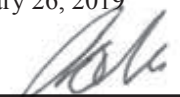


 Name: Marc Holliday
 Title: Chairman and Chief Executive Officer
 of SL Green Realty Corp., the
 general partner of the registrant

CERTIFICATION**I, Matthew J. DiLiberto, certify that:**

1. I have reviewed this annual report on Form 10-K of SL Green Operating Partnership, L.P. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2019


 Name: Matthew J. DiLiberto
 Title: Chief Financial Officer
 of SL Green Realty Corp., the
 general partner of the registrant

**CERTIFICATION PURSUANT TO
 18 U.S.C. SECTION 1350,
 AS ADOPTED PURSUANT TO
 SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of SL Green Realty Corp. (the “Company”) on Form 10-K as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marc Holliday, Chairman and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.



Name: Marc Holliday
 Title: Chairman and Chief Executive Officer

February 26, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of SL Green Realty Corp. (the "Company") on Form 10-K as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew J. DiLiberto, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.




Name: Matthew J. DiLiberto
Title: Chief Financial Officer

February 26, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of SL Green Operating Partnership, L.P. (the "Operating Partnership") on Form 10-K as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc Holliday, Chairman and Chief Executive Officer of SL Green Realty Corp, the sole general partner of the Operating Partnership, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.



Name: Marc Holliday
Title: Chairman and Chief Executive Officer
of SL Green Realty Corp., the
general partner of the Operating Partnership

February 26, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of SL Green Operating Partnership, L.P. (the “Operating Partnership”) on Form 10-K as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew J. DiLiberto, Chief Financial Officer of SL Green Realty Corp, the sole general partner of the Operating Partnership, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.



Name: Matthew J. DiLiberto
Title: Chief Financial Officer
of SL Green Realty Corp., the
general partner of the Operating Partnership

February 26, 2019

Corporate Directory

Board of Directors

Marc Holliday
Chairman & Chief Executive Officer

Andrew W. Mathias
President

Stephen L. Green
Chairman Emeritus

John H. Alschuler, Jr.
Lead Independent Director;
President, HR&A Advisors Inc.

Edwin T. Burton, III
Professor of Economics,
University of Virginia

John S. Levy
Chairman, Private Investor

Craig M. Hatkoff
Co-founder, Tribeca Film Festival;
Chairman, Turtle Pond Publications, LLC

Betsy Atkins
President and CEO, Baja LLC

Lauren B. Dillard
Managing Director and
Head of Investment Solutions,
The Carlyle Group

Executive Officers

Marc Holliday
Chairman & Chief Executive Officer

Andrew W. Mathias
President

Matthew J. DiLiberto
Chief Financial Officer

Andrew S. Levine
Chief Legal Officer,
General Counsel

Counsel

Skadden, Arps, Slate,
Meagher & Flom LLP
New York, NY

Auditors

Ernst & Young LLP
New York, NY

Registrar & Transfer Agent

Computershare Investor Services
P.O. Box 505000
Louisville, KY 40233-5000
Tel: 866-230-9138
www.computershare.com/investor

Stock Listing

NYSE Symbol:
SLG, SLG PrI

Investor Relations

420 Lexington Avenue
New York, NY 10170
Tel: 212-216-1654
E-mail:
investor.relations@slgreen.com

www.slgreen.com

Annual Meeting

Thursday, May 30, 2019,
10:00 a.m. ET at
Convene
237 Park Avenue
New York, NY 10017

Executive Offices

420 Lexington Avenue
New York, NY 10170
Tel: 212-594-2700
Fax: 212-216-1785
www.slgreen.com

SL GREEN REALTY CORP.

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