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EDITED TRANSCRIPT

SLG - SL Green Realty Corp 2015 Annual Institutional Investor Conference

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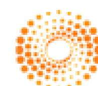

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PRESENTATION

Marc Holliday *- SL Green Realty Corp. - CEO*

Okay. Well, everyone here? Terrific. I want to welcome all of you, and thank you for attending this year's investor conference. As always, we've invested a great deal of time and effort in preparations for today's presentation to ensure that you will find it very informative, extremely relevant, and hopefully highly entertaining. The montage you just saw presented clips from the videos we used to open the three prior investor conferences.

In a slight change of format, and we will be premiering this year's video, A View from the Top, after the break to kick off our discussion of One Vanderbilt development project. Another year almost in the books, and SL Green -- and for our shareholders, employees, and analysts, that means it's time to reflect on where we've been, where we're heading, and most importantly, how we intend to get there.

Since SL Green launched as a publicly traded company 18 years ago, we have been completely focused on serving our tenants and maximizing total returns. We've done so by taking advantage of the dynamic, opportunity-rich New York City market and dedicating ourselves to a long-term strategic effort to benefit and expand the portfolio while maintaining a healthy balance sheet.

Thanks to the incredible work and expertise of SL Green's employees, we succeeded in building a unique and differentiated platform based on strong industry relationships, strategic growth, a leading market position, high tenant satisfaction, and superior long-term performance for our shareholders. And all of that was as a result of a very deliberate strategy that was envisioned from the outset, way back, executed at the highest level, and constantly evolving to contribute to the Company's success.

Take a look up here. I'd like to start off with the Tale of the Tape. And this year, the way in which that vision was realized upon, the first vision was to become New York City's dominant real estate company -- dominant in scale, dominant in footprint, dominant in reputation. And in that regard, we've assembled 160 different positions in this market, both owned and collateral for debt and preferred equity interest, accounting for 54 million square feet of real estate in this city, just at this point in time. Tens of millions more have gone in through the shop and out.

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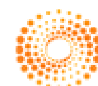
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That has given us total current market capitalization of $25 billion enterprise value. And with that, there's kicking off revenues of $1.9 billion, generating $1 billion of EBITDA for about a 50% margin, plus or minus; and, most importantly, FFO of about $660 million. So, certainly with respect to the first vision, I think we have accomplished what we wanted to do. But scale is great. I've always said, it's also about earnings and profitability.

Well, here's where SL Green stacks up in terms of our earnings. And you can see, based on a 15-year average FFO, we have produced increases of 139%. That's relative to an office peer group listed below; in some cases double, triple, or more the peer group average over that same period of time, and double the amount for the Morgan Stanley REIT index as a whole.

Earnings leads to shareholder returns. I was asked very early on -- 16, 17 years ago -- what was one of my goals. My goal was to have a company that produces as much as 10% TRS annually. Somebody said, well, that's impossible. It's a real estate company; 5%, 6%, 7% would be outstanding. Well, in that 15-year period of time, we produced 580% TRS. That's about 14% a year compounded 15 years running, more than the industry group. And also when you compare it against others in the other indices and other industries, you can see it's far greater than the MSCI, bigger than the small caps, bigger than the blue-chip stocks, broad-based S&P 500, NASDAQ, and European stocks.

So, we wanted to battle it out this year, because we want to stop comparing ourselves only to other REITs and take a look at how we stack up against some of the biggest and best that we aspire to be. And in that regard you have -- we went right back to our IPO in August 15, 1997, when Steve Green rang the bell on the New York Stock Exchange, which launched this great company. Since then we have total TRS of 980%.

We want to put that up against JPMorgan, what we think is the powerhouse in the industry. That's 213% over that same period of time. So we said, you know what? Let's go and look at the early computer companies. IBM was always a blue-chip to me: 260%. And then we just said, let's turn to the major oil companies -- maybe a little unfair, given what's happened recently -- but that is what it is. And that's 313%; one-third of our performance.

So then we said, let's really amp it up here. Let's go right at Warren Buffett and see how we did against Berkshire over that -- since we went public (technical difficulty) 1997 at a stock price of $21 a share. And you can see it's about -- more than twice that amount, as well. Just to put this all -- we can say the same about Microsoft, one of the largest software companies over that period of time. Coke, nothing more venerable. And then we said, let's put ourselves up against the biggest and best we could possibly imagine, fast food, McDonald's. It's getting closer. But we said we will end it with Apple. If we have this beat, we can all go home. But -- it's not over yet; gives us something to aspire to. We now set the agenda for the next 15 years.

So, diversified revenues was also part of the overall vision. We didn't want to be a slave to any one sector. And most people achieve that diversity geographically. We achieve it by product type. You can see the graph here I put up last year. This is last year's graph where we were at 72% office. That used to be 100% office, but now -- we were 10% retail, 10% debt and preferred equity, and a little bit of multi and suburban office. We said, over the next five years, this is where we wanted to be: build up retail, multi; shrink suburban; keep DPE steady; and shrink office. Well, let's see how we did in 2015 along the way.

We made a very good step and gesture in the direction we wanted to make: 200 basis point reduction in office. We increased retail; slight increase in DPE. Multifamily increased. And suburban office was, in fact, reduced. So we're headed in the right direction. So I would guide you back to this graph as where we think, in a vision sense, we are heading.

Innovation. We all are trying to get to the same place, public and private companies. The question is, how do you do it? And the way we do it, and try to do it, is different than others. As I said earlier, we try to be that sharpshooter, one-market company that's fairly unique amongst all 130-plus REITs on the Exchange. Early on, we did it with joint ventures as opposed to issuing heavily dilutive equity, which we think was the right approach and contributed to our (technical difficulty) TRS since IPO, even though, at the time, that was somewhat controversial. Debt and preferred equity was very novel back then.

It remains novel today for an equity REIT. And you will hear a lot about that from David Schonbraun, who will talk about that and our new FHLB membership, which lets us access cost of capital that's unique. Andrew Falk, you just heard at lunch talk about our captive insurance provider, which lets us control some of those uncontrollable risks, like insurance. OP unit currency, which most REITs when they form, they issue that OP unit currency. We have used it much more so to grow than we did to form. That's fairly unique. And I can't say enough about what I consider to be the

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absolute best and brightest industry professionals, management team, employees in the business. It has evolved over 18 years to a team today that I would put up against anyone in this market in the country.

You have to do that. But you have to be efficient, and we put this graph up in the past. We thought it was highly relevant today. When you look at our G&A as a percent of revenues, which is a good way to measure G&A efficiency, we are below average. They average of this peer group is 6%. We are at 5%. 5% of revenues is a pretty customary number. That's where it's been roughly for the last several years. We are keeping our G&A very much under control. As a percent of assets, the difference is even more interesting. So we're managing a $25 billion enterprise portfolio, and we're only incurring 0.5% of assets as total cost for G&A. And we think that just allows profits to drop more so to the bottom line. And we like sort of a star approach to the business. What I showed you earlier, the biggest and the best, I think are much more productive than layers and layers of middle management that we see across other public and private firms.

Lastly, financial flexibility is something that's gotten a lot of focus, especially since the last downturn, in trying to make sure that, as it relates to the aggregate (technical difficulty). So, there was EBITDA, which showed an incredible increase in EBITDA and unencumbered assets, and a trend towards reduction in fixed charge coverage and debt to EBITDA. Four basic metrics that I think makes us very nimble and allows us to be very opportunistic, and then backfill the capital so that we can act quick.

Next we moved to strategy. We have the vision. This is all about implementation: how do we implement? And unique to SL Green, we invest across this whole spectrum of mortgage, fee notes, mezz, preferred equity, and common equity. Every deal we see in New York City is an opportunity to us, if it involves commercial real estate. We are not very picky or choosy as to -- it has to fit into a certain box. We try and make an opportunity out of anything that crosses our desk. We see, in most other equity firms we compete with, that they only deal with that rightmost part of the spectrum, the common equity. And that's why we have created, within our one market, what we consider to be a bigger sandbox in which to play.

Also we have this proprietary currency -- as I mentioned earlier, the SLG OP unit. People have gotten very comfortable with our track record in trading their bricks for paper, New York bricks for New York paper. People love it. Every year, we do it more and more. This year we did one, two, three, four -- four new deals, just in the past year, and increased the amount of square footage under management to 10.9 million square feet, directly as a result of these OP unit currency deals. Everybody is proud to have that stock certificate.

And I know that our founding father, Mr. Steve Green, would be very happy to have his face on the stock certificate like the founding fathers of other great currencies that we operate within our market. And that's the way we arbitrage a little complexity, because involving those OP units involves a great deal of tax structuring that we've -- and others in the industry have gotten quite good at.

Value creation. We decidedly set out not to just buy and hold and ride market rate increases, but we are out there actively for most of our product repositioning, redeveloping, developing new, assembling. And just within the past couple of years, here's some representative examples: 3 Columbus, 280 Park, 10 East, which is just opening. I think that was site tour for last year, maybe. The job we finished at 635 Sixth Avenue, new construction at Beekman, and some retail in Times Square. Small sampling of what we do on almost every deal, over and over again, driving double-digit returns, sometimes into the 20 and higher, sometimes on an unlevered basis.

Then there is what I consider true management [there], which is growth in shareholder equity. So I talked before about enterprise value; this is equity value. We went public there. We were like a micro-cap, if that wasn't even overstating it, which it might be. I think we were $150 million to $300 million of initial equity capital, back when we went public. And you can see over time, through the strategy I mentioned of being very stingy with our shares early, and doing joint ventures and other creative things so as to not to over-issue at any point in the cycle, we have now created a market capitalization that's up around $12 billion over that period of time, most of which has come from appreciation and retained earnings, not from equity issuance.

I think our ability to read the market is as good as anyone's, or hopefully better, because this is our market. You have seen this slide in the past. We started right down here at the opportunistic phase, buying again, acquiring $9 billion from 2010 to where we sit today. It's staggering amount of acquisitions, but we also had acquired a staggering amount on the last upturn. We have sold a lot of properties here, and we will talk about that: $2 billion so far, just this year. And I think it was $1 billion plus last year, I seem to recall. So we are definitely managing that portfolio, buying and selling. And the question will be, well, where's this trend heading? I guess there's three choices.

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And maybe by the end of today, we will all have a point of view as to where that trend is heading. Maybe continuing upward trajectory. We hope so, because that's the environment we like to do business in. Maybe it's cresting. And, if so, how does that affect our strategy? Hopefully we're not setting up for a downturn. Doesn't feel like it right now. But if it is, then I think we know how to handle it, and handle it successfully, only then to be opportunistic again on the other end of the curve.

There are some macro changes in this market I just want to run through real quick as well. REIT penetration. This is the same graph, but not for SL Green. This is all REITs in the industry. Less than $100 billion of REIT market cap, back in 1995, sort of the advent of the modern REIT. All the way up to today, it looks like about $1 trillion of market equity. And what that means is not only have the markets become more stable, more reliable, because of the securitization of debt via CMBS that has taken a lot of the volatility out of the debt markets, put tranches of debt into the hands of people who can deal with those tranches the best, and in turn produce the most efficient pricing.

But the same thing has been done in the equitization and securitization of real estate equity, thanks to REITs, which these publicly traded REITs, which now control $1 trillion of equity, and growing significantly. It takes a lot of volatility out of the markets like New York City. More on that in a little bit.

Another major change is interest rate trends. Everybody waits with bated breath: is the Fed going to raise a quarter or not raise a quarter? It matters. But for our business plan, we factor in the curve plus cushion, and we just go with that. We try not to predict interest rates, which you can see among the G7 established Western economies is that there has been an extraordinary, cyclical decrease in interest rates from -- in the blue bar, 30 years ago; red bar, 20 years ago; dark blue, 10; and current -- orange, current.

And what popped out at me is, with the US over here at 2.3% for the 10-year bond, a lot of people feel that it's historically low and unsustainably low and has to go up, and maybe it does. I read it two ways: maybe it does; or maybe there's room to run on the downside, like these other six countries that are all under 2% structural 10-year bonds. It's about the growth. And if that rate is rising, it's probably rising because the growth in the US is outstripping that of our peer countries. If it's not, then it's down. On the margins, we'll take a growth and higher interest rates over lower interest rate and flat economies.

But I think it is interesting in trying to put that 2.3% in context, there is a reason why money is being attracted into this country: higher rates, higher growth, higher real estate opportunities. And a 6% unlevered real estate yield on a AAA core Manhattan asset doesn't look so damn bad compared to these the very low, 10-year rates that people are achieving worldwide.

Then there is industry diversification. I talked earlier about sector diversity -- product diversification. The only point I'm going to make here is over the last decade, financial services, which accounted for almost 35% of the leasing in the industry, has dropped to 25%. And TAMI picked up most of that gain. So, it's a healthy statistic. We need to modify our portfolio to respond to these industry shifts.

I think we've done that well by emphasizing other areas of Manhattan over our traditional areas 10 years ago. We will continue to do that. But these shifts, which we spend a lot of time talking about, will continue to play an important role. Because what is more interesting to me is being predictive about what will happen over the next decade in terms of which industries will grow the fastest, and making sure we're there to meet that need.

We've got -- harkening back to what I talked about earlier, the stability of markets. Not only has REIT securitization stabilized markets, but when you look at just the amount of real estate in the hands of the top 15 owners in Manhattan, there's 194 million square feet -- that's almost half of the 4 -- well, I mean it's half the 395 million square foot market -- is in the hands of 15 companies and entities. Mostly SL Green, mostly public companies, but all very responsible, well-capitalized companies with a long-term view of real estate, access to liquidity.

So it's no secret why, in 2007, 2008, 2009, during the downturn, there wasn't a spate of foreclosures, and there wasn't a spate of distress. And prices didn't plummet. REIT prices did, but asset prices came back, relative to growth; but they didn't come back for distress, because these companies, by and large, were not distressed.

We have a pro development administration now. We've had one previously. And that's important because it gives New York the ability to constantly renew itself by taking these large areas that are underdeveloped, underwhelming, under-infrastructured, and put them through big, high-thinking

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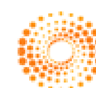

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rezonings to promote mixed use development and entertainment in sections that didn't exist before, so that they can look like this once they are done. And this is just an example of the last 10 years or so, and it's only a sample. There's been dozens and dozens of rezoned areas that is making this great city even greater through the efforts of working with governments to improve the real estate stock.

There's an urbanization trend in this country right now which is causing household formations, for the first time in 50 years, to be higher in the urbanized major inner cities of this country, rather than the suburbs. New York is a big beneficiary of that. I said it last year, and the trend continues this year. We were at 7 million population; we should top out at around 9 million. I think, right now, we're about 8 million if I'm not mistaken, or closing in.

And that influx of about 50,000 new residents a year into the city drives everything from office need to residential need to economic growth. And that's why this city has got a very low joblessness rate. And there's a bit of a housing crisis that exists, which is one of the unfortunate outcomes of this population. But from a business sense, New York City is high in demand.

Densification is something that I've always stood here and said is a good thing. I always get the question from shareholders: densification, when is it going to end? It shouldn't end. It's great. It's great for businesses to be able to put more people in less space in improved working conditions, socially and environmentally. And in that way, on this kind of plan, companies -- this is an extreme version: 95 rentable square feet per employee. That's a little extreme. 140 square feet an employee is not extreme. And by doing so, companies can afford to pay us more rent, and higher rent, while they still get the benefit of lower cost per employee, more to the bottom line, brand-new space. I think it's a win-win situation, and we hope this trend continues.

And lastly, sustainability: this is something where New York City has taken a leading role. You can see some stats here, that New York expects to be -- have emissions that are 80% lower than what existed in 2005. No trash to landfills, everything recycled. Air quality that would be among the best of all major cities. And New York City is leading the way by investing $100 million a year in its own municipally owned buildings to make these buildings very sustainable, eco-friendly. And our tenants want it. Our shareholders, more and more every year, reach out to us on this. And as a responsible business doing our business in this community, we think it makes sense.

So with that, I'd like to bring up my partner of 18 years, Andrew Mathias, who is going to join me up on the stage while we take a little deeper dive into some of the more specific business questions that shareholders present us with throughout the year.

