S&P Global
Market Intelligence

# SL Green Realty Corp. NYSE:SLG

# Special Call

## Monday, December 07, 2020 3:00 PM GMT

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# Call Participants

## EXECUTIVES

**Andrew W. Mathias**
*President & Director*

**Marc Holliday**
*Chairman & CEO*

**Matthew J. DiLiberto**
*Chief Financial Officer*

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*Executive VP & General Counsel of Real Property*

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## ANALYSTS

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## ATTENDEES

**Eric Adams;Brooklyn Borough President**

**Unknown Attendee**

# Presentation

**Unknown Attendee**

[Presentation]

Please welcome Chairman and Chief Executive Officer, Marc Holliday.

**Marc Holliday**
*Chairman & CEO*

I was just told we have about 2 million seconds left in the year, and we still got a lot to do. This has been a truly unprecedented year. A year that started out full of promise quickly turned into an unforeseen cataclysm that changed everything, a true global disruption, the likes of which we've never seen in our lifetimes.

It's not what anyone predicted. It's certainly not what anyone wanted, but fortunately, SL Green is built to withstand these times. In moments of crisis and market disruption, our dedicated team of professionals shines the brightest. While others watched events unfold, we sprang into action for our tenants and essential businesses, for our employees, for our investors and for our company.

Our first priority was ensuring the health and safety of our people and buildings, which led to the creation and implementation of SLG Forward, something you're all now familiar with, our program to combat the transmission of COVID within our buildings. SL Green Forward established a new set of operating procedures and protocols for our buildings, which, combined with the myriad of infrastructure upgrades we undertook, made the buildings safe and secure for the tenants that have already returned to work. While office buildings may not be inherently essential, organizations and agencies that work in our portfolio are critical to keeping the city running. Medical offices, health care companies, visiting nurses, broadcast studios, major media outlets, governmental agencies, all have offices in our buildings. These tenants don't have the option of working from home. They are the people on the front line who need assurances that they can operate in buildings that are open, operating, secure, serviced and free from COVID. I'm proud to say that for these businesses and essential workers, SL Green never closed its doors.

The next order of business was taking care of our own, both our frontline building employees and our corporate staff. At first, we encouraged most of our employees to stay at home. But being who we are, there was a core group that never missed a day in the office since March 1 so that we could all do what needed to be done together. But after the first 10 weeks, what we knew instinctively became starkly apparent. We are at our best when we're working together in headquarters office, collaborating, being together, maximizing our productivity. So on June 15, we made the decision to bring everybody, all of our employees, back into 420 Lexington, becoming one of, if not the first, company that is 100% back to office, a level that we have been at ever since. And for us, that coming together under one roof, set the stage for everything we went on to accomplish throughout this year. And this year, I don't think we accomplished any more or less than we accomplished in any other year. It was a hell of a year.

We recognized early on our responsibility to our employees and their families, to do it smartly and to do it safely and to address the unique hardships that people had to deal with during this very strong time. So we came right out of the blocks with a series of incentives to address the challenges of this pandemic in a 100% work-from-office environment. We provided discounted commuting. We delivered food right to the desks of the employees, subsidized in-home child care and notably, the creation of a remote learning center for children of employees who can come with their parents to work and be proctored right in the office, in a supervised virtual learning environment by top-class tutors, all of which was featured in the New York Times earlier this fall. And our employees make good use of it, and we've got a really good class of kids, and maybe we'll graduate our own class in 2021. Let's see. We have to get accredited first, but that's our goal.

So with that stage set, our extraordinary team responded working over time with a sense of purpose and a sense of urgency, leading by example, but doing it safely. And many of our tenants took notice and followed suit.

[Presentation]

**Marc Holliday**
*Chairman & CEO*

So we then quickly turned our focus to supporting the city we love, the city that has given so much to so many of us here. We started with our tenants who were the hardest hit by the pandemic. In a lot of respects, we were well positioned for what happened this year. Our portfolio is largely made up of substantial, well-capitalized credit tenants on long-term leases. However, let's not forget, there is a segment of this tenant portfolio that is absolutely traumatized, notably, small businesses, small retailers and the restaurant industry. So our objective was to try to maintain the status quo with the larger tenants, the ones that could afford to, and work with the smaller tenants that simply couldn't. And for our small retailers, we offer deferral and abatement deals to help them essentially buy time, right? That's what everybody wants right now. They're playing for time, towards an eventual recovery, and we work with them in that regard.

Small businesses, like the many we have at Graybar, the ones we house in buildings like 110 East and others, they're suffering, and they're often overlooked, but not by us. For example, we tried to bring relief to these companies by exchanging free rent for short-term lease extensions. And that was a program that's worked very well and continues to. We fully recognize our responsibility as the largest commercial office landlord in Manhattan to do whatever we can to help these beleaguered sectors until the rest of Manhattan workforce inevitably returns to office.

But we hatched perhaps our most creative idea with a long-term partner and friend, Daniel Boulud. In April, we had a moment with Chef where it all sort of came together, an opportunity to help the food industry, small businesses and the food insecure, all with one big idea. That big idea became Food1st, a nonprofit foundation, providing free nutritious meals to frontline medical personnel, first responders and the many food insecure all throughout the city. The organization has helped dozens in the hard-hit restaurant industry reopen their kitchens and reemploy staff who have been laid off due to closures. The management, supervision, organization and the logistics of Food1st are managed entirely by SL Green by a team of 4 at absolutely no charge. And in a short period of time, true to SL Green form, Food1st has become a recognized and important player in the provision of free meals to New Yorkers in need.

[Presentation]

**Marc Holliday**
*Chairman & CEO*

We're very, very proud of our global efforts there on Food1st. We're going to continue into '21 and just keep going. It's not easy for anyone, but there's -- the need is as big as it's ever been, and we will continue with our efforts throughout next year.

But I'd say perhaps on par with that, one of our biggest contributions to New York City this year was what we did with our balance sheet. At a time when activity was all but frozen in New York City, we weren't just active in the market. I would humbly say we made the market in New York City commercial assets this year.

We showed there was still a domestic and global demand for investment sales by executing on $1.7 billion of dispositions at very competitive pricing. We brought in another $1.75 billion of global capital for JV investment and financing at One Madison Avenue. We also acquired new properties in the right circumstances like the iconic Lipstick Building and 590 Fifth Avenue. And most importantly, we continue to invest in New York in ways that create long-term value for the company and also generate desperately needed good paying jobs for New Yorkers in the immediate term. There is no greater example of that contribution than the completion of One Vanderbilt on September 14, ahead of schedule and under budget. Today, we are thrilled to host all of you here. It's almost a packed house, well as packed as you can be with social distancing. In this beautiful new conference center, which I hope everybody enjoys now and after this conference. And we look forward to doing it again next year, but at full capacity.

Just 2 weeks after One Vanderbilt ribbon-cutting was done, we were atop 185 Broadway for the on-time topping out of the project, which is the first residential building in downtown being built under the Affordable New York Housing program. And then just blocks away, SL Green commenced demolition of 15 Beekman, a fully committed development project for Pace University, Andrew will talk more about. And then we wrapped up the year by getting the One Vanderbilt band back together to celebrate the commencement of construction at One Madison Avenue -- I'm sorry, One Madison Avenue. And as One Vande wraps up, we will again be putting thousands of people back to work in Midtown South, creating the single best building in what has been New York's hottest submarket.

All of that transactional activity I just mentioned was executed within the boundaries and parameters of a $1 billion liquidity plan that we laid out in the spring and which has ensured our ongoing stability, reduction of corporate indebtedness, increase in cash reserves and enabled us to continue to be repurchasing shares pursuant to our program at very attractive pricing levels. And as you can see, no firm has done more to set a robust example for the dedication to New York, dedication to small business, to people in need, to our employees and to tenants. SL Green worked through this pandemic to help keep essential parts of the city running to create jobs and to support New Yorkers. We're going to keep pushing, performing and doing the best of our abilities. You know that. However, because we are a New York City-centric company, the economic health of the city weighs heavily on what we can achieve. Our success is inextricably intertwined with the general health and welfare of the New York City economy.