Andrew Mathias - *SL Green Realty Corp. - President*

Thank you, Marc. Thanks, everybody. Well, we had a serious dilemma this year. With the retirement of David Letterman, the word came down from the top that we had to retire our top 10 lists. As David was gone, so our top 10 lists had to be gone. So as president of the game show divisions of SL Green, in addition to the rest of the firm, we put a lot of thought into it and decided to introduce the wheel of fortune this year. So, we're going to go into the wheel of fortune, Marc and I, to try to hit the topics that are most on investors' mind that we get asked about the most. And we're going to try to cover it in the wheel format. I think, at the end, you could tell us who's Pat and who's Vanna.

Marc Holliday - *SL Green Realty Corp. - CEO*

Let's just cross our fingers on what we land on here.

Andrew Mathias - *SL Green Realty Corp. - President*

Let's take a spin of the wheel. That was a close one. All right. Let's take a look at SL Green's retail footprint, which is really becoming a major footprint in the city; deep bench of tenants in all of the hottest areas, meaning the highest rent retail areas. Madison Avenue Gold Coast, Fifth Avenue Gold Coast, SoHo, and Times Square are the ones we've been talking about.

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And Brett, a little later on in the presentation, is going to go through his thoughts on downtown Manhattan, which we can see emerging as possibly a fifth high-rent submarket in the area. 69 locations, 2 million square feet of footprint, representing 13% of our cash rental revenues. This is, and has been, a big area of our focus over the last seven years or so.

What's driving these rents and the profitability of this area -- which I took you through last year and we'll go through again quickly this year -- is a continuing rise in tourism. With the strong dollar this summer, a lot of people thought we'd see a fall off in foreign tourism, although as you can see from Cushman's chart here, it's actually grown year-over-year and stayed about 12.5 million foreign visitors, 45.6 million domestic visitors.

Those tourists are driving hotel room occupancy to record highs. Notwithstanding softening of Manhattan hotel market overall that we keep reading about, room nights are up this year. And, ultimately, those stats are driving retail sales, which as you can see, another $3 billion of retail sales ringing our tenants' registers this year, which is leading to increased demand for space and increased rent.

How does this impact SLG? Last year I showed you what a five-year future looked like, and this is an updated version. This year we said about the portfolio to try to unlock as much of that mark-to-market that I showed you last year as possible. And by leasing of vacancy, by executing buyouts, and blend and extends, we are able to accelerate some of that future mark-to-market into the present with great effect on our FFO. A five-year look forward from today, still there's 186% mark-to-market in our retail rental portfolio, representing $96.1 million of total mark-to-market accretion, that it's SLG Retail's job to go out there and try and capitalize on and recognize as soon as possible.

I want to go through two case studies, both of which we announced this morning. Brett is going to do some additional deeper dive on the retail in his presentation. But the first of which is 760 Madison, which I introduced last year as a development property. This was a long road on this property. It was the tail, if you will, of the David Frankel Realty portfolio when we bought it in 2012. This was a short-term leasehold position. We faced a major rent revaluation early 2015, so beginning of this year. And our analysis was that likely the position would basically effectively be wiped out by that revaluation.

So, we bought this portfolio. We set about trying to create value out of a tremendous location, a great property, but a very short-term position. In doing so, we had a meeting with the fee owner. And the key to most leasehold positions is control of the fee. So, we met with the fee owner. We made them an offer to consolidate the position. And they thought so much of our offer that the next communication from them was a default notice. So that led us to our first foray in court on this property for the first claim that we'd ever seen that a low buyout offer constituted a default under the lease.

Into state Supreme Court we went, battled it out with the fee owner. We were successful. And the conclusion at the end of the day was, no, it was not a lease default. But throughout that process, I would say we developed a mutual respect with the fee owner on that property. And when the fee position came up for sale in the summer of 2014, we leapt at the opportunity to acquire it, put Humpty back together again. And as part of buying the fee position, entered into negotiations with Giorgio Armani, who is the main retail tenant at the portfolio, talking to them about the fact that they didn't have a nondisturbance agreement; and the revaluation that was upcoming earlier this year was likely to render their position as a subtenant of the leasehold owner canceled, as well.

Those discussions were a little rocky in terms of how the (technical difficulty) appreciated the fact that they were facing a possible eviction at the beginning of this year. And I would say that led to our leasehold revaluation, where we hired appraisers. There was a Chinese wall within the firm, because we were on both sides of the fee and the leasehold. And the rent reval decision came out in February 2015. Armani didn't like the outcome so much, so it was our second foray in court.

We had another litigation with Armani. Their suit was basically that they didn't enjoy SNDA protection, but rent reevaluation was too tough; it had come out too high. And it looked like we were setting up for a long battle in court to try and explain to a judge that we were on both sides of the transaction, but we conducted the rent reevaluation in good faith. But we kept talking. We had a good relationship with the folks at Armani. And the lawyers did their thing, and luckily the business people did their thing. And something unexpected came up over the course of the last couple of months.

(video playing)

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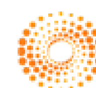

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In this case, these Hollywood big shots knew how to take the money, luckily. So, we entered into a new lease with Armani, which we announced this morning: an immediate, more than $10 million uptick in their rent. They are going to remain in the space through 2024. It secures their long-term stabilized occupancy in their flagship location. It gives us still some future growth opportunities in the future, and stabilized the asset immediately and without any capital, which for us we thought was a win-win for both sides. So, developed a good relationship with Armani; we're able to take a short-term problem and turn it into a longer-term solution with a lot of success, which we think is a great result.

The next case study is the Fifth Avenue assemblage. This, a little bit easier, less hairy than the Armani situation. Here we bought the fee positions on 562, 570, and 574 Fifth. You can see the corner building here, and then these two buildings with an adjacent building in between them that we did not own. We immediately set about, in the retail group, thinking about a business plan for these assets. Well, the way we structured the deal, we've sold the air rights for the building back to the developer that had sold the buildings to us. So, the value creation here was likely to be retail only.

So, you can see we came up with two terrific glass box retail designs on the side screens here, with some extraordinary signage we got approved by the city. 562, the corner building I showed you, was subject to a long-term lease, a 10-year lease, so there was no immediate value creation there. Started talking with tenants about these great development opportunities. And as the demo was about to commence, we got an offer again -- this one, another offer I guess we couldn't refuse. This one, not a lease but a sale for $125 million on the two buildings, 570 and 574 Fifth. A cash gain of $40 million, tremendous unlevered IRR of 20% in the short period of ownership.

And we were left with the corner building, 562 Fifth, which we undertook a marketing process, and this morning announced an amendment to the lease there. So, we signed a new net lease on the property, long-term, 49 years. The net lease has a purchase option which, I would say like the 388 Greenwich net lease, we expect the lessee to exercise here. Provides for a cash rent on the near term of $4.6 million, which is a big mark-to-market on the in-place rent, and a cash rent yield on our basis of 19%. So extraordinary rent in the interim; and, to the extent that option is exercised as we expect it to be, a $48 million profit just on 562 Fifth, with a significant IRR.

And taking a step back and looking at the overall transaction here, if, as we expect, this purchase option is hit within the next three years, this would be a five-year hold period, $88.5 million of gross profit, a 15% unlevered IRR, with no capital expended. So another terrific example of the power of the retail portfolio.

Marc Holliday - *SL Green Realty Corp. - CEO*

Okay. So, that's -- retail continues to be an enormous generator of growth. Let's give the wheel another spin, see what it has in store.

Okay, so we get to stay on a positive note here with roadmap of growth. This is a little section from -- last year we talked about the amount of embedded growth within the portfolio, and different ways of looking at it. A lot of people think growth comes from development. We look at that as sometimes yes; but development takes a lot more time, effort, and risk to generate profit and mark-to-market than mining it from your internal portfolio. This is all about, for the most part, internal portfolio and what drives the ability to mine profit, in part, is high rents. What drives high rent are people.

So we have an ever-increasing employment based in New York since 2009. And each year over the past four or five years, we have added about 100,000 employees, both in total, as you see here, to a new peak of approximately 4 million -- actually in excess, 4.3 million forecasted employees in New York City. We drilled down to private sector, because we care about those most, because they tend to be the pool from which we'll lease space. There, another new record being set at 3.65 million private sector employees -- the balance being obviously government sector -- and that is forecasted by the labor statistics to be rising again into next year.

There was a bit of a soft spot in August and September, but that came and rebounded right back in October with strong job growth. So we are still on that 95,000, plus or minus, increase in private sector jobs. You see there, 94,000 increase -- and a little bit, maybe 1,500, from government. The industries leading the way: education and health had a big year; professional services, which is an office-using sector; leisure and hospitality; retail. That certainly bodes to our benefit. And then financial and information. So, a lot of office-using sectors leading the way there.

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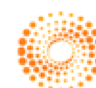

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So you see here -- I've said, in a good year, 20,000 to 25,000 increase in office-using jobs generally translates into 2 million to 3 million square feet of net absorption. This year we might top out at 30,000 new office-using jobs, which is driving mark-to-market rents up, and long-term vacancies should be receding.

The growth portfolio that you have seen before started out in version 1.0, and it's right up here on the board. These were the properties, for the most part, we purchased in 2010, 2011, 2012, 2013. And then we take out assets that we stabilized, we take out other assets that we sold, and then we added in what we did last year. And we called that the 2.0 portfolio. So that's our starting point for this year.

And so, once again, we stabilized some assets, we sell some more out of this portfolio. And we were pretty active in 2015, so we will add those into the mix. And other ones -- some of the ones we purchased, we were able during the year to move either by selling or through stabilization, such that this is the new portfolio that we call 2.0, version 2, for this year. And we're going to look at how this portfolio is going to contribute to our growth.

Up here, you can see that generally we are stabilizing 2.0 v2 in 2016 and 2017. Some of it drifts out as far as 2020. But in each case significant increases, NOI stabilization; stabilized cash on costs that is well, well in excess of the 5% to 6% normative stabilized cash and NOI. These are above-average executions for above-average acquisitions and work.

And total capital on the right: the incremental capital that people have asked for to generate those returns are listed here. So this is one part of the Company's growth going forward. And in terms of when it will be achieved, well, a lot of it we did in 2015, just over $30 million of NOI accretion from that 2.0 portfolio. And now we add to that what we expect to achieve, a slightly higher amount in 2016: $32 million coming just from these assets year-over-year; lease up of vacant space, or activation of space for $32 million. And then beyond, another $46 million, 2017 to 2021, which gives us a total queue of NOI creation of $108 million.

Now, last year, it was $125 million, but it's not down. What happened is we sold a lot. So we sold off some growth, but in turn we got tremendous cap rate execution, which you'll see. And we stabilized some other assets. So some of that growth now is in stabilized portfolio, which we will look at now. And what remains from just these assets -- not including the retail, for the most part, that Andrew spoke about earlier, the $108 million.

On the stabilized portfolio, that's actually increased significantly over last year, which makes sense, because we've migrated assets in. And quite simply, that's the total office lease roll for five years. We take out what's included in the growth portfolio, and that's our stabilized rolls. We have 7 million square feet of office space that will be rolling in the next five years that's in this stabilized bucket. The average rent is 63. At a 4.2% compounded growth rate, we have a mark-to-market of 14.1%. At a 5.23%, that's 17% mark-to-market.

Here, you get down to our share of $60 million to $70 million that will be, in five years, annualized and incremental to what's in place now, over and above what was in the growth portfolio. And that's the amortized capital. That's the average capital that it takes for those five years to create that growth.

So, message is that a lot of it is really a very solid runway for the next five years coming out of retail growth and stabilized. It really performed the way we projected it to in 2015. We will show you those projections for 2016. We fully expect that to happen again.

Andrew Mathias - *SL Green Realty Corp. - President*

All right, let's give the wheel another spin here. All right, riding the curve. Last year I showed you this slide, which was the forward LIBOR curve as of the date of last investor conference. Looking forward, I showed you a bunch of prior slides that showed how conservative the LIBOR curve had been, how we had outperformed. This year we want to take a look and see how we have differed. And some things change; some things stay the same. We had -- LIBOR heavily underperformed what the curve expectation was, bringing us to a current actual LIBOR of 25 basis points, versus projected of 65 basis points -- off by a factor of more than 2.

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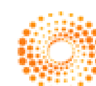

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Here's the new forward curve. So, maybe people have learned their lesson a bit, in terms of the bid and the ask, and it has leveled out a bit. But you still see an expectation of a rapidly rising LIBOR. Look out to 2024, the LIBOR curve still has us operating in a 2% LIBOR environment in 2024. So in a hard asset real estate business, in the biggest market in the country, give us a 2% LIBOR for the next eight years and we will be thrilled.

What's the impact to the Company of what happens with LIBOR? Here we show the average for this year's LIBOR is around 70 basis points. So here we show if LIBOR hits the average of 70 basis points this year, but then doesn't rise further like the curve is calling it to, the net impact in terms of interest rate reduction savings is about $22.6 million a year. So as that curve is moderated down, the amount of savings in the future is moderated down a bit; but, still, a significant store of potential future earnings for the Company, if the curve continues to be overly conservative.

I guess you may look at that and conclude that the balance sheet should really be run with more floating-rate debt. Because if the curve is overstating it, why not take advantage? You can see here on the far right: this is SL Green versus the S&P 500 and a lot of the peer companies by rating. Net of our floating-rate assets, meaning in the DPE portfolio, we are still running at a conservative 23% floating rate, right in line with our fellow S&P 500 companies, BBB companies. Interestingly enough, if you look to the left here, who are the most aggressive users of floating-rate debt: it's the AA and AAA companies who are coming in with higher proportions of floating-rate debt, even though they are carrying higher ratings.

This is part of the overall trend that Marc spoke about lowering our net debt to EBITDA, which has been a corporate focus of ours. 2007 to 2016 projected, you can see a dramatic difference in terms of the drop-off in debt to EBITDA. And this drop-off becomes even more pronounced if you exclude 388 Greenwich, which is an asset where we expect Citi to hit the purchase option. We've kept it at a highly levered floating rate asset intentionally to maximize the earning power of the asset in the interim, before the purchase option is hit. Excluding 388 Greenwich, we'd be at a 7.6 debt to EBITDA.

And if you look as it stacks up, 7.6 debt to EBITDA -- we will call us Company A. At a 4% cap rate implies a loan to value ratio at 30.4%, versus a 6 times debt to EBITDA company operating in cap rates that are more reflective of a lot of other markets in the country; a 7 cap is 42%. So conclusion is we are less levered; even if you use 4.5 instead of 4, you still get to 34.2% loan to value, using appropriate cap rates to measure relative leverage.

Marc Holliday - *SL Green Realty Corp. - CEO*

Okay, so another form of growth will hopefully be mark-to-market savings in interest rates, and we will give the wheel another spin. Okay, it looks like we landed on something called the rubric. That's an inside term we've used to describe the myriad of transactions that we've transacted since just June of this year. We will go through them. There was no other way to describe it, other than numbers on spreadsheets and graphs and trends to try and prognosticate to our shareholders back in the public -- back in May and June, what the Company would look like after we bought a lot, sold a lot, refinanced, did some other corporate transactions? Where did it all settle out at the end?

And we will take a look, starting with what we were presented with as the opportunity that first came to us, which was the opportunity to acquire a trophy asset in Manhattan's hottest submarket, Midtown South. That came to us, I think, sometime in May or June of that year. We utilized our relationships in a marketed process to shut that process down, get the building at what I consider to be an extremely good price relative to other deals that traded throughout the year, and other deals rumored to be trading in the next week or two or three, such as 1285 Sixth and 787 Seventh.

We executed a funding strategy to access the lowest cost in debt of equity capital. Because in part it was about the building; in part it was about our ability to capitalize it properly, and capitalize it in a way that we didn't have to pay a lot of gains taxes. And that relates to the fourth bullet, in terms of how we made that happen.