And as of right now, it's difficult to get an accurate barometer in reading on what's in store for 2021. That's what we'll attempt to do here today. We'll go through some of the numbers but it's almost impossible to glean anything relevant from these trends because it's all a reflection of a city on pause, where people are being encouraged to stay at home and unprecedented restrictions have been put on businesses, residents and visitors. The forward-looking story is really not in the data. It's really in the vaccines that will start distribution this month and the opportunity to create, as Mayor de Blasio said in the [ opening ], a comeback story for the ages, at One Mad groundbreaking.

That being said, here's where things stand for the year starting with leasing. It's no surprise that total leasing volume in Midtown Manhattan is about half of what it was last year, which was, by the way, a record year for leasing in New York City. There's about 12.5 million square feet that was leased in Midtown, and that's about 50% of the average trend of 25 million square feet and a little bit more off of that from last year's peak.

I don't think you can read much into that. It's a glass half full, half empty. I mean I'm happy to see 12.5 million feet done. And certainly, SL Green was a big part of that. For our company, we are on track to meet or exceed our revised goal of 1.2 million square feet for this year. We took a bit of a risk when we came out with this revised guidance in April but showed our ability to quickly reassess a radically changing market and confidently go forward and achieve an amended business plan that had to be executed in turbulent times.

You see here that we've already signed 1.18 million square feet. We expect to sign about another 80,000 square feet between now and the end of December. That's in the pipeline. It gets largely in the pending leases of 300,000 feet. And then on top of that, there's another 350,000 square feet that are in advanced term sheet stage.

When you look at our pipeline from October, when we put it out there on our earnings call, it was about 825,000 feet. We've signed since then, I think, somewhere in the order of close to 400,000 feet, maybe 375,000 feet. So to be sitting here with the pipeline still after those signings of 660,000 feet, we've added to our pipeline in November and part of December. So that gives us encouragement going into '21 that we can kind of continue this trend, which has been essentially market leading.

And then looking at the terms of those deals, we budgeted at the beginning of the year, 1.5 million square feet compared to our stretch goal, you recall, 1.6 million square feet. That 1.5 million feet budgeted was heavily weighted towards new leases, 78%, had a net effect of rent of about $58 and a weighted average lease term of 9.5%. But when COVID hit, we pivoted our leasing strategy, doubling down on short and medium-term renewals, and that strategy worked.

When you look on the actual deals that we got signed for the year, we project through December, we'll be about 1.26 million square feet signed. And as you would expect, that's about half renewal, half new because we went hard after those renewal leases. And on a net effective basis, we're only $1 off our original projection, and the weighted average lease term is slightly less, 7.5 years, but still, from our perspective more than enough time to get through this pandemic. It's all about, for us, get through '21, get to '22, and then let's get to that recovery. So looking ahead, we've got our work cut out for us in '21, but we have a plan for it. And when you look further out, you even begin to see somewhat of a brighter picture for New York City.

In terms of the economic indicators, just to quickly show you private sector employment. 10 years, we had tremendous growth. And then the bottom fell out after a solid January and February, 17,000 new jobs, the bottom fell out, we lost over 900,000 private sector jobs, essentially in 1 month, most of it in 1 month. But we've been adding ever since. We've added back almost 1/3 of those jobs since the trough, that horrible month in April. And while we don't expect meaningful growth until the city is fully back, we do take note that 1/3 is back and once the vaccine is out there and people are back to work, the city is projecting rapid acceleration in '21, into '22 and by middle of '22. For the private sector, they expect most of those jobs to be fully back second half of '22. So let's hope they're right.

Office sector growth. Similar story, but a little different. It was kind of lagging on the way down, it wasn't all at once, and it's been a little bit slow on the uptick. I think office sector has lagged the private market generally in New York City. We need office workers back in their offices. And with that, we think will come rehiring and job growth once again. So again, we're looking really to '22 for that to happen pretty much assuming '21, at least through the first half, is mostly status quo.

New York City outlook beyond the population numbers, beyond the workforce numbers. Investment activity has been picking up. New York's always been resilient. Andrew is going to have more on that to come. Vaccine is on the way, with projections of at least normalcy and in a restriction [ set ] by second half of the year. More stimulus expected from Washington is -- will be much needed help for New York City, whether it's indirect help through extending unemployment insurance premiums and PPP or direct state local subsidies and stimulus, which is reportedly part of the $908 billion federal package that's on the table.