So that was basically the opportunity to acquire what you see on the side screens, this institutional high-grade asset. Many of you were there today, Eleven Madison: 29-story building, 2.3 million square foot Fortress asset, formerly MetLife, fronting onto Madison Square Park with full block frontage. Corporate headquarters for Credit Suisse, and Sony Corporation, US headquarters; and had just undergone extensive $300 million of building-wide improvements to lobby, systems, elevators, interior space for Sony/Credit Suisse.

The building looks terrific. It is terrific. Is one of the best and highest-quality infrastructure buildings in the portfolio as a result of those expenditures. And it forms now a unique, 3.7 million square foot campus with the other buildings we own on One Madison and 304 Park Avenue South. That's

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3.7 million feet in what we consider to be the submarket with the highest growth potential, right on the park. So we're very happy with how that turned out. It didn't hurt that it's home to the three-Michelin-star-rated Eleven Madison Park restaurant, because that's got some of the best food in the city. So, it's another compelling feature of the deal.

The financial attributes, again, we think speak for themselves. $1,000 a foot to purchase; $1,150 a foot, fully stabilized. We get to a 4.6% cap rate, near-term, by having the Credit Suisse lease commence, burn off of the Sony free. We just did a deal with William Morris at $100 a foot. That will commence. There's about 50,000 feet to lease up on two partial floors, which Steve Durels is actively working on, and we will talk more about. And then Credit Suisse may give us the opportunity to take one out of two floors in market to market from $42 per foot to a more normalized market rate for this building of $87 a foot.

So there's substantially below-market rents in place. That really attracted us to this building. Also, we not only like to buy quality, but like to buy quality with long-term embedded upside. And we will have the ability to achieve on this asset, we think on our underwritten -- which we tend to outperform -- 5% cash on cash. The 6.4 unlevered and 8 levered, which exceeds the core returns.

The funding strategy for this was going to be acquisition financing, sale of assets, sale of JV interests, refis, OP units, and existing corporate. No issuance of common equity. That was our goal. So we started with the mortgage of $1.4 billion gross, $1.3 billion net, because there's 100 sitting in reserves.

Then we move on to sales. We executed sales of $2.7 billion, most of which are done. I think -- yes, we're about 70% of the way along that route. We have one or two buildings still in the market that we intend to get done in Q1. So it will be $2.7 billion; our share, $1 billion, at cap rates that average 3.7% on in-place NOI, even less slightly to strip out the suburban properties, which were at a higher cap rate. Consistent with the 3.5%, 3.6% cap rate that we said we would achieve on these sales.

So again, we have a little more work to do, but not much, and we're right on target in terms of where we expect it to be. So, add the $1 billion as a source. Then there are financings and refinancings, some of which have closed, others of which are in the process of closing, that will contribute $685 million of new or incremental proceeds to our sources. There were some OP units that we issued. That rate goes back to the chart I showed you earlier, particularly 110 Greene Street, for total sources of $3.2 billion of activity for the most part, either closed or in the process in the past five, six months.

So in terms of how we used it, the bulk of that was used to fund the closing and future capital for Eleven Madison. And then there was some pipeline activity. We had projected $400 million of pipeline. In fact, with some speculative investments that remain, we expect to be at $600 million of total additional acquisitions, over and above Eleven Madison, that will then bring us to having excess cash to pay down the revolver such that the total uses fortunately equal the same $3.2 billion that we're spending. And that is the rubric in a nutshell.

How did we make out? Well, originally, for three years we were projecting $66 million of accretion. Looks like we're going to achieve about $63 million, so we were slightly off by about $1 million a year for those three years. Looking out over five years, we had projected $96 million of accretion. We're going to realize $92 million. So again, under -- within $1 million a year of where we forecasted everything at the beginning. We think that's pretty good shooting, especially because the markets didn't cooperate fully over the months of August, September. Some of it was a little slow.

And with that said, I think that proves out that we've got the ability to put our finger on the pulse of the market and know exactly where things will trade, and how to create this substantial, substantial accretion. And it's not only accretion, but it's accretion with better assets and less complexity.

The plan is on track, as you can see. Net debt to EBITDA, which was starting at around 7.7, tipped up to 9.4 after we closed Eleven. We will ratchet down to 8.2 after we close the rubric down. And then, as Andrew said, when you -- actually, when you roll this forward, these numbers are all 2015 EBITDA. When you roll it forward to 2016 EBITDA -- because we have no EBITDA -- then it goes to 7.6 times.

And that is a tremendous feat, to be able to accomplish all that, and then bring the ratio under where we started.

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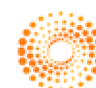

Andrew Mathias - *SL Green Realty Corp. - President*

All right. Another spin of the wheel.

Marc Holliday - *SL Green Realty Corp. - CEO*

So, we have a slide here called free money. We will talk a little bit about a report. There's a long, only hedge fund manager, resides I think somewhere in Charleston, who we invited here today -- somewhere up in the crowds -- Mitchell Bollinger, who issued a report called Free Money. That caught our attention. And he really seemed to get the strategic meaning of what we're trying to achieve, which is there's a tremendous discrepancy between our stock price and the underlying value (technical difficulty) assets.

(technical difficulty) age-old problem, if you will. And how do you exploit this discrepancy? Well, we decided to do it by selling assets, illuminate value, arbitrage the markets; and try and converge, if you will, our stock price on underlying value. And that discrepancy should be arbitraged away. We agree. It goes on to say that it's the equivalent of finding free money on the ground. It's like walking, picking up a $100 bill, realizing there's no one there to claim it. And that he equates to buying a share of SL Green stock.

And so, Mitchell, thank you. We're going to actually take you through our version of NAV, which systematically is, I think, consistent with yours. We start with $25 billion of enterprise value. We take out $1.1 billion for suburban properties. That's what it was last year; that's where we have it this year. We sold some assets, but there was some small appreciation. There's residential and retail, which last year was $2.2 billion; this year is $2.8 billion. The $600 million increase is largely a result of appreciation and new addition to that inventory, because that pot grew, as we showed you earlier.

Development properties roughly equal with last year. The biggest parts there are 280 Park and One Vanderbilt. I think that's relatively stable to last year. There's 388, 390 Greenwich, which we broke out of other this year, put it up there at $1.8 billion net, $2 billion gross, $1.8 billion net, which is where we expect the property to be purchased in 2017. And you've got Eleven Madison at cost; goes up there as its own separate island. Debt and preferred equity -- we took the increased book, but rather than multiply it at 1.25 times to represent platform value, since mortgage REITs have [cherried] it off, we took that platform value down to 1.1 times book. And so you see up there at roughly the same number as last year.

Other came down because we stripped out 388. Otherwise, it's roughly the same number, $1.1 billion. That gives you a total, with cash, of $10.9 billion or almost $11 billion. That's Manhattan stabilized portfolio. You can look at it, but coming from me to my shareholders, I can tell you there's not a lot of variability in those numbers. So, that number is math. These numbers I believe are highly accurate. So, therefore, that's where the market values SL Green's portfolio. And when you look at it, based on our 2016 NOI -- it's kind of a first look at 2016 net operating income being produced by these assets -- you get a cap rate of 5.93 and a price per foot of 654, at a stock price of $117.82, which is probably not where it is today.

Now, that's about as glaring as I've ever seen it up here. Of course, we've made this point many, many times. There are things we know, and there are things we think. We know it's not a 6% cap rate portfolio. We know it's not 650 a foot. You'd say where might it be? It might be a 4.5% cap rate portfolio. That's the high end, the very high end of the market. And that would produce 860 a foot, and $156 a share price. We don't think it's in there, either, but we can at least look at that. You can get closer and start to warm up with what's real market value at a 4 cap, and still under 1,000 a foot. It starts to smell like we're getting into the right ZIP Code. And that's $173 a share stock price and a 47% discount.

So when I hear out there and I read these reports, well, they may be trading at a 5%, 10% discount to NAV, I don't know where the hell the number comes from. You could just make it up and say it's kind of 5% to 10%. But this is the hard math. There may be other hard maths out there to refute it. We have yet to see it. I'm dying to see it, but we haven't seen it because I don't know how it could be refuted, other than if people sitting here today think New York is going to a 6% cap rate market in 2016, then it's dead accurate. But I would put this forth as evidence that there's probably some free money value -- Mitchell, thank you -- that hangs around in our stock at these levels. We continue to improve the portfolio; and 2016, again, we don't think will be any different.

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Andrew Mathias - *SL Green Realty Corp. - President*

All right. Another spin of the wheel. Okay. All right, debunking myths. So we read some puzzling things in 2015, which we wanted to try and address in a new format, a new series this year called MythBusters. So Marc and I are going to do our best to try to bust some myths in rapid-fire format.

Marc Holliday - *SL Green Realty Corp. - CEO*

Try and wrap this up quickly. First, no juice to squeeze on Eleven Madison; came out within a day or two of our buying it; no idea what it was based on. We kind of jumped into it and said, oh my God, did we make a mistake? Apparently there's no juice to squeeze in Eleven. Juice, for me, is profit. Everyone has got their own definition of juice. Profit, to me, is where I think this asset will be valued in a year or two or three. My simple math is that this stabilized NOI will get to $120 million. It's going to get there without a tremendous amount of effort, as long as the market holds in its current format.

We have a lot of rent to benefit by. And at a 4 cap, which would be more emblematic of an asset that has burned through all the free rent, and the income has started and has a 20% to 25% discount to market, that's $400 million of projected profit that we would hope to access over the next one, two, or three years in a venture format, the way we have set up the [tick] structure at 11 Madison. And the way I was brought up, I feel that $400 million of profit is what I would call a lot of lemons. As a matter of fact, it's about 850 million lemons you can buy with it. So, we think that (technical difficulty).

Andrew Mathias - *SL Green Realty Corp. - President*

All right. Next up is we read somewhere that Credit Suisse and Citi are 13% of our rents each, which set off a bit of a panic internally. Took a closer look at our quarterly supplemental, and we were relieved to see that it's actually 9.8% for Citi and 9.2% for Credit Suisse. We manage the tenant exposure pretty carefully. We will JV where appropriate to try to mitigate tenant risk, if not pass on opportunities if we think we're getting too exposed to one tenant. So we were relieved to see that 9.8% and 9.2% were the right numbers. Not 13% each.

Along that theme, we saw a stat that financial services represents 40% of our rents. Which, again, this is something we manage pretty carefully, and were relieved to find that the right number is 33.9%. Marc showed you earlier the table in terms of the direction that city is going. And I would say we've worked hard to take SL Green's portfolio in the same direction in terms of diversifying our tenant base. We still like the credit or financial services. But we have incorporated a lot of TAMI and other types of tenants -- healthcare education tenants into our portfolio. So 34% is where we're currently sitting with financial services; a comfortable level.

Marc Holliday - *SL Green Realty Corp. - CEO*

I'm going to take this one: didn't take advantage of the downturn. Now, there's a lot of ways to look at it, but I don't know what taking advantage of the downturn means. To me, it means buying a lot of property and making a lot of profits. Clearly, if we bought zero, that would be a miss. If we bought $3.5 billion, that probably still would be almost market-leading. But if you did $6.8 billion since 2010, that would be market-leading. And the profits generated on that $6.8 billion, along with the embedded value would be measured in the -- well into the nine figures. So, I guess the question is, what, in fact, did we do over that period of time?

Well, we didn't do nothing, because you guys know that from just being here. We didn't do $3.5 billion. So we actually did $6.8 billion since 2010, over half of that from 2010 to 2012. So any notion that New York City REITs as a whole, or specifically SL Green, didn't take advantage of the downturn, I would say is probably wrong. I would say that, more accurately, we took advantage of it more than anybody else in New York City. Shareholders benefited by it. You can't do every deal. You don't want to do every deal; but we think we did the best deals. So we're happy (technical difficulty).

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Andrew Mathias - *SL Green Realty Corp. - President*

All right, next up: panicked to read that we were going to have 9% aggregate FFO growth through 2019, which is a 2.2% average. We called Matt to the offices immediately and tried to figure out exactly what was going to happen. Given our historical track record from 1997 to 2015 of compound annual growth in FFO of 7.6%, and guidance Matt is going to unveil in a couple of minutes -- not to the front-run him a little bit -- that should make up most of the 9% next year, as opposed to through 2019. So, this myth, I would say, we are pretty comfortable saying is busted.

Marc Holliday - *SL Green Realty Corp. - CEO*

Okay, what do we have next? DPE portfolio.

Why don't you take this one, Andrew?

Andrew Mathias - *SL Green Realty Corp. - President*

All right. The debt and preferred equity portfolio isn't real long-term hedge. I covered the fixed to floating analysis earlier on in my presentation. We looked back, when we saw this slide, historically from 2007 to this year. At the percentage of the floating-rate debt -- the debt and preferred equity portfolio floating rate over the Company's total floating-rate debt. And it has averaged 21.7% pretty much consistently over the last eight years. We've been able to maintain that level; even though these assets are shorter-term in maturity, this is a business.

This is a run rate business for us. There's a constant supply of floating-rate debt and we're always originating new floating-rate debt investments as it pays off. So we do view these assets as a built-in hedge against our floating-rate liability portfolio. It is set up to be that way. We monitor it as such. And I would say if floating-rate assets did trend down, you'd see our floating-rate debt on the liability side trend down as well. But as we have continued to put up the origination numbers, we are comfortable saying that it is a hedge, and will continue to be a hedge going forward.

Marc Holliday - *SL Green Realty Corp. - CEO*

Okay. Next one: DPE represents 27% of FFO. I won't, just out of respect for time. Suffice it to say, you can't take a business and attribute no cost to it, or else you're going to get perverted results. And maybe it's apparent, but certain shareholders have asked that we make that point. It takes a lot of money to run DPE. The first thing you need is capital, and capital costs a lot of money. You need debt and equity to fund DPE investments. The second thing you do is you need staff. Well, we have a huge staff -- David is going to talk about that -- originates, services, structures, closes DPE.

So, if you just take investment income and divide it by FFO, that's going to be distortive, I think, on its face. And I think people get that because there's no cost. But I think the more accurate way, and certainly the way the textbooks would tell you to look at it, is look at it on a net-to-net basis. That's a more relevant dynamic. And on that basis, you could look at net-to-net on the second graph. And a business that's about 8% to 10% of our asset base and 8% to 10% of our revenues is about 13% to 14% of our net EBITDA, before interest and before G&A. So, fully allocating G&A to the businesses, fully allocating interest expense to that businesses in proportion.

That's the right way to look at it. And it's important, because when these statistics fly around out there, 27% -- you say, oh my God, like a third of the Company is DPE. Well, that's wrong. And you would know it to be. If I took gross real estate revenues and divided it by FFO, what would I get, Matt? What's that? It would be upside down, right. So it's just -- it's not a usable financial metric. These are the right metrics. We've said it here before, and not new news: 10% of the business is DPE. And since it's a highly accretive business, it's about 13%, 14% in terms of contribution. So, we will cover this again next year.

Okay, next we have -- this is interesting.

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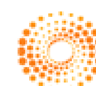

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Andrew Mathias - *SL Green Realty Corp. - President*

Suburban lease roll will drag down the Company. This sent us running out to White Plains to sit with John Barnes and his team to figure out exactly what was going to happen in the suburbs that was going to drag the Company's earnings. He put us at ease. His average annual leasing activity over the last couple of years has been 663,000 square feet. You look at that against 2016, 2017, and 2018 lease rolls -- and he has been running at a 61% renewal rate, he points out, as well. Then we asked Matt to analyze if we lost every one of these tenants in 2016, what would be this horrific drag on the Company?

The word came back it was $0.02 for the partial year, and $0.04 going forward on a run rate basis, if every one of these tenants walked out the door, if John Barnes was wrong on the 61% renewal, and he did zero instead of his average of 660,000 square feet. So, the suburban team has done a tremendous job keeping these assets leased, keeping tenants in place, not losing them to the market, getting better than their fair share. And we wouldn't expect any deviation from those results, going forward. Those markets are stabilized; and, therefore, we consider this myth busted.

Marc Holliday - *SL Green Realty Corp. - CEO*

Okay, we're going to end -- well, we have two more.

Why don't you take this one, Andrew?

Andrew Mathias - *SL Green Realty Corp. - President*

All right: low unencumbered asset coverage of unsecured debt. This is one that Matt insisted get put in the MythBusters. He is apparently driven crazy by the fact that, on this particular ratio, one of the rating agencies apparently runs at a 7% cap rate on the unencumbered asset NOI. And he argues, at least use undepreciated book value. If you use undepreciated book value, it sort of implies a 5.2% cap rate, very conservative cap rate. It brings 1.6 up to 2.2. We would look more at a net asset value, using a 4.6% blended cap rate between suburban properties and Manhattan properties conservatively, which would return a ratio more like 2.5%. So, Matt guards his ratios very seriously, and he wanted to make sure this myth was busted.

All right. This one had us in a tailspin: the levered Manhattan office properties value index. We kept getting asked -- you guys are trailing, you guys are behind. What's going on? Why can't you keep up with this index? And as you can see from earlier in the presentation, Marc and I are fairly focused on benchmarking ourselves against competitors, against broader indexes, against other companies. So we Googled this index, and nothing came up.

And we dug a little deeper. We asked an independent third-party to make some inquiry. And the report we got back was that there was -- they were unable to get any of the data that underlied the supposed index, and that the index was being recalculated and the prior results shouldn't really be relied upon. So, the notion that our asset performance trails some kind of index, to us, is tough, because we've been very outward in terms of our performance at the asset level and corporately. And this conclusion really has Marc and I looking over our shoulders in terms of what may be happening.

Marc Holliday - *SL Green Realty Corp. - CEO*

We're going to leave you on that note. We've been up here for quite a while. It's time to introduce the rest of the management team into the mix. We will have -- start off with Steve Durels. He's going to be joined by Isaac up on the stage.

A little levity; we hope we made the points you guys wanted to make. You're going to hear from the rest of this team into their specific areas of responsibilities that I hope would bear out what I said earlier about having the best people doing the best job, in the right positions.

We thank you for your attention. And with this, after a break, One Vanderbilt, we hope you enjoy the rest of the day. Thank you.

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(video playing)

Steve Durels - *SL Green Realty Corp. - EVP, Director of Leasing and Real Property*

Wow. Every year I get asked, oh, you're going to follow Marc and Andrew, right? And it's, like, are you kidding me? You're going to come up with cartoons and film clips and everything else, and it's never a fair fight. But this year was particularly entertaining. The leasing group -- we had a huge year this year, very busy, with no breaks over the summer, nor slowdowns since. I lead a team of 18 professionals, together with Neil Kessner, who leads our in-house legal leasing team. And I have an absolute conviction that we have the single-best leasing team in the country.

Neil and I have worked together for close to 30 years. And most of the leasing team began their career at SL Green over 13 years ago, with many of them starting their career on the landlord side of the business with our firm. And that means they are bred in-house, and they bleed SLG blue. Landlord agency work is a highly specialized job in the world of commercial leasing. It requires far more technical knowledge regarding building operations, construction, accounting, the law, contract law, and construction, compared to what an ordinary tenant broker will ever require during his career.

And because our leasing agents are the lead business contact to our tenants, our agent's job doesn't end once a lease is simply signed. We're responsible for the deal structure, credit analysis, cost containment, dispute resolution, and relationship maintenance, all with an eye towards maximizing asset value. The fact is, because most of our leasing team has been trained in-house from the beginning of their careers, and have worked together as a totally integrated team, we are able to accomplish more and handle more than anybody else in the country.

Last year, we set a goal for ourselves to sign at least 1.8 million of leases in 2015. We came out of the gates very strong. And of course, never being one to coach to the finish line, Marc reset the goal to 2.2 million square feet. And I'd like to say we had a nice, polite, quiet conversation about this; but, in actuality, it got communicated to me by a wink and a nod during our second-quarter earnings call. That was a really good one, by the way.

Earlier, we hit almost 2.4 million square feet of 2,000 feet lease expirations, together with over 800,000 square feet of vacancy. However, 1.5 million square feet was successfully renewed or pre-leased before the year even began. That left us with 1.6 million of combined lease roll and vacancy, which means we would have to do a whole lot of forward leasing in order to meet our new set goal.

I'm happy to report that Marc was, of course, correct. As we sit here today, we've met our goal of 2.2 million square feet, having signed 178 leases, which include 1.7 million of new tenant leases filling out a vacancy or pre-leasing future role. And, in fact, we have a number of leases out for signature, and we're running hard for the finish line with an expectation that we will end the year at more than 2.3 million square feet.

That's me in the lead, if you're not getting it. Our first thumbs up for the day, and only 15 more to go.

Our second goal was to achieve overall mark-to-market of between 10% to 12%. Each quarter this year was well above our goal, ranging between 17% and 28%. Except, however, in the second quarter, a portion of the new Bloomberg lease replaced a prior tenant whose rents have escalated well above market, reducing the quarterly number from 28% down to 11%. Notwithstanding that roll-down, the 350,000 square foot Bloomberg lease was a landslide victory for 919 3rd Avenue.

In the third quarter, we expanded Emerge to replace a vacating tenant which left behind a similarly above-market rent, lowering the third-quarter number from almost 20% down to about 16%. The fourth quarter has a mark-to-market in excess of 23%, and year-to-date average is more than 15%, which well exceeds our annual goal. Another thumbs up.

The final leasing goal for 2015 was to raise Manhattan same-store occupancy to a greater than 96.5%. We ended last year with an occupancy of 95.6%. And I'm happy to report that, in fact, we will finish 2015 at 97%. A third thumbs up, and a leasing trifecta.

By any measure, 2015 has been a very strong leasing year. And I think there's lots of reasons to be bullish as we look into 2016. Most every conversation we have with tenants reaffirms that they remain confident in the Manhattan economy. Job growth continues to set new highs. New York City is

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viewed as the safest big city in the world. And access to labor has improved as more families choose to live in New York City and more residential units are constructed.

Midtown leasing is ahead of last year and exceeds the 10-year average. Grand Central in particular has been very active this year. Midtown vacancy is at 10.3%, with direct vacancy at only 8.3%, leaving subleased space at a near historic low of 1.7% vacancy. There have been 72 leases signed at rents of $100 or more this year, compared to 67 leases in all of last year. And average Manhattan asking rents still have not fully recovered. They remain 14% below the third-quarter 2008 peak.

The trend lines continue to indicate that Midtown office supply is tightening and rents are continuing a steady climb. With Midtown availability at 10.3% and dropping, we are very close to what CBRE considers to be the equilibrium point in the market at 10%. It's interesting to note that in past cycles, whenever supply trended downward and dropped to 9.5%, we experienced a disproportionate spike upward, as noted in the periods shaded in green.

The question, of course, is will 2016 see a similar spike? We can't predict it. But I will say that our transaction pipeline has never been fuller. And we're negotiating leases with tenants who have longer-dated expirations than has been the case at any point in time over the past couple of years, which would suggest that tenants are fearful about the direction where rents are headed.

Let's look a little more specifically about what we saw within the SLG portfolio last year. And like the broader markets, financial services was the dominant tenant: leasing space covering 52% of the square footage leased last year, compared to 40% of the square footage leased the prior year.

We signed a number of very large leases, including 352,000 square feet to Bloomberg at 919 on Third Avenue; 142,000 square foot to the investment banker Paul Taubman; and 129,000 square feet to Franklin Templeton, both at 280 Park Avenue. Most interesting is that eight of the 10 largest leases were to either new or expanding tenants, and all were either to financial, TME, or education-related businesses.

We also signed more leases at rents of $90 a square foot or higher than at any previous time. 10 East 53rd Street and 280 Park particularly were successful in landing high price point tenants, with rates up to the $110 to $127 a foot range. And, in fact, we closed another lease just this past Friday with a financial firm at 280 Park for 8,900 square feet, at an average rent of $125 a square foot.

Over the years, we have consistently stressed the importance that we've placed on trying to smooth out our lease expiration schedule in order to de-risk any exposure to a disproportionate amount of potential vacancies, should the market turn down. That requires constant vigilance in an effort to secure either early lease renewals or pre-lease space which we know will not be renewed. And looking back over the past several years, we successfully mitigated our roll at the beginning of each year with about 1 million square feet of expirations.

And in each year, like this year, we leased a far more space that was expiring. Our average annual leasing has been approximately 2.4 million square feet, notwithstanding the years we've secured early renewals with Viacom for 1.6 million, and 2.4 million square feet with Citigroup, which should be noted are the two largest leases ever signed in New York City.

All of that leasing has kept the portfolio full, and occupancy well above the market average. This year we will end at 97% of occupancy, compared to the Midtown market average, below 90%. And compared to our New York City REIT peers, we outperformed them every year, as well.

Looking forward at our scheduled expirations of about 1.6 million per year -- however, we have been able to knock that down substantially through early renewals and pre-leasing. We signed over 0.5 million square feet of space scheduled to roll in 2016, with significant additional (technical difficulty) in 2017 and 2018. That leaves us with only about 850,000 square feet of remaining 2016 expirations, and an average of 1.3 million over the next four years. My focus is well beyond 2016. And I can share with you, as we stand here today, that we're working very hard on a number of deals of significant size that are expiring in 2017.

On a more granular look at the larger leases expiring over the next couple of years, our two largest leases up next year are at average rents of approximately 10% below market. We are in active dialogue with Music Choice, but remain unclear about where we'll land with Amazon. 2017 has

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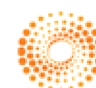

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a number of very significant leases, including Omnicom's 0.5 million square feet expiring at the News building; Citibank's 300,000 square feet at 485 Lexington Avenue; and Credit Suisse's 180,000 square feet at Eleven Madison.

The four largest expirations in 2017 have an average in-place rate rent of only $47.54 per square foot, which is more than 32% below current market. And as mentioned previously, we're deep in the discussions with tenants of significant portions of the Omnicom and Citi spaces. And in 2018 we have two leases expiring, covering a portion of the Random House space at 1745 Broadway's 323,000 square feet. And these two leases combined are 22% below the market.

Currently, we only have five buildings with any notable amount of vacant space. Three of the buildings with the largest availabilities are within our growth portfolio. We have 290,000 square feet at Tower 46, where we just signed our first lease, covering 1 1/2 floors to Fir Tree, a very high-end hedge fund. You'll recall that the prior owner was unable to sign a single lease of the building, which sat empty for several years.

We have taken over, and launched a new marketing campaign; made some small but significant changes to the public areas; and just finished construction of the finest pre-book program in New York City. The tour activity has been very strong, and I have no doubt that we will lease up the building at historically high rents for a side street property.

10 East 53rd Street has 217,000 square feet. We recently completed the majority of our capital work. The building looks fantastic. And we are over 50% leased up already at rents that are well in excess of our underwritten assumptions. And we have several leases in the pipeline.

280 Park Avenue is down to its last 130,000 square feet. This building has to be one of the great real estate stories over the last couple of years. The $150 million repositioning of the building rose the rents from the $50 price point into the $90 to $120 range. And the building is unmatched in its curb appeal, and is leased exclusively to financial service tenants.

Finally, our other two buildings with chunks of vacancy include 711 Third Avenue and the News building, where each building has approximately 95,000 square feet of current vacancy. Both buildings are more commodity type properties that appeal to value-oriented tenants, and each of these buildings are currently trading proposals. In all, we have over 200,000 square feet of active negotiations covering our big vacancies.

Lastly, as I mentioned, our current lease pipeline has never been fuller. We have approximately 1.6 million square feet of ongoing transactions, including 866,000 square feet of leases in negotiation, and over 750,000 square feet of term sheets, which we think have a good shot of being converted into leases. Next year, I think, is going to be very strong for the firm, and we're off to a very, very strong start for the year.

In addition to that, we constantly get asked a lot of investor questions about the competitive threat from new construction.

And with that, I will turn it over to Isaac to talk about the supply side of the market.

Isaac Zion - *SL Green Realty Corp. - Co-Chief Investment Officer*

Thanks, Steve. You heard a lot from Marc, Andrew, and Steve about the leasing market, our portfolio, our leasing success over the year, and the demand drivers behind that success, but right now I am going to focus on the supply side. We've heard a lot over the last couple of years about this avalanche, this tidal wave of supply coming from new construction, tennis leaving existing buildings, but let's just simply do the math.

First you have to look back. In 2000, there was about 392 million square feet of office space throughout the city, and over the next 15 years, about another 30 million square feet was added. However, 27 million square feet was converted. A lot of that was residential hotels. So by 2015, you've got 395 million square feet. Although there was a fair amount of activity, that only increased the total by 1%. So now let's move forward.

Over the next five years, there's about 25 million square feet of proposed development. Not all of that is going to happen in five years. There are some sites that are more difficult. They're going to need large anchor tenants before they even think about it. So I've assumed that about a third of it gets done, so two-thirds of it would come out of the supply.

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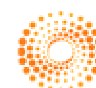

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In addition, historically we looked back about 1 million square feet a year gets converted. Right now I'm aware of several active deals, prime office space that they are in deep, deep discussions about converting, so that would be taking office-supply roles. So you take that out and you get to what I will call actual new supply of 14 million square feet.

Got to dig a little bit deeper. Obviously a lot of tenants have moved from Midtown, Hudson Yards, downtown. That total is about 6.8 million square feet. So vacant new supplies, about 7.2 million. But what buildings are they coming out of? So the charts on the side show tenant migration from 2016 to 2020. You have to add that space back.

It's about 6 million square feet. There's been a whole host of tenants, financial services, luxury goods, legal, all across the board. But one of the things I would like to note -- Steve went into this earlier -- obviously you don't always lose your tenants. All your big tenants are going to look at new construction as a potential alternative, and we've done better than most over the years in terms of maintaining our active tenants. And as Steve noted, two of the largest leases ever done were Citibank and Viacom, and we were able to keep those tenants. And in fact, the only new construction that's actually being added on the East side of Midtown -- remember 425 is just a shift -- is One Vanderbilt, and we were able to land TD Bank to get that role. And so it is very exciting.

So you add back that 6 million square feet and you get to about 13.2 million square feet over five years. 2.6 million square feet a year on a 400 million square foot market, it's about 65 basis points. I don't view that as an avalanche, a tidal wave. It's a slow trickle.

How do you mitigate that? What are the drivers behind that? Marc went to a lot of detail about this. It's job growth. It's office using job growth, and in 2016 we anticipate about 35,000 new office jobs to be added. That will range somewhere between 5 million to 7 million square feet depending upon the rentable square feet, whereas job growth leads to positive absorption. Over the last five years, about 3 million square feet have been added.

So if you take the supply side of the equation, look at where the demand drivers are, there's a natural offset there.

Also, we're talking about change of use. In the past, it has really been lesser buildings, lesser locations. The shift now is better buildings, better locations, heart of Midtown, heart of downtown. As you can see on the slide right here behind me, while some of the buildings are older, they are still prime buildings, including the Crown Building and the Sony.

Another -- Steve mentioned this earlier -- 10 East 53rd, that building has been repositioned to an amazing extent. I think as he noted, six of the 13 rental numbers that he showed, over $90 a square foot were done at 10 East 53rd. Again, historically a lot of landlords had to deal within Class B buildings to drive rent, to drive tenancy over a period of time, but you see -- what you see right now is due to some competition from new construction and amongst Class A landlords, there are more Class A buildings that have to reposition, and we've been very successful doing that.

Other major buildings currently contemplating major renovations are 1271 A of A, 4 Times Square, the Time Warner Center. All of these buildings have lost major tenants and are going to spend hundreds of millions of dollars repositioning their buildings to drive rents and drive tenants back to their buildings.

I also get asked a lot, if you have a 1 million square foot hole or 500,000 square foot hole, how are you going to find that next 500,000 square foot user? You don't have to. Oftentimes, you don't need to, and you can focus on smaller tenants. In this particular example, we had effectively a 550,000 square foot hole, and we filled it with 11 tenants, all of them financial services tenants. But the key here is those are 50,000 square foot floor plays, so you can accommodate smaller tenants in larger floor plays if you reposition your buildings properly.

We talked a lot about the supply side. Now I want to talk about the demand side because I think I expressed how the supply side is not as big an issue as everybody has made it out to be. And the focus needs to be on the demand side and attracting tenants.