The New York City budget is balanced through fiscal '21. It is a balanced budget. The city is working right now and balancing the '22 budget, which goes to middle of '22. And they have to fill a big gap, $4 billion. But from our understanding, that gap is going to be filled in several ways. There -- the city's revenue assessments are very conservative and are being outstripped, particularly in corporate income tax and personal income taxes collected. Wall Street profits are a record this year. I think it's $34 billion, the highest it's been since they started keeping track of the stat in 1980. And there's a lot of taxes they're going to collect off of that. And the payroll levels and bonus levels, albeit down from last year obviously, are going to be ahead of what the city was projecting.

So with increased revenue items, the city is going to attempt to balance a budget for '21 that's not dependent on increased taxes or based on stimulus or in operating borrowings, and we think they'll get there. And after mid '22, then the budget should start to reflect a city not in pause.

The tech sector continues to grow. That's another little bright spot that of the 17 million feet or so you saw of Manhattan leasing, about 11 million feet or so was new leasing and the tech sector accounted for almost 25% of that. So the diversity that the tech sector has brought to the city, it came at the right time, and it's helped anchor a lot of developments to keep things for now relatively in balance.

So let's advance to next. This city has been written off many times before, but it's always rebounded stronger than ever. I've said before, the city's future is SL Green's future. And we have enormous conviction that its underlying spirit and fundamentals will continue to set New York apart as the greatest city in the world.

To provide some more context on the latest data in our New York's future, it's my great pleasure to introduce our special guests this year Brooklyn Borough President, Eric Adams, who will join us virtually. We have gotten to know the Borough President through our rezoning efforts in Flatbush, which he supported and more recently, when he helped alleviate a very bad situation at Brookdale Nursing Home by giving out thousands of meal through the Food1st program along with our team. We admire Eric as a lifelong public servant, a 20-year veteran of the New York City Police Department, retired, I believe, with the rank of Captain, the state Senator, Borough President and now a candidate in the upcoming election for the Mayoralty of New York City. Please join me in welcoming Brooklyn Borough President, Eric Adams.

**Eric Adams;Brooklyn Borough President**

Good morning. Good morning to everyone in attendance, and just a real special and warm thank you to SL Green and your leader, Marc Holliday, for asking me to participate today. Marc, it's great to speak with you. I can't see you face-to-face, but we're doing it via Zoom. And I appreciate what you and your team, what you are continuing to do throughout our entire city. It is important as an employment leader in our real estate community, in our city, New York thanks you for your investment in our future. And we are clear. What oil is to Texas, real estate is to New York. And we take great pride in having the real oil fields here in our real estate community.

Partners, I don't have to tell you just how important the next few years will be in the city's future. New York is facing an historic crisis. Bold steps are needed to both recover from COVID and to correct the problems that exist before the pandemic.

A few months ago, I spoke to the New York City Partnership and told them, I equate this moment to when I dropped my son off to college for the first time. I remember it being at American University and speaking to the heads of the school and questioning them over and over for about 20 minutes. Until finally, the head of the school placed his hands or my shoulders and he stated, Eric, I just dropped my daughter off to School in Carolina. I saw it then that he understood that I was going through separation anxiety. My son was 18, and he had hair on his face and he had a deeper voice. But in reality, he was still my baby, he was still my child. I invested everything I had into him, and I was not willing to turn him over to an institution that did not understand the fullness of my investment. And when he told me about his daughter, I said to myself, he gets it, he gets it.

So I say to you SL Green and all of your investors, I can't place my hands on your shoulders. I cannot talk to you face-to-face because of COVID. But one thing I want you to know, I get it. I get it that you have invested in an amazing company. I get it that SL Green was here and saw the vision of New York prior to anyone else. I get it that you're watching public safety role, you're seeing homelessness. You're seeing open urinations in some locations and even down the block from your beautiful new building, there was a shooting that took place at the Grand Central Station. I get it that you're concerned about the future of New York and what this future is going to look like.