As you can see here, there are almost 300 tenants actively in the market. Obviously most of these tenants will stay right where they are. That's our stock in trade. That's the most efficient way to utilize your capital, get a tenant the first time and keep them going forward over a couple of cycles if possible. So assume some of that -- a lot of that 28 million square feet is actually going to stay. And that's for medium to large size tenants.

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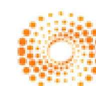

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Obviously if you added small tenants, which is the bulk of the activity, that number would be multiples higher. And it's a constant battle. Steve and his team do an amazing job. It gets a little messy out there from time to time for sure.

(video playing)

When I was a kid, I thought the scene was a lot longer. It went on for like 20 minutes. That's as long as it actually is, by the way. Then we were thinking about how do -- as Steve showed earlier, we've dominated our peer group and the market as a whole, and our team is constantly knocking the cover off the ball. We've got a secret weapon and I couldn't figure out the words to sort of describe it.

(video playing)

Steve, I'm going to refer to you as The Natural from now on. I'm sorry, man. It's just going to happen.

So now I would like to jump to the next portion where I'm going to talk about our accomplishments in 2015 on the investment sales side, the investment sales market as well, and the foreign capital feeding frenzy. But first I would like to thank the investment sales group on behalf of myself and my partner, David -- sorry, the investments group. There's 15 professionals -- assumes most of them are here. Some of them are probably back in the office working on deals. Their dedication, their intellect, their passion is really what has allowed us to accomplish what I'm about to show you over the course of 2015, and I thank them for it. Actually, every year, this group probably accomplishes more than most organizations are able to accomplish in 10 or 15 years. So thanks, once again.

$400 million -- I think Marc went into a lot of detail earlier. Obviously we crushed this goal. 11 Madison in and of itself was multiples of it, but we stuck to our guns throughout the course of the year looking for risk-adjusted returns, trying to find accretive assets, improve credit quality, location quality, while looking for all sorts of opportunities. So that's another big green thumbs up in 2015.

On the disposition side, exact same thing, $600 million. We crushed this target. Multiple deals across the entire spectrum of our portfolio. Here, on a relative basis, this was disposing of lesser assets, more complicated assets, less rental upside, more capital-intensive, and that's a focus that we do every year. We are always active buyers and sellers in bringing in joint venture partners as well where warranted across the board.

So effectively, and Marc went into a lot of detail on this earlier, this is effectively the perfect trade. When you can utilize your existing assets at sort of a low 3% cap range to acquire newer, better assets at a 4% to 4.5% cap range, it doesn't get any better than that. That effectively is the perfect trade. Unfortunately, you can't just do one of them. The assets are so large you have to do multiple deals year in, year out.

So now I'm going to jump into the investment sales market in 2015. It was a record-setting year. It already is. We've got about $56 billion worth of transactions year-to-date. That's 24% over last year, which was the second-largest year ever, and deals that are pending and under contract, that number could approach $70 billion by the end of the year. Once again, a testament to the strength of the city and now we will move forward. And you guys have seen this chart many a time before, but at the beginning of the year, everybody thought interest rates were going to rise dramatically. That would have a negative impact on pricing for sure. But even if interest rates do tick up into 2016, I think the fundamentals of the city are so strong, you can still potentially continue to drive cap rates down in 2016.

But the key here is rental growth. Limited new supply, political stability on a national or local level, a strong and diverse economy, concentration of high-value add businesses across the board, increased urbanization, ample debt, historically cheap debt still, just to name a few of the factors as to why both foreign and domestic investors need to be and want to be in this market.

So, as you move forward into 2015, cap rates continue to come down. We will go into a handful of examples of that later, and interest rates remained relatively flat across the year. And you can see the Class A pricing is close to $1400 a square foot. If you remove the Crown Building, which is probably about $4500 a square foot, that number would go down to about $1200 a foot. Still 20% above the prior years, which were both record years.

Now let's try to understand who the buyers are. As you can see, 2012, 2013, 2014, not a huge shift, but 2014 to 2015 was a tremendous shift. Foreign capital went from 19% to 40% of the buyers, but obviously the pie in 2015 is a lot bigger. So on a volume basis, it's even a bigger share. And just I

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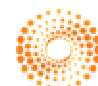

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wanted to point this out quickly, of the REIT buyers over the course of the year, mostly due to 11 Mad, we were 40% of the activity and we are proud of that.

I pulled this from a Norges report, a lot of sovereign wealth investors and foreign capital investors utilize various sources to understand the marketplace. And these groups dig into the marketplaces using criteria across the board. And as you can see, New York dominates. They are in every category: number one in four of them and number two by the other two groups. I would like you to note that no other US city is in the top five. I believe one of the groups rates Boston somewhere near the bottom part of the top 10, and one of the other groups, I think San Francisco is number eight or number nine.

So let's get into who some of the investors were over the course of the year and going back to 2014. Norway made a huge push, and they've brought in their horizon. They started out as mostly glass and steel Midtown core type Class A buildings, but they've shifted. And the most -- and the Trinity portfolio is really evidence of that where they've acquired a 44% interest in a leasehold -- 75-year-leasehold where their partner in the leasehold also owns the fee. These are Class B assets, and I would suggest that if the fee were involved and the premium associated with the fee, that cap rate would probably go down by another 50 to 100 basis points for sure.

Another buyer -- active buyer for years, the Canadians have been in this market. Clearly they're doing some of the largest deals in the city year in, year out. Their domestic market is just not big enough for them to invest all their capital in Toronto and cities like that. That's led by Oxford, CPP, and Ivanhoe Cambridge, and we expect this to continue going into 2016.

China probably invested the broadest array of asset classes, whether it's land, hotels, multifamily, new construction, full residential, Class A buildings, Class B buildings, Class A debt, Class B debt. There's no one broader than the Chinese for sure, and this is just beginning.

There have been some regulatory changes in China where insurance companies are allowed to invest 30% of their total assets in real estate. 15% of that can go overseas. Of that 15%, only 1.5% of that has been invested so far. I read a DTZ CMW report that suggests by 2019 or 2020. That could range from anywhere from $80 billion to $100 billion overseas, and most of that money is targeted here.

Last but not least, we have Japan. Longtime investors here. They've been on hiatus for quite some time. As you can see as well, they broaden their horizons also. Also, historically a glass and steel core Midtown type of investor. They are looking at new office construction and Class B buildings. The government pension fund in Japan is about $1.2 trillion of assets. They are upping their allocation to alternative investments to just over 5%, and the real estate allocation within that 5% is expected to grow. So I would suggest over the next couple of years, we're going to see more Japanese investors here also.

And last but not least, the SL Green nation continues to grow. We planted our flag down at 11 Madison Avenue. I fully expect that we will be able to do more of that going into 2016.

Thank you very much. Now is my partner, Dr. DPE, David Schonbraun. Thank you.

David Schonbraun - *SL Green Realty Corp. - Co-Chief Investment Officer*

Thanks, Isaac. I just want to quickly echo your sentiments. We have by far the most talented and hard-working investment team in this entire real estate business. Without their tireless efforts, there's no way we would do the billions of dollars of deals we do year in and year out.

Now turning to the DP business, over the 18 years we have run this business, we've created the dominant brand in New York. This is a fully integrated operating business run by a best-in-class team. This is not a business that we just happen to do on the side. This is actually the business of all the SL Green businesses that is the largest market share. Although for some reason I stand up here every year and give the same presentation and we get the same question, is this business sustainable, and can we keep dollars outstanding. So I'm going to try to do the presentation a little bit differently so everyone understands why we are able to continue to put out the money that we do.

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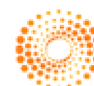

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The outstandings we have aren't limited by availabilities in the market. They are limited by the fact that we actually cap our own portfolio. So before you get into that, we are going to ask a question here that is multiple-choice so it's easy, just to make sure that everyone's paid attention the last couple of years we've done this.

So the reason we have been able to dominate the market for 18 years is A), our dominant position in the market as the lender choice; B), our long-standing proprietary relationships that give us continuous and constant deal flow -- you'll see on the side screens a sampling of a lot of the borrowers we've done business with over the past couple of years -- C), our unique and proactive approach where we constantly evolve our strategy to stay one step ahead of the curve; D), our competitive cost of capital and our ability to provide our borrowers the structural components of the deal that make it more compelling to do deals with us; or E), all of the above. While you mull over the answer to this question, we're going to hear a quick video from Mark Weiss, Chief Investment Officer of RFR. We actually closed the loan with on Friday for quarter of $1 billion on 350 Madison, a property they own with the Qatar Investment Authority.

(video playing)

So now turning to our results for the year to date, we have originated $1.56 billion gross. If you pro forma that for the pending originations, we will be close to $1.8 million, a new peak. I think it's important to note on this chart over the last three years we've originated now over $5 billion of product. That's not done by happenstance. That's done by a dedicated team that has a unique skill set in originating and structuring deals.

Just so you understand how active this group is, over the last few years, they've averaged closing a loan every 2.5 weeks. There is constant and continuous deal flow out of this portfolio. The activity is not just on the origination side. They were very active on the syndication side where we look to maximize yield. We sold $678 million this year of mortgage and B notes at an average yield just above 3.5%. That gives us higher retain deals.

We also sell a bit of mitigated risk. We sold about $110 million of mezz loans this year. Some of that is actually first loss mezz that we are selling to other sponsors because we want to slot into a more senior piece of the capital stack. The net of all the originations and sales are retained originations this year just below last year's peak. When you pro forma for the deals we had pending the rest of the year, that number probably goes to about $800 million, so a new record. But I think more importantly, when you look at that, the yields we're going to be able to achieve this year are north of 10%, so 150 basis points plus of what we're kind of forecasting last year. So let's see how we did in our goal for the year.

The goal is to increase outstandings by about $250 million. We started off the year at $1.53 billion. To date, we have funded $699 million. We've had $424 million of payoffs. So right now the portfolio stands at $1.81 billion. That includes 530 Broadway and 747 Madison. That is up $276 million. That beats $250 million, so goal achieved.

I think it's important to note this is an incredibly scalable portfolio, but by design we've only increased it modestly year in and year out. Our balance is the result of a very disciplined approach where we manage the portfolio to maximize yield and minimize risk while working pre-prescribed portfolio size limits. If we wanted to, we could grow this portfolio significantly larger without sacrificing much if any yield.

Now that sounds a little counterintuitive saying we keep growing this portfolio, we are de-risking, but we are maintaining yield. The reason we've done that is we actually broadened the sandbox plan within New York. So traditionally people thought of us as a first loss subordinate lender. At this point, the largest portion of our business is actually mortgages. This year over 60% of our originations were mortgage loans and 36% of the retained were mortgage positions. When you look at the portfolio today that we hold, a little more than 60% is mezz, about 30% is mortgage and be no collateral, and 5% is pref.

Only a little more than half the portfolio today is actually first loss positions. This is actually a much more senior portfolio than it's ever been.

We've also expanded our pollings to almost every submarket that we hold equity interest in. Although like our equity business, the largest holdings are in the Midtown market.

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Consistent with our corporate strategy, we've expanded our collateral type to include more retail and more residential, but our largest exposure is built to office.

As Andrew and Marc touched earlier, we also do fixed and floating-rate loans, which is unique to us. The fixed rate loans gives us the ability to have a long-term stable core of the portfolio, while the floating-rate loans are a natural hedge against our floating-rate liabilities.

This is probably one of the most important slides here. It shows the yields we get by segment of our portfolio. This is not a homogeneous portfolio of 10% mezz loans. Instead it's a mix of mortgage mezz, B notes and pref equity, and each segment has a different risk and an associated return with that risk.

So if you look at one quarter's results, it's important not to extrapolate anything from the yields. Lower yields may mean we just originated more mortgage loans. And with those mortgage loans, we've done one of three things. We may be holding it because we think it's a good risk-adjusted return, we may be syndicating it but we just didn't syndicated in that quarter, or we may be advancing it through the FHLB program, which we will run you through later.

In terms of duration, we have a barbell strategy with fixed and floating rates. So while our average duration is a little less than two years, our loans stick around longer than that. I think our payouts this year on average were outstanding almost four years.

Just like Steve Durels does on the leasing side, we are very active managing this portfolio. We are constantly in front of our borrowers before call protection is up to work with them to extend out term. And when loans invariably pay off, we have a robust pipeline. Right now our pipeline is over $1 billion. $286 million of it is deals that are signed or going to close in the next 60 days. The yield on those $286 million is about 8.8%. We likely will syndicate off a portion of those loans. So the retained, while less than $286 million, will probably be a 10.5% yield. Based on the strength of our pipeline right now, my expectation would be to increase the portfolio size by $150 million or so next year, and I think we're just going to still target yields in the 8.5% range.

This portfolio right now is a 100% pure play New York portfolio. It has borrower diversity, product diversity, low leverage at 65%, and market-leading yields in excess of 10%. The portfolio is as strong as it's ever been. When you look at the chart behind me, those blue dots represent properties that we have loans on. That's approximately 20 million square feet, and as Marc said earlier, when you add that our own portfolio, our reach is an unheard of more than 50 million square feet at this point.

That's not to say we don't face competition in this business, but no one we compete with can offer every product that we can. The commercial banks dominate the low leverage mortgage market, but given their risk capital ratings and the new regulations, it's much harder for them to do a whole loan solution, and they really struggle with transitional loans.

That transitional loan market really has been picked up by the specialty finance companies. Those companies though have higher cost of capital than us and limited access to capital. So they tend to really focus their transactions more outside of New York, and they also can't provide the fixed rate product we can.

The most competitive cost of capital we compete with is the pensions. And while they have cheaper capital to put out than we do, they don't really originate primary deals. They buy in the secondary market. They are also less willing to be flexible with the borrowers and give the borrowers the leeway that we are to kind of execute their business plans.

Now one of the new advantages we have which I think Andrew Falk, who oversees our risk management, is the FHLB. Our captive earlier this year is a member of the Federal Home Loan Bank of New York. We're the first captive and the first equity REIT to ever gain that distinction. That gives us a couple of advantages.

One, we have a reduced cost of capital to fund the DP business. Two, we can now match fund our fixed-rate loan assets with fixed-rate liabilities, and three, it is going to allow us now to take less risk if we want and maintain the same yields. So more to come on that in the future.

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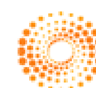

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Sometimes there is a blurring of the line between a debt and equity investment. I think that's why the spectrum that Marc put up showing that we kind of invest throughout the stack is important. Depending on your inclination, you can look at 605 West 42nd Street as a dead investment, an equity investment, a construction management deal, or a loan arrangement. We just look at it is a great deal.

If you remember last year, Ed Piccinich walked you through this transaction where we arranged a $600 million capital stack for a to be developed 1 million square foot used property with over 1000 units. Fast forward a year and this project is now 90% complete. We've had a great relationship with the [Moyham] Group and look forward to doing more with them. They brought this project in on budget and on time.

They did a remarkable job as you can see from the pictures, and the apartments are incredible with floor-to-ceiling glass, high ceiling heights, unobstructed views with an amazing amenity package to go with it. Indoor and outdoor pools, basketball court, gardens, and a game room. This project is perfectly positioned to take advantage of the burgeoning West side market. And while we think this is a great DP investment, the real attraction here was actually the option we have to buy into 20% of the equity at a fixed price. We recently advised the Moyham Group of our intent to exercise this option with them closing early next year.

The economics on this transaction are the most compelling part of it. Our mezz loan, which is going to get paid off next year, is going to have a 21.5% IRR, but the real juice is actually the fixed price option. We are buying into this newly constructed building at around $800 a foot or less than some land is trading for, and we're going to build to a 6.9% stabilized yield, which is a few hundred basis points in excess of where these assets trade for. An additional benefit is like other deals, the Moyham Group is likely to take their consideration in the form of OP units.

Now while we have a great track record investing, I would say all of our suburban deals haven't exactly gone to business plan. Thankfully we have an amazing ability to restructure and work out deals and a proven ability to spin strong to gold. We wanted to get our hands dirty and do whatever it takes to get the mission accomplished.

(video playing)

I should compose myself now. I think by now everyone knows the story of the Arden portfolio where we bought out a $550 million of the capital stack, restructured the deal and subsequently sold out our investment to Blackstone, turning a tough deal into a profitable one. That hasn't been our only mission, though.

In 2009, we made an equity investment in the Meadows office complex in New Jersey. As that property languished in the downturn, we had the opportunity to buy out our majority equity partner for a little more than $1 million. Once we controlled the deal, we got to work. When our high leverage mortgage on the asset traded hands as part of the portfolio deal, we got in front of the buyer early before they signed up the deal to have them properly mark down this investment. That enabled us to buy back our mortgage investment on a fully performing loan at a $25 million discount.

That set the stage for us to take this property with a reset base and about 60% occupancy to 91% occupancy very quickly by having an aggressive lease-up campaign aided by our suburban team. And earlier this year, we saw the fruits of that labor when we sold that property for north of $121 million, turning our property into an asset that was troubled at one point. So that, along with pending sales of $140,000, $150,000, and the [Ryberg] land, gives us a thumbs up on these suburban sales.

But our missions aren't complete. Jericho Plaza was a deal we purchased in 2007. At closing we brought in an 80% partner at a significant markup to our basis. Like the Meadows, this asset struggled in the downturn. Our partners view this position as underwater and as such turned over their equity investment to us earlier this year for no consideration.

Shortly thereafter, in conjunction with a hedge fund, we worked to buy back our mortgage at a $69 million discount. Now with that asset right-sized from the process of financing out most of our basis and we look forward to another successful conclusion in the next 12 to 18 months.

Switching gears now, Brett Herschenfeld is going to run you through the retail program, which is one of the big growth drivers we have going forward.

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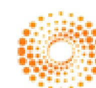

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Brett Herschenfeld - *SL Green Realty Corp. - Managing Director, SL Green Retail*

Thank you, Dr. DPE. It's great to see everybody again. I'm Brett Herschenfeld, and I run SL Green Retail. The team had a fantastic 2015, and I'm proud of our accomplishments.

During the year, we added two professionals for a total of five dedicated retail specialists. We executed over a dozen major leases, including several of the largest by any New York City landlord. We greatly expanded our tenant and broker relationships and use that intelligence to guide our retail investments. And by investments, I don't mean strictly property acquisitions, but also tenant buyouts, repurchasing of underperforming space to retail use, and active management of the retail portfolio to mark rents to market today ahead of contractual lease explorations.

Before jumping to 2015 results, let's chat about a misconception we often hear. The state of the national retail market reflects the performance in New York City. As evidenced by these statistics, while the US retail market may have moderated, New York City drastically outperformed. Over the past decade, retail store employment is up 38% in New York City compared to only 4% for the US as a whole. Retailers in New York continue to open new stores as new neighborhoods within Manhattan present new opportunities for growth. Driven by tourism and household income, total annual sales growth in New York since 2005 is almost double the national average, and when you divide total sales in New York by the extremely dense number of households, you see how much greater the average spend in New York is.

So how does New York retail continue to thrive? I would like to walk you through two trends in tenancy and consumer demand that create a compelling picture for 2016 and beyond.

First, let's talk e-commerce. Every day, retailers are finding new synergies between online sales and in-store sales or what the industry calls omni channel retail. Within the SLG portfolio, the core strategy for Lowe's at 635 Avenue of the Americas was to implement in-store pickups, reducing the need to stop bulking inventory until the item is ordered online. Once an online consumer visits the store to pick up the purchase, they are likely to buy an additional product in the store. That additional sale in the store didn't exist without the merging of online and brick-and-mortar. That's omni channel retailing, and it's begun to roll out in New York. Even Amazon, the preeminent online retailer, opened a new store on 34th St.

The second New York City growth driver comes from a new consumer demographic, millennials. Millennials represent the largest generational shift in our history. There are an estimated 89 million of them in the US as compared to 49 million Generation Xers. More than 4.4 million millennials reside in the New York Metro area alone. The demographic has an estimated $600 billion in annual buying clout. Their lifestyle is geared towards urban and social connection, value pricing, in-store experience, and new and emerging brands. In New York City, millennial demand is being met through an unprecedented wave of retail spinoffs. In other words, incremental stores just like the ones you see here on the side screens. Many of these spinoff brands used to be shop-in-shops within the full-line store, but the millennial spending power has compelled retailers to transform them into new standalone locations. As a landlord, you've got to love that.

Within the SLG portfolio, Adidas signed a lease to open its Originals brand at 115 Spring Street. This is the third store concept for Adidas and Soho alone, complementing its full-line store on Broadway and its Y3 brand store on Green Street.

Whereas the full-line store showcases Adidas athletes like Derrick Rose, the original store features products designed by Kanye West. The original store held a hip-hop concert during fashion week. You can feel the urban store design specifically tailored to millennials. Let's jump now to the 2015 achievements for the retail team.

On the investment side, we nearly doubled our goal, executing over $1 billion worth of retail and residential acquisitions. Two observations here.

First, all these deals were executed off-market utilizing our operating partnership currency and deep New York relationship database. This allows us to be ahead of the competition in picking where to invest. Second, notice the submarkets represented here. These are opportunistic investments in growth-oriented submarkets, exactly what this platform is designed to do.

On the retail leasing side, we had an outstanding year. It just so happened that the two locations where we didn't sign leases yet were selected as 2015 goals.

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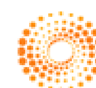

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Here's a picture of 719 Seventh Avenue taken last week. Only Marc and Andrew would expect me to have this hole in the ground mess leased up this year. However, it's a hole in the ground for a reason, and the development is proceeding on time and on budget. In 2015, we successfully vacated all six tenants, demolished the previous building, and started foundations for our new retail development. When we underwrote the investment, we projected rent to commence under a new lease in the first half of 2017, and I see no reason why we don't achieve that target.

At 655 Avenue, our partner, Jeff Sutton, was able to generate significant interest from large single tenants, but unable to convert a lease. The trend on Upper Fifth indicates the shift toward smaller stores so that retailers can meet operating margins in light of rising market rent per square foot. While we continue to hunt for the large single tenant, we discussed with Jeff opening up leasing to a multitenant approach as well, increasing the demand spectrum from which a tenant can emerge.

Yes, while 719 and 650 got a thumbs down, let's take a look at what we did execute on the retail leasing front in 2015.

At 115 Spring Street, as mentioned earlier, we executed an early lease termination of the existing gallery tenant and signed Adidas to a new lease, three years ahead of underwriting projections. At 1515 Broadway, we executed a lease with Swatch at a mark-to-market rent of 204%, bringing our Times Square trophy to 100% leased.

Third, I'm particularly proud of this highlight since it shows the power of the platform. We used our relationship with Diesel, who leased space from us at 131 Spring Street to negotiate a lease for their new flagship store at 625 Madison Avenue. Historically, the benefit of that tenant relationship resided with our operating partner, but the platform afforded us a direct relationship with Diesel's CEO, and when they decided to relocate their midtown store, they came straight to us to satisfy their requirements.

Further north on the Madison Avenue Gold Coast, as Andrew elaborated earlier, we signed a massive lease with George Armani at 760 Madison Avenue at an incremental rent of $9 million. The flagship lease with Armani capped a fantastic year for SL Green Retail, and the year ain't over yet. There just might be one more goodie in store before the ball drops.

All in all, we executed 14 major leases at a weighted average mark-to-market of 151%. The total incremental rent of these leases over prior tenants is more than $21.7 million. Using a forecast, this equates to more than $0.5 million in value creation after associated capital. Now it's all about repeating that production in 2016 and beyond. Let's go through a couple ways how.

Of course, the high street retail portfolio comprised of our retail condos' standalone flagships and high foot traffic locations like Fifth Avenue and Madison Avenue is front and center and actively managed every day. But what about the traditional retail at the base of our 37 office buildings. This portfolio currently comprises 1.2 million square feet, and reimagining and repurchasing it continues to be an objective for SLG Retail.

Here's the game plan we've employed since day one. Go through every building and compare in place rent to market rent for grade, lower and second-level tenants regardless of lease expiration; assess the use and layout for lower level space; on the second level, determine where retail use commands higher rents and office; analyze tenant sales performance discerning which retailers are out of style. All this data is aggregated to focus the team on where to mine embedded value out of the existing portfolio and where to hunt for the next great acquisition target.

The overall of the base of 125 Park Avenue was a great example of this active investment management. Here's a picture of the base of 125 Park at acquisition, a major bus stop in front of the building, diesel fumes, and darkness.

Who would want to lease a retail store here? None other than Next Level Floral, CitySights Bus Depot, Cobbler & Shine, and WyoLotto on Park.

First things first, let's clean up the street. SLG worked with the Grand Central Partnership to relocate the bus stop, completely close the street to vehicular traffic, install a city bike station, and make way for a new pedestrian plaza in front of the building directly across from Grand Central. The next thing you know, we've got foot traffic in excess of 33,000 pedestrians walking by our building daily.

Next, we took a look at the lower level of the building. Guess what? It was basically empty but for 3000 square feet of storage tenants. There was no access to the lower levels because the grade retail was fully occupied long term with schlock. That's an industry term of art, by the way.

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So we bought out a tenant on [Grade] and created the necessary vertical access. We terminated the storage tenants, activated 16,000 square feet of unused retail space, and executed a lease with Blink Fitness, a millennial-oriented spinoff of Equinox, to pay us $1.2 million per annum. On Grade, we executed a corner lease with TD Bank at an incremental rent of $1.3 million over prior tenants. We discovered an interesting trend when visiting WyoLotto on Park.

The only people in the store each time we went were us. The tenant had six years of term left, but to SLG Retail, this represented a prime candidate for immediate upgrade. After our negotiations ended, the tenant paid SLG $525,000 to tear up its lease. Yes, the tenant paid the landlord the lease. And the coup? We had a tenant in our back pocket to move into the space the very next day, paying $182,000 per annum more in rent.

Finally, we called the second floor tenant who had over two years of lease term remaining. Our message, second floor space commands retail rents that are only going up. Next thing you know, we locked in an early 10-year renewal at new market rent.

Check out the side screens with before-and-after images. Between all of the deals and space repurposing, we generated incremental rents of $2.8 million. Net of all capital and leasing costs, 125 Park now commands $60 million more in value. This is a great example of finding opportunity when it's not obvious, executing difficult transactions at the base of our office buildings to unlock value for shareholders. Now imagine we execute what we did at 125 Park Avenue on every building throughout the portfolio. SLG Retail is here to make that a reality.

To wrap things up, I want to share with you a future growth driver from the high street retail portfolio. Our latest retail investment at 187 Broadway positions SL Green in the best location in a submarket we feel has the highest retail growth potential over the next three years, Lower Manhattan.

The World Trade Center Memorial and surrounding developments have made Lower Manhattan a tourist destination and a thriving business and residential market. An estimated 15 million tourists will visit Lower Manhattan in 2017.

To satisfy the resulting retail demand currently under construction are Brookfield Place on the West side and Westfield World Trade Center at the Calatrava-designed Oculus. As you see on the side screens, among others, Ferragamo, Gucci, Saks Fifth Avenue, Nobu, Anthropologie, and Eataly have all signed leases to open in Lower Manhattan.

Anchoring these projects is the Fulton Transit Center, the hub of Lower Manhattan transportation with nine MTA subway lines serving 300,000 passengers per day. Where did SLG retail plant our flag? Here at Maine and Maine, directly on the footpath from the transit center to all the major Lower Manhattan attractions. Once Brookfield Place and Westfield World Trade are completed over the next two years, Lower Manhattan will become a cohesive retail market with enormous sales power. 187 Broadway sits right in the middle of it all.

I look forward to sharing more SL Green Retail achievements with you soon.

Matt DiLiberto - *SL Green Realty Corp. - CFO*

How is everybody doing? Awake? Good. Can you see? I'm closing it out this year again. One of these years I'm going to do it in daylight. I have to apologize for the shadow because I didn't know this would go this long. I shaved before I started this thing.

So Marc noted, it's my first full year as CFO with the firm. The upshot -- it was a really easy year, full of naps, and every day just like the day before. So it's a great place to work, but it's SL Green. And the reality is we do a million things every day, and every day is a new adventure. We measure everything in dog years. And without the help of my partner, Maggie Hui, our CAO, and our finance team scattered throughout the audience here, it wouldn't be able to get done.

Somebody stole my clicker. Here we go, unless you want to just stare at my face all day, which is probably not a great idea. We're going to talk about some financial performance, starting with our progression to investment grade. We started this progression five years ago, and we were confident that our focus on running the Company with this investment-grade credit profile while not compromising the profitability of our business in the most liquid real estate market in the country would result in full investment-grade ratings. And that's exactly what we got this past year.

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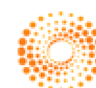
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The achievements in 2015, like I said, were a culmination of a five-year plan to create a balance sheet that had greater wherewithal, would provide us even greater access to capital at the bottom of the market. After all, an investment-grade strategy is as much about protecting your downside as creating more upside.

The process took time, but our ratings have steadily progressed from an early investment-grade rating -- the slides are kind of jumping ahead -- we got an early investment-grade rating from S&P in 2011, then got full investment-grade ratings earlier this year from Moody's, following Fitch's upgrade in late 2014. And it's not going to stop there. We are going to continue to run an investment-grade balance sheet, improving investment-grade balance sheet over time, and look forward to more improvements in our ratings.

Looking backwards, our debt maturity schedule -- and Andrew touched on some of our credit metrics earlier. In the interest of time, I'm only going to touch on a couple more, our debt maturity profile and our access to capital. Here we look back two years ago to our debt maturity profile, where over the next three years -- 2016, 2017, and 2018 -- we had about $4.7 billion of debt maturing.

As a result of focusing on those maturities well in advance of the maturity date, much like our lease expirations, our maturity schedule for that same period has been reduced by almost $2 billion. While others might be facing headwinds in 2016 and 2017, we have a very manageable year -- a couple of years -- and we have a very light year in 2018, with really only a bond issuance being the only significant maturity.

Of the $2.4 billion we have maturity maturing over the next two years, just to touch on a couple, $1 billion is already being attended to. We plan to unencumber three assets in the coming year, repaying the mortgages on 500 West Putnam, Landmark Square, and 600 Lexington, which actually doesn't even mature until 2017.

Our expectation for our 6% bonds is we will replace those with unsecured debt, ideally another bond issuance. That leaves us with only 280 Park as the significant maturity next year. That refinancing is already underway for incremental proceeds and a significantly lower cost.

In 2017, after the anticipated sale of 1745 Broadway, the only real significant maturity is 45 Lexington, with a debt yield of 8.3%. That high-quality asset with high quality tenants is expected to be a straightforward refinancing.

Yet beyond how we are attending to the maturities, just look at the cost to capital here. There's real interest savings in refinancing this debt today, with material accretion, and that's actually what Andrew highlighted earlier today.

With the focus on our maturities, we've taken what today is a 5.4-year weighted-average maturity. By the first quarter, we expect that to reach almost six years, one of the longest in the sector.

Now looking at our capital arsenal, having access to the most diverse sources of capital at all times in all markets is one of the credit characteristics that keeps us profitable in the best of times and protects us in the worst of times. In 2015, we accessed just about every source of capital out there.

But the sources of capital we tap into each year can change based on market conditions. In 2015, our stock price has been one of the better performing on a relative basis. But as Marc spent a lot of time on, it's deeply discounted relative to NAV. So we look to the highly liquid private markets for our equity capital, efficiently and accretively selling almost $2.2 billion worth of assets. Our only used of public equity, which is way down on the grid, was earlier in the year, when the stock price was around $130 a share.

When it comes to debt financing, we really ran the gamut. We funded our debt and preferred equity business, keeping it fairly self-contained, with the FHL being a repo facility. We modified, expanded, and extended our $2.5 billion corporate credit facility. And we executed about $2.6 billion in mortgage financing, including the financing of 11 Madison, which was one of the largest single-asset CMBS executions of the year.

And at the bottom of the screen, as Marc touched on earlier, we selectively used our OP unit currency, which is the perfect synergy between our desire to acquire properties off market attractive prices and the interest of the seller to sell the property at a price he's willing to accept and protect tax gains.