But let me be clear, when you talk about New York. We're going to get through this. With the right choices now, smarter government and the resilient spirit that has always driven this city, I know in my bones that we will be back on top. How do I know that? Because for me, it's deja vu. When I hear people say the city is dead, I say, no, nowhere near. I was there on the ground as a police officer in the mid-80s, in '90s, when we were experiencing 2,000 homicides a year. Every car in the city had a no radio sign post on its windows because people were so used to having their car windows destroyed to steal the property inside. To address the public safety crisis, visionaries in the New York City Police Department pulled together a team of police officers with technology skills to create the first version of an innovative, real-time crime fighting tool. And know what, I was one of those members, police officer special assignment, and we created a different way to police in this city.

With that approach, we turned around crime and the direction of the city. We learned that the prerequisite to prosperity is public safety. No industry understands that more than yours. It wasn't the economic genes that accomplished this feat. It was the local street cop that patrolled our streets. We have to do that again but with all aspects of city government.

We must see ourselves through this crisis, as Marc indicated, don't wallow where we are or where we're going, and we're headed in a good direction with the right leadership. We do this by acknowledging that part of our city has leaped forward into the 21st century, while too many other parts have remained in the 1970s. For generations, city government has been wasting tax dollars and resources. And this is personal to me because I grew up in a city that failed families like mine. I recall as a child, every day going to school, carrying a garbage bag full of clothing because we were afraid that the sheriffs and marshals would have thrown us out by the end of the school day. And my mom wanted us to have a change of clothing, so we were not embarrassed when we go into a homeless shelter.

That was more than 40 years ago. The problems and struggles are still the same, especially of people of color. This is unacceptable. Right now, the agencies that make up the function of our city are dysfunctional and work against each other. For the most part, we have been insulated from the dysfunctionality of this city because the people who are impacted by it are living in institutional poverty, and we need to change it around. Instead of private industry becoming the profit engine of this city, poverty has been profitized, and we have to change that mindset.

So we have to get our government working better because inefficiency creates inequality. We just can't continue to run the city the way we have. If you want to win a fight, you have to get in fighting shape. And when we make government more efficient, we avoid cuts to what makes it safe, livable and enjoyable. At the same time, government has to be more [ inspective ] in its actions. Land use is an important example.

Frankly, we have our rezoning strategy backward for years. Upzonings in lower income areas have moved wealthier people into working class neighborhoods instead of moving working class folks into neighborhoods with a high quality of life. And we have missed out on opportunities for density everywhere. For instance, there is tremendous opportunity to upzone and create new housing and commercial development in higher income areas like SoHo, particularly on all industrial spaces in Manhattan that should have been converted to better use years ago.

We should also focus on areas near transit, dense population in transit hubs in all 5 boroughs that are particularly suitable for live-work communities, like the one we built around Ground 0 after 9/11 that has thrived since. People thought we were finished after 9/11. But on 9/12, we got up, and we showed what we were made of, of the city. That's our secret weapon, not the brick and mortar, but the people who live inside the brick and mortars and broke there.

By the way, newest construction will also power our economy. That industry, your industry, is a core driver of prosperity, especially for middle class and working class New Yorkers. And we can make it easier for people to get -- to go back to work. For instance, greater, cheaper childcare options are needed to make it easier to live and work here by giving office building owners a tax break if people provide free child care space.

At the same time, it is also critical that we build confidence that New York is safe. As I stated, prosperity starts with safety and healthy environments. So we need for greater access to COVID testing and much clearer reporting. I've also suggested a real-time heat map of all data, and we need a city-led public relation campaign to tell the globe, how will we -- how well we are handling the virus and how offices are filling up. 10% to 15% occupancy is not what we're looking for. We're looking for 80% to 90% at places like other companies who have opened their doors and went back to road as New Yorkers.

We also need to get students under control. I've called for our anticrime unit to be brought back as an antigun unit and for police resources to be shifted from lower crime areas to higher crime areas. I have the backs of my police officers and my police officers will have the backs of those they are sworn to protect and serve.

But let me make one last point. Vision is important but execution is essential. To get all this done, the city needs a unifier, who can rally us. We need someone who has the respect of business community and credibility in working class communities because leadership matters.