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Now, unfortunately, what you don't see up there is the issuance of unsecured bonds. We set this goal last year because we were confident the investment-grade progression that I touched on earlier would result in the opportunity to efficiently issue unsecured bonds. So we watched the bond markets all year, waiting for the opportunity to launch. And as any of the bankers will attest, I'm a pain in the you-know-what about asking for indications.

Unfortunately, call it a flaw in the indications or just pure mispricing: The indications we received were consistently 50 to even 75 to 100 basis points wide of our next most closest, most efficient form of debt capital refinancing.

No question, we want to do bonds, but it's not an at-any-cost exercise. We want to be practical and economic about it, serving the interest of the fixed-income community as well as our shareholders.

Then recently, we were presented with the opportunity to do a $100 million private placement with two new long-term fixed-income investors. These terms were much more economic: 10 years, 4.27%, the same structure as our public bonds, and even more importantly, the exact same covenant package as our public bonds. I describe it as a public deal in private placement clothing. But we don't view this as a one-off. We want to do more ideally public bonds and would have done more on these terms. We hope our opportunity to do so is coming soon.

You add this private placement to the previously described capital arsenal, that $6.2 billion accessed just this past year, in many places that's about five years' worth of work -- as I said, easing myself into the job. So to be technical, the private placement doesn't allow us to achieve our goal of issuing index-eligible bonds, but I'm hopeful that our desire to do so is evident and the pricing and execution becomes more competitive so that we can execute.

Now, the closer -- the real closer, guidance. In the interest of time, I'm going to skip the buildup I normally do of our 2015 FFO and just remind everybody that our current guidance range is $6.34 to $6.37 a share. That's an 8.5% growth rate over 2014 after we raised our guidance twice this past year.

On the heels of 8.5% growth this past year and 13% the prior year, there might be an expectation out there that FFO growth is going to be decelerating. And it's dark, so I can't see a face, but I'm looking for one person out there. For those of you who haven't seen the 8-K, I'm here to tell you that our sector-leading FFO will continue into 2016, driven by accelerating growth in real estate NOI for both the stabilized and growth properties, an increase in the size of our debt and preferred equity book while maintaining portfolio yields, promotes from asset sales we already have under contract, refinancing expensive in-place debt, a laser focus on keeping our G&A low, and FFO accretion from funding 2015's asset acquisitions with asset sales at a significantly lower cap rate.

In the real estate portfolio, GAAP NOI is benefiting from significant leasing volumes at rising rents over the last several years in Manhattan, occupancy gains in the same-store and growth portfolios, and vigilance by Ed and his operations team to keep operating expenses in check, increasing by less than 3%, while our lease administration group ensured that we recover as many of these expense increases as possible.

For us, 2016 is not a rebuilding year. Our NOI is actually accelerating, with same-store NOI growth on a cash basis expected to increase by 6% to 6.5%, with GAAP NOI only slightly behind at 5.5% to 6%.

Now let's get into what the individual portfolios are contributing. Starting with Manhattan, which shows an NOI increase in excess of 8%, our 2015 acquisitions, including 11 Madison, and our partners' interest in 600 Lexington, are very accretive as they were partially funded with the sales of other Manhattan assets that generated far less NOI, like Tower 45. At 125 Park, Brett's retail strategy and recent office leases with Pandora drive GAAP NOI up by over $5 million. And at 1515 Broadway, the Swatch and Skechers deals we did at 2 times the previous rents helped create over $4 million of incremental GAAP NOI.

In the suburban portfolio, we are not concerned about the near-term lease role. Our team in White Plains continues to do a great job outperforming the markets in which they operate. And we expect to see GAAP NOI increase by about 6% next year, one of the highest NOI increases in that portfolio since we bought it back in 2007.

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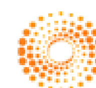

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In the High Street retail portfolio, look no further than the Armani deal at 760 Madison, which has now graduated from the growth portfolio for the primary contributor to both GAAP and cash NOI next year. And we expect to see the NOI from residential portfolio decrease slightly as a result of the sale of Williamsburg that we announced this morning.

Now, before I continue with 2016, I'm going to take care of one more goal, which Marc touched on earlier: the achievement of over $30 million of incremental NOI from our growth portfolio thanks to strong leasing at 280 Park, our recently acquired retail properties, coupled with the Armani deal, we recognize a big thumbs-up.

I highlight the growth portfolio because the last component of real estate GAAP NOI is this new -- and you can tell Marc never worked at Microsoft -- the growth portfolio 2.0 V2. It's a mouthful, but I'll get used to it after a while. That's the last component. We see a 30% increase in GAAP NOI.

And what I intended to do here to address a lot of questions I get is bridge the gap -- pardon the pun -- between the incremental NOI that Marc highlights, which is based on signed leases, and how this actually rolls through earnings. Most of you know there's about a six- to 12-month lag between signing the leases and it rolling through our earnings.

In 2016, GAAP gains come from 280 Park; 3 Columbus, where we expect to reach stabilization; 10 East 53rd, where the redevelopment is complete and leasing is in full swing; and 650 5th, where the alternative leasing strategy that Brett outlined is gaining traction.

Just to get another 2015 goal out of the way, our same-store cash NOI growth of 3.6%, I've got to do housekeeping when I do this. Here are the properties that were added to or removed from the same-store portfolio during the year. And I'm also going to take the opportunity -- I stole a little bit from the MythBusters section that Andrew and Marc did earlier, talk about lease termination income, because operated lease termination income is nonrecurring and it should be excluded from FFO or from same-store NOI.

So you can see here over the last 10 years, we've received an average of over $9 million of lease termination income a year. It's hard to define that as nonrecurring. And actually, I want to remind everybody again, income is really no different than rent we would have received from the tenant had he stayed in place. Actually, it can provide us double income on the same space, like at 919 3rd this past year, where the old tenant paid us $11 million, half of which is ours. And then we re-let the space to Bloomberg.

So based on this historical trend and the record of accurately projecting termination income each year, we've included about $10 million of termination income in our guidance for 2016, $2 million of which has already been identified. But I didn't include any of that speculative lease termination income in these same-store NOI growth goals I just presented. Needless to say, I think we can call this busted.

More housekeeping: Here is the achievement of our goal. Clearly a spectacular year of cash same-store NOI. When we upped our 3.5% achieved year before last to 3.6%, I think there was some speculation certainly in the first quarter whether we would get there. Based on achievements at 420 Lex, 125 Park, 3 Columbus, we are not only going to beat that goal, we are going to crush it at 4.5%. And here is the real housekeeping. The things that are going to be added to the portfolio in 2016 that achieved the 6% to 6.5% or help us achieve the 6% to 6.5% growth goal.

Moving back to our components of FFO, the debt and preferred equity book, the constructive market backdrop helps us fight the headwind of potential repayments. And we expect to grow the portfolio again next year by about $150 million. Like the last several years, we've assumed new originations will have an average yield of about 8.5%. Clearly Dave and his team have done a great job outperforming that assumption, and of course we'd love to see him take advantage of the unique relationships and deal structuring to improve upon our 8.5% target.

In other income, our promote structures remain one of the most underappreciated assets of the firm, even though we have a long history of recognizing them. In 2016, we expect to recognize a promote of $10 million on the sale of 33 Beekman. But even in light of that promote, our other income is decreasing year over year, proving that we don't need the goodies that come through other income to make the numbers. But of course, it's nice to get them.

In interest expense, we expect an overall increase of about $53 million, only $2.5 million of that being same-store. Earlier I outlined how we will be addressing some of our 2016 and 2017 maturities. Other factors in the projection of interest expense include the refinancing of Tweedy Park, which

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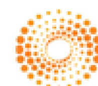

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will actually result in lower interest expense, even though we've been taking out incremental proceeds because of the inefficiency of the in-place debt.

The $1.4 billion financing of 11 Madison will be in place for a full year, offset by relief from the expensive debt at Tower 45, 1745, and 885 Third. And there's a reduction in capitalized interest of $28 million. That's an increase in interest expense by that same amount as the 1 Vanderbilt project is ramping up, but the costs, as Ed highlighted, are fairly modest, and other significant redevelopments like 10 East and 280 Park are completed.

The transaction costs, obviously, 2015 was a very busy year, and as such, transaction costs rang in much higher than we originally expected. We've raised our 2016 assumption by about $1 million over what we have done previously to $5 million for the year. Of course, we will be easy. If we are very busy, that number could go up. But I'm more optimistic that the FASB will change its view of acquiring real estate and go back to just capitalizing these costs into the cost of real estate, like we did for decades. If anybody wants to lobby for that, help me out. I'm trying, and they are thinking about it. For the time being, we will just roll it through FFO.

And G&A -- our economies of scale and the deep amount of talent we have throughout the organization were showcased this past year as we were one of the most active companies in the office sector, but we held firm on G&A. And we'll do so again next year with an inflationary increase of only 3%. In fact, our G&A growth year over year will be less than it was this past year. So while the size of the Company and our earnings are growing dramatically, we don't have to scale the organization up to accomplish that.

All right, now the quick buildup -- you don't have to write this down. It will go on the website, so don't try to keep track. We have, for those who didn't see the 8-K earlier, we have put out FFO guidance for 2016, $6.90 to $7 a share. That's an increase of 9.4% at the midpoint over last year. So back to 9% over the next five years. Unfortunately, for the person who thought that might happen, we've taking care of that at just one.

So how does this stack up against the office REIT peer set? Put this up here -- there's really no comparison. Our 9.4% compares to the office peer group of just 2.6%, based on first full numbers.

Now, this is Andrew's very favorite part of the presentation each year, FAD. As you would expect, the material increase in FFO results in a material increase in operating cash flow. We had reported FAD, that it is expected to go up by about $80 million year over year to over $4 a share.

Moving down the grid, you see Viacom's slow capital spend continues next year. With regard to Citi, remember they received about $82 million in free rent this year. That drops to $43 million next year. Also, a meaningful drop in the capital contribution we expect to receive, or we expect to pay them -- it would be nice if we were receiving it -- we expect to pay them reduced by about $50 million. But with our expectations they will buy that property, all of that capital will come back to us. Bring us to recurring FAD, a measure of our recurring operating cash flow, at over $5 a share.

Finally, moving on with the dividend, we had a goal of increasing our dividend by 10%. And last week we announced an increase of 20%, to $2.88 a share, based on our view of taxable income for the coming year. So since 2011, we have now raised our dividend five times by a total of 620%, returning us to a more normalized level from a dividend yield perspective, but still relatively low in terms of FAD payout, which you can see on this next page.

With the dividend increase, our yield moves up within the range of the office REIT peers at 2.4%. We are only paying about 57% of our recurring cash flow, significantly less than the group, allowing us to retain significant cash flow for reinvestment. Relative just to the New York peer set, our dividend yield at 2.4% is actually at the upper end of the spectrum until those other companies reset their dividends, while the payout ratio remains comparatively low.

So let's put one final thumbs-up on the grid. With that, I'll call Marc and Andrew back up to round it out with our goals and objectives.

Andrew Mathias - *SL Green Realty Corp. - President*

All right. Thank you, everybody, for sticking with us today. Marc and I want to wrap it up, I guess finishing out 2015's goals and objectives and then rolling into 2016. So two tough ones to close here: obtain ISS support for say on pay -- we've worked very hard over the years at modifying the way

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that we compensate, modifying the structure of our compensation, and trying really to work with ISS in terms of understanding what their requirements are in terms of getting support. And that's been a frustrating process.

I think we failed again this year to get their support. The only mitigating factor I would say is the measure that matters the most us was our own shareholders, who, to the tune of 66.4%, did vote in favor of say on pay. And that number was up materially from the year before. So there was a lot of recognition in the various proxy groups, I think, of the efforts we've made. Unfortunately, ISS didn't share that view.

Okay. The last one, one we generally pride ourselves in, although this year the market was a bit flat, and on a relative basis our stock as of Friday was in the middle of the pack. So we are trying to get to that total return, 10%-plus relative return, 250 basis points. It will be a continuing going on forward. We didn't hit it this year. It's a bit deflating for us, because we feel that in a performance sense and operationally, we kind of did most, if not all, of what we set out to do at the beginning of the year: create a lot of earnings, create a lot of value, illuminated the value.

But notwithstanding that, the stock and the market generally was kind of flat. So this one I look at quite frankly as a partnership. We are up here. We are going to do our job. When your shareholders are all -- been with us in some cases right from the outset. I think the metric is something like top 20 shareholders in our Company own two-thirds or more of the stock, maybe even 70% or more of the stock.

So we are hopeful, more than being able to attract new people into the stock, to drive that TRS forward, create earnings to do so, and create a quality portfolio that we feel is demonstrably better today than it was, and then hopefully working with our shareholders to create the excitement to outperform the market, not just perform in the market, is something that we will look forward to next year. But for this year, we missed on that TRS metric, much to our chagrin.

So that is the scorecard for this year, a lot of green. We had about 16 different metrics up there. I think we missed on four or five of them. So similar to years past, we try not to set these where we come in every year and cream them. So this year, we put up there the stretch goals. And because we are our own worst enemy, we've added more this year. I think there's, I don't know, 17 or 18 goals this year. And we'll highlight for you some of the new ones -- incremental retail value creation, not just NOI, but looking at a measure and metric of creation of retail value. DPE investment income level, not just looking at yield, but aggregate levels of investment income. And FHLB borrowings to replace DP borrowings. So those are three new ones. But we'll kick off and go in rapid succession so you can see what we are setting as our benchmarks for 2016.

Marc Holliday - *SL Green Realty Corp. - CEO*

All right. So on the leasing front, Steve Durels had a terrific year this year. We're going to see if he can keep it going next year. 2 million feet of signed Manhattan leases. Same-store occupancy exceeding 97%. And Manhattan mark to market 13% to 16%. So probably our highest guidance on that topic that I've seen.

On the investment front, Isaac and David continue to do amazing things. On the office acquisition and disposition side, we're going to assume we are going to do a big deal. Office acquisitions greater than $1 billion next year and dispositions greater than $750 million next year. So we are continuing with the 11 Madison Avenue theme of aggressive acquisitions and dispositions.

Sale of suburban assets -- we sold a handful this year. We want to sell a handful next year. So we are going to set this goal at greater than $100 million of suburban asset sales. These are hard to come by, hard to do, and require a lot of creativity. And the $100 million is a lot easier achieved in Manhattan than it is in the suburbs, but we wanted to set an aggressive goal for the team.

Resi and retail, Brett and David, we want to see $500 million of resi and retail acquisitions next year and at least $100 million of dispositions. Matt mentioned our sale of a residential property in Williamsburg this morning, which was a terrific sale at a very compelling cap rate. So that market seems to still be right for acquisitions.

Incremental retail value creation, as Marc mentioned, a new category this year. We're settings this at greater than $500 million of value creation at a 4% cap rate. Brett was brave enough to put that up on a slide for this year, so we will make that his goal for next year as well, nice lofty goal.

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On the DPE front for David, we want to see an increase in the DPE balance of $150 million. It's a competitive market. We've got a lot of repayments modeled. But there's also a fair amount of financing going on. We feel like we should be able to get more than our fair share out there and increase those balances.

DPE investment income, we want to make sure we're not just increasing balances, but we're also increasing profitability. So we are going to set this metric at greater than $200 million of investment income next year, which is about a 10% increase from this year. And FHLB borrowings -- another new category -- we are looking to try and phase out our secured line right now that sort of funds the DPE business and replace it mostly with FHLB borrowings. So we're going to say $400 million of FHLB borrowings, which would replace that line of credit that we have.

Okay. So moving on to the next, I think we're going to be looking at 1 Vanderbilt metrics, the first one being construction related. It will be our goal in 2016 to line up and close construction financing for 1 Vanderbilt, which will at least take care of one-half of the equation of funding for the construction that we expect to commence in earnest with in 2017.

There is about $175 million to $200 million of predevelopment work and excavation and other development work in 2016, funded largely out of cash flow, but the heavy lifting in 2017 and beyond. And with that loan in place, we'll be able to finance a great portion of the overall construction costs.