I think about during the protest of Black Lives Matter. I received a call in the middle of the night from a group of businessmen. They stated, Eric, they are burning down the city and looting our stores. I immediately called the Police Commissioner and spoke to Dermot Shea and Dermot Shea had me speak with the antiterrorist czar, John Miller. And John said, Eric, there's an anarchist group in the city. They're not here to protest rightist reforms and policing. They are here to destroy and burn down our city. I reached out to the organizers of Black Lives Matter. And I sat down with them and brought a team of retired terrorists -- antiterrorists leaders. And we trained them on what to look for and how to identify those who were anarchists and carry Molotov cocktails and frozen glass bottles to harm police officers. And they went into the crowds of their own marches and police themselves. And the results were shown instantly when we saw the march were going back to peaceful protest instead of the burning of police vehicles and properties.

What does that mean? The next mayor must be comfortable enough to speak to business leaders such as Marc. They must be understanding law enforcement and public safety enough to speak to our police law enforcement offices, but they must also be able to roll up their sleeves and go into these communities that believe that the city have left them behind. That is the type of unifier we want and need as we move into the next century as a leader of the entire globe.

Generals lead from the front. They don't sit in their ships in battle and ask how was the war. They know that they need substance and symbolic actions to motivate people to move example. For example, the man should be right in the subway every day to show people how safe it is. Get out of their vehicles and walk on the street and talk to every day New Yorker. That is the type of leadership we're looking for. He should create a recovery score. So the all New Yorkers can see in real time how we're doing against the virus and the recession. New Yorkers need to share purpose and focus and reasoning. They need to turn their pain into purpose.

I will never give up on New York. Our people are too hard-working and too proud. Given a purpose and real leadership, they can do anything. I wore a bullet-proof vest for 22 years and I stood on the street corners protecting our children and families. And I'm dedicated and committed to this city. And by the way, at 6 a.m. in the morning, I'm finished with my gym workout and ready to lead the city. Thank you.

**Marc Holliday**
*Chairman & CEO*

President Adams, I want to thank you for sharing those views. The views you expressed are -- many of which are shared by SL Green, and I think many of our investors in terms of the basics, safety of the city, quality of life, partnership between government and the construction trades and developers in order to try to solve the affordable housing and homeless crisis. It's the only way it works. It's how we've always tried to do it. We agree also that we're not going to give up on New York either. So great theme for the day, and I thank you for that. Because we feel fully committed ourselves and join you in that thought.
So I want to thank you for taking time today because you had very limited time, very busy schedule we know. Squeezing us in is very much appreciated. We'd like to see if you have time for 1 or 2 questions. And if so, we'll kick off. I think Andrew's got the first and then we have 1 or 2 more from the crowd. So let's do that.

# Question and Answer

**Andrew W. Mathias**
*President & Director*

For our President Adams, we've had a successful return to the office from work from home. And you've publicly said, encouraged companies to bring employees back to work, obviously, if it's safe for them to do so, at least 2 days a week to support businesses around the office buildings, which are suffering terribly. As our next mayor, would you bring the city's workforce back? We've been disappointed at the city's progress in terms of bringing their own workforce back.

**Eric Adams;Brooklyn Borough President**

Yes, I would. And I have looked at several companies and I spoke with several leaders. And some of the companies, they are experiencing almost an 80% to 90% return to their company space. And they're doing it in a way that is safe.

I think one thing we should do is have a mobilization of all of my businesses to ensure that this is the safest flu season possible. When I speak to the presidents of my hospital, they stated that this is something we could do in a real way by ensuring we take a flu shot. I would be extremely clear on what are some of the basic standards that the state and the city should do. Because we have to protect our companies from any frivolous lawsuits by those who may contract COVID-19. And so we have clear standards, then it will allow you to protect your tenant.

The results have been remarkable. We are seeing a slow infection rate in many of those companies that are returning to business. We have to get New Yorkers back into office buildings, so they can get back into cafes, they can get back in having their shoes shined and hailing cabs and some of the low-skilled employees that need the form of employment that we're looking for. It trickles down.

And so I would get our city back to work and I would start with my own team to state that this is how you -- we must lead from the front. We saw this before. We saw it during 9/11 where we had to pick ourselves up, and we didn't spend months after 9/11 wallowing into this fear of terrorism. We spent 9/12 rallying the troops to get back retailers opening their stores, our school teachers teaching, cab drivers driving. That is where we need to be right now. It's time to open our city.