Another Vanderbilt leasing metric -- even though, I guess as Brett put it earlier, it's just maybe a messy hole in the ground, Andrew and I really don't care. You should still get out there with your marking materials and lease the space. No different from 1 Vanderbilt; as Steve Durels, 200,000 square feet of leasing at the 1 Vanderbilt site is what we're projecting for leases signed, new incremental in 2016 as a goal.

And obviously way, way ahead of the ultimate delivery date of the project, which you heard earlier was 2020.

Financial metrics that we will all be working on together -- same-store cash NOI, we've set that at 6%. I find it an astounding number, and I guess wanted to ratchet that back a bit. But Matt tells me that based on everything we're looking at in terms of all the properties coming online and all the leasing that we've done over the past few years, that 6%-plus same-store NOI is achievable, so looking forward to that.

Growth portfolio, which includes the retail but also a lot of the nonstabilized office assets, we are looking to increase NOI based on signed leases in 2016 by another $28 million on top of the $30 million from last year. And as a dividend goal, we actually have seen that we are in this period of above-average dividend growth rates. We've set that bar at 10% in prior years and have beaten it. As things worked out, not really a goal, it's more of an outcome. But this year, looking again at the kind of revenue we expect to generate in 2016 and imagining where we are going to be in 2017, we feel it's appropriate to raise that dividend bar to 12.5% from 10% last year.

TRS and MSCI index, 10% and 250 basis points of relativity. Again, we look forward to working with our shareholders to try and create the environment to make that happen.

And debt to EBITDA, an important metric. You saw on slides earlier, so I guess you know where this is kind of headed: 7.6% or better debt to EBITDA, per Fitch, based on 2016, with or without the assumed repurchase of Citi, just so we're clear. Excludes it, meaning so we take it out, because that one we expect we will have been noticed by that point that that asset and the associated debt will be retired. So that is that metric. So with that, there's 2016 on a slide.

I just want to close by saying we think the SL Green story is a really exciting one and our successes are tied closely to our brand, a brand that reflects our position as New York City's largest and most well-respected landlord. Our team and this brand have been built over a period of many years and the drivers of profitability and by extension total shareholder returns, and that is why you invest in us. We hope you continue to do so.

We appreciate your attention today. We hope you found it informative and entertaining, and most importantly, will get you excited about what we have coming up for 2016 and about the 1 Vanderbilt project.

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We have time for six minutes of questions before they come in here and start tearing down the stage. So we ran a bit over today. But if there is a mic up there, Andrew and I will take some questions. A little hard to see you down here so -- is that Steve?

QUESTIONS AND ANSWERS

Steve Sakwa - *Evercore ISI - Analyst*

Steve Sakwa. Marc, can you just talk a little bit about your I guess JV desires on 1 Vanderbilt, just how you are thinking about extra leasing, the financing, kind of when you want to potentially bring in a partner on that asset?

Marc Holliday - *SL Green Realty Corp. - CEO*

Yes. I think we are going to go debt first, then equity. So that has been the plan, still the plan. We think it was the right plan. And we think the market has come our way in a lot of respects, based on what Mary Ann and Bob have said on the leasing side.

The business plan for the building has come together extraordinarily well. So our goal is going to be first half of the year to knock off the debt, and then that will solve a big part of the equation over how much, under what conditions and rate. And then we'll be sort of actively, we would expect, in the market, evaluating JV in the second half of the year.

The question there, again, is one or more partners, how much retained versus how much sold, and questions like that -- what kind of valuation for the asset when we take it to market? Those are things that will all get sorted out as the year progresses. But I would say definitely backloaded into 2016, because the construction loan itself should take us all through 2017 in terms of capital need. So that's why we are sequencing that first and then equity second.

Does that make sense? Steve? Okay. Any other questions? Michael?

Unidentified Audience Member

I thought NYRT was going to be on MythBusters. So maybe it's still happening, I don't know. Can you talk a little bit about overall funding? Most of the squares had additional capital being put out. Even though you have a lot of dispositions, it's net outflow. How would you think about funding additional transactions? What are the big pockets that you are going to look to first if you had a larger transaction that you would want to fund, given your comments about equity that you would want to --

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Marc Holliday - *SL Green Realty Corp. - CEO*

I just want to make sure I understand: When you say the boxes, which boxes in particular?

Unidentified Audience Member

You've got acquisitions (multiple speakers)

Marc Holliday - *SL Green Realty Corp. - CEO*

Oh, growth objectives.

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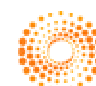

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Unidentified Audience Member

Growth objectives and a larger pushout of capital.

Marc Holliday - *SL Green Realty Corp. - CEO*

Well, in part, when I went through the rubric earlier, there were still more liquidity events coming in and a few deals left to close on the acquisition side. The net-net of all of that -- we have a liquidity position that we expect to achieve on culmination of the rubric in Q1, which is over $1 billion, I want to say. Mattie, how much is that liquidity, Matt? $1 billion to $1.1 billion. So on the acquisitions, that was sort of a neutral book. That was I think $1 billion versus $750 million, so a modest amount of need there.

Unidentified Company Representative

Retail and resi was $400 million or so.

Marc Holliday - *SL Green Realty Corp. - CEO*

How much?

Unidentified Company Representative

Retail and resi was $400 million.

Marc Holliday - *SL Green Realty Corp. - CEO*

Yes, $400 million. So I would say through the normal channels -- JV equity -- let me say this. Completion of the rubric leaves us in a very good liquidity position, and then prospective sales of assets into 2016, we sold I think $1 billion in 2014, $2 billion in 2015, and more to come in 2016, and JV equity. I think that's probably the best way to think about where that liquidity will come from.

Any other questions? I think there's one there, and one further up high.

John Guinee - *Stifel Nicolaus - Analyst*

Great. Thanks a lot. First, three quick questions. First I should point out -- John Guinee here -- your 1 Vanderbilt presentation was stupendously good -- very, very nice.

Marc Holliday - *SL Green Realty Corp. - CEO*

Thank you.

John Guinee - *Stifel Nicolaus - Analyst*

Talk about -- Vanderbilt looks like it's going to come in about the same total cost as 11 Madison. Which one is going to be more difficult to execute and which one is going to have a higher stabilized return on cost?

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Marc Holliday - *SL Green Realty Corp. - CEO*

1 Vanderbilt is going to have a dramatically higher stabilized return on cost. It's going to be a lot more difficult to execute as well. So I think you are seeing there a longer-term roll-to-market story with 11 Madison and sort of the reward of development with 1 Vanderbilt, where we would expect to see significantly higher return on cost at 1 Vanderbilt.

John Guinee - *Stifel Nicolaus - Analyst*

And second, is it possible -- maybe it's too late -- to put your NAV slide on the screen?

Marc Holliday - *SL Green Realty Corp. - CEO*

We will take another question in the interim. And while we're doing that, Matt, if you can get Joe to flip back up the NAV screen, we'll try and do that, John. Next question?

Jed Reagan - *Green Street Advisors - Analyst*

Jed Reagan here with Green Street. Just wondering when you think the bulk of the leasing will take place at 1 Vanderbilt, if you kind of had to lay out a timeline for that, and then maybe when you expect you could be substantially completed on that?

Marc Holliday - *SL Green Realty Corp. - CEO*

In terms of the leasing or the building? I got the first part was leasing.

Jed Reagan - *Green Street Advisors - Analyst*

Yes, just the velocity of the leasing and maybe also just an average in-place rent, if it's too early to hazard that?

Marc Holliday - *SL Green Realty Corp. - CEO*

The dynamic of the market is big tenants are now looking for their requirements. Really starting in 2016, I would say they are looking for 2020 requirements. Smaller tenants, defined as probably 100,000 or less, Steve, or maybe 50,000 or less -- the smaller tenants really tend to look I would say two to three years in advance. The bigger tenants are more four to five years in advance. So next year we would expect to try and clip off at least one or two bigger leases. Obviously we still have the goal of 200,000. I would expect by 2018 -- middle to end of 2018 to be substantially complete with the leasing program and -- is that thumbs-up, Steve?

Steve Durels - *SL Green Realty Corp. - EVP, Director of Leasing and Real Property*

(inaudible - microphone inaccessible) tenants will pay the single form right at the end of the construction period.

Marc Holliday - *SL Green Realty Corp. - CEO*

So I would expect mid-2018 to 2019 to be sort of substantially complete with the leasing program, because by then the smaller guys, the 50,000-footers, will have had to make space commitments.

Mike?

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Unidentified Audience Member

You mentioned substantially better, to answer John's question, than 11 Madison. Do you have a kind of order-of-magnitude estimate of where yield on costs might come in there?

Steve Durels - *SL Green Realty Corp. - EVP, Director of Leasing and Real Property*

I think revenue will probably be part of next year's conversation. So if we were going to go long numbers on that, then we probably would've done it today, but it's a little too far out. We are talking 2020 rents. I think more important than where we are going to take them, Mary Ann and Bob talked about where rents are today -- anywhere from $125 to $150 feet -- or impute some amount of growth. And everyone can vary that, and we had a graph up there that put it I think a 3%, 4% and 5%.

Let's just say that the rents we would need to make basic underwriting on a blended average basis expressed in 2021 dollars wouldn't be more than $150 average. So where we expect to get -- it might even be $145 average -- so let's go $145 to $150 average. We expect certainly the buildings to be able to achieve that.

If you deflated that to today dollars, that would be like leasing up the entire building at like $115 a foot, which is kind of well below where the older special buildings are getting on a current today basis. So we don't need the market growth. The market growth will kind of be extra excess earnings top of the base model. But that's how we look at the numbers, but we don't have projections of revenue as we sit here today.

Boy, this -- let me come back to John's question with the slide.

John Guinee - *Stifel Nicolaus - Analyst*

Actually, you don't have time for this, but could you maybe commit to, in your supplemental, to give much more background on how you get to these numbers? For example, residential retail, $2.8 billion. Is that a 1 cap or a 7 cap?

Marc Holliday - *SL Green Realty Corp. - CEO*

Boy, if we put a 1 cap on this, we could all mail it in from here forward. You've got to assume that -- I would assume the cap rate on income-producing stuff in that resi retail portfolio is like a 4 cap. I mean, we are not pushing the envelope here, guys. So it's certainly not a 1 cap, but Brett, do you, or Matt, do you have a basic breakdown of what's in that -- was 2.2, now 2.8?

Unidentified Company Representative

(inaudible - microphone inaccessible)

Marc Holliday - *SL Green Realty Corp. - CEO*

Again, with respect to things that we've marked, call it a 4-cap. With respect to the properties that are still 188% mark to market, or whatever number we flashed up there earlier, yes, that's going to be like maybe a 2, 2.5 cap. But every year, we are going to be migrating towards those stabilized cap numbers.

So we could take under advisement whether we could somehow break out the properties within retail that are more stabilized in nature and not, but basically it's a growth portfolio. We list those properties in the growth portfolios. So any retail property in that growth portfolio, assume there's

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tremendous growth, and those cap rates would be certainly below the 4%. But in terms of how are we evaluating for these purposes, values, we are doing it on normalized cap rates.

Unidentified Company Representative

And you could also, you look at the Williamsburg sale we announced this morning, which was done -- cap rate, depending on how you calculate, the value of the real estate tax abatement likely with a 2 handle.

Marc Holliday - *SL Green Realty Corp. - CEO*

Right. And so that was on the sale, and yet the building we bought in today or the piece of 600 Lex that we announced was bought in at 4.7. So that is our model -- buy low, sell high. And we try and do that over and over and over again. But we'll see if we can put some more disclosure out there to be helpful.

There were a couple of other questions I saw on this side of the room. Alex?

Alex Goldfarb - *Sandler O'Neill - Analyst*

You guys have been -- Alex Goldfarb -- you guys have been pretty consistent on your DPE yields. So, obviously everyone's been talking about rate increases for some time. But just curious whether the recent gapping out of spreads on some of the debt products has allowed you guys to push pricing at all, or the BP is more of an absolute pricing, at which point what's going on in the current debt markets really doesn't affect what your yields are?

Marc Holliday - *SL Green Realty Corp. - CEO*

It definitely helps. The volatility in the senior portion of the capital structure. Where AAA CMBS spreads are out from 80 probably in the beginning of the summer to 140, 145 today, that sort of leads to a ripple effect through the rest of the capital structure. And I would say we are using it less as an opportunity to gap out cost and maintain risk than an opportunity to move more senior in the capital structure and try and make the same yields for taking even less risk, if you will, or opportunities that present themselves. Guys just can't borrow as much at higher cost of debt -- higher cost of senior debt.

So you wind up peeling in loan proceeds and making borrowers put in more equity and winding up with sort of less levered deals, trying to pick the right point in that risk/return spectrum as opposed to going up in risk and saying what used to be 12% is now 18%.

Unidentified Company Representative

Okay. We have one more over here, and maybe we will take one more after that, and then we are going to have to leave, if they will ever let us back here. Right here, next to Alex.

John Kim - *BMO Capital Markets - Analyst*

Thank you. John Kim from BMO. Just to follow up on Michael's question, does your discount to NAV right now preclude you from using equity to fund acquisition?

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Marc Holliday - *SL Green Realty Corp. - CEO*

It's a good question. I would say the one area of exception, if you will, are OP units. We didn't issue, I believe, any common OP units last year. I think they were all convertible preferreds. So we are definitely -- for the OP unit deals, which we love because they are strategic and help us bring in properties we couldn't ordinarily get, I think you saw that for at least the second half of 2015, when the market prices for our and other stocks were lower, we made a point of trying to orient those deals to convertible preferreds with kind of low coupons, but participation and upside, that's typically 30% out of the money or more. So that we would have no problem in doing, and we think that currency is very efficient.

It depends on the deal. It depends on how strategic it is and how accretive it is, whether we think it warrants funding equity mostly in the form of OP units for a particular asset. But I would say if we acquired -- I forget the number that was up there already, but it was close to $3 billion of assets and didn't issue any public common, I think that kind of speaks volumes to our view of do we want to issue equity to fund acquisitions. The answer is not really at these prices, and I assume it's still the same thought process going into 2016. I don't think we will change much on how we approach that. But I just want to never say never because if there's some special got-to-have once-in-a-lifetime asset, I guess we could do soon some OP units in common, but unlikely.

Ian Weissman - *Credit Suisse - Analyst*

Ian Weissman, Credit Suisse. If I could read your comments correctly about how we think about the returns on 1 Vanderbilt, you'd need pretty steady rent growth in New York over the next five years to get you to your average of $145 a foot. How do we think about the return expectations if we think about a downturn over the next two years?

Marc Holliday - *SL Green Realty Corp. - CEO*

I would just -- let me add my point earlier, just so I'm clear -- I don't think you need that rent growth to achieve those rents. I think those rents are achievable to today's rents. That's clear to us. There's no rent growth.

Ian Weissman - *Credit Suisse - Analyst*

So my question -- if you take those rents and deflate them to today, it would imply a lower rent, because those are 2020 rents we are quoting.

Marc Holliday - *SL Green Realty Corp. - CEO*

So two things. If for $145 -- let's call it breakeven to underwriting -- then if you express that in today's dollars, that would be -- I don't have the number, but I'm going to say $120-something a foot. That would be far below market today for those buildings that Mary Ann or Bob put up of the best buildings in the city in the best Midtown locations, deals where they are currently printing them, and all of those floor plates and infrastructures being inferior to that of 1 Vanderbilt. Although I've said there are deals being printed today, which they went through some examples of, at $150 -- $140, $150 and up -- which again are still not representative of what we hope to achieve or we think would be achievable for this product if it was deliverable today. So I don't want you leaving with the impression that we have to grow into the rents. We think that market is here today. What I said earlier is growth would be sort of excess return on top of that, just so I'm clear.

Okay. We're going to wrap it up. If anyone has any other questions, we'll be hanging around for a bit. We sort of like to gather at this very rigorous undertaking of presenting something like 3000 slides to you folks over a period of 4 1/2 hours. You were a great audience today. Thanks for hanging in till the end, and happy holidays to everybody.

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