**Marc Holliday**
*Chairman & CEO*

Terrific. Thank you. I couldn't agree more. There was a story, I don't know, going around, whether it's any truth to it, that you slept in the office in the early stages of COVID, brought a bed right into your office because you couldn't commute back and forth, which I -- it sounds like a real commitment to me if that's -- any truth to that, Eric?

**Eric Adams;Brooklyn Borough President**

I took a bassinet and put it on the floor of Brooklyn Borough Hall to set up a command center, and we immediately started deploying full PPEs to our transit employees, our school safety offices, our nurses. And we knew and I understood, this is something I learned after 9/11 when I slept inside the precinct because we didn't know we were going to have another terrorist attack and I wanted to be ready. That is what those symbolic steps we need to take. New Yorkers must see their leaders. You can't bunker down, and you can't tell up to new leadership.

And that is what's missing. We don't have a budget deficit. We have a deficit of leaders. And I don't know what happened to the [ Pattons ] of yesterday. I don't know what happens to the General MacArthurs of yesterday. There was a time when people understood, you want to be on the field of battle, and that's why I slept in Borough Hall because I wanted to be up early enough to get on the ground because people needed to know that we want to make it through this.

**Marc Holliday**
*Chairman & CEO*

Got time for one last question. It's a quick one. You've said in the past that your campaign will focus on the reopening of business communities and focusing on quality of life. Why is that critical for your agenda, reopening a business and quality of life?

**Eric Adams;Brooklyn Borough President**

It's so important both if -- they go together hand-in-hand. If we don't deal with these small things, if we don't ensure that the graffiti that seems to be pervasive in our city, the inability to pick up trash, the homelessness, the open drug usage, if we don't deal with those things, not only is it going to hurt the appearance of our city, but it will also hurt our tourism.

We have 65 million tourists to this city with about $45 billion in economic stimulus that came from that tourism. We want to attract people back to the city. And it goes hand-in-hand with opening our businesses. Because when you look at -- when we build the buildings and our corporate sector, we are going to build the parks inside the homes when people are able to provide for their families. We have to get people back in the businesses, in our business sector, because that is going to fill our hotel with business travelers. That is going to allow us to rehire those who clean hotel rooms, those who are delivering food to the various offices, our cafe. It is all driven by what happens inside your office space.

You are the bellwether for the entire city, and it's not the entire country. We look towards New York after 9/11 to see our resiliency. They're watching us again to lift this country back to its rightful place. We're leaders in this country, and I'm excited about every time someone goes in an elevator in your building. I know we are going to higher heights as a city.

**Marc Holliday**
*Chairman & CEO*

Terrific. Thank you. Thank you so much for your time today. We appreciate it, and good luck to you, and happy holidays. And we'll be working together in '21 and try to make a lot of this happen. Thank you.

**Andrew W. Mathias**
*President & Director*

Thank you.

**Eric Adams;Brooklyn Borough President**
Thank you.

# Presentation

**Unknown Attendee**

Please welcome, President Andrew Mathias.

**Andrew W. Mathias**
*President & Director*

Good morning, everyone. Great to see people live in person and a work from work environment. I'll start with my traditional look at the investment market, which had an interesting year. The year started out, as Marc pointed out, with the leasing market, we were firing on all cylinders as a healthy leasing environment and competition for space drove aggressive buyers. As the pandemic took hold, we started to hear about weighted average lease term, WALT, for the first time in a long time. Buyers focused on credit and lease term, particularly in the second and third quarters where uncertainty peaked, and there was a lot of turbulence in the market.

Despite the reduced volumes, which I'll show you visually in a second, the repricing was modest. Rates fell to historic lows and sellers didn't feel any pressure to come to market with anything but very well leased buildings, which is what capital was demanding. Towards the end of the year, we've seen more buyers in the market kicking tires and started to hear CBD office as an investment theme again given its attractive pricing relative to other asset classes. There is still a lot of capital out there, and we've seen several notable joint venture deals get done as well as several including SL Green deals we'll talk about further today. We expect to see a lot of dry powder capital get put to work in 2021 as optimism returns to the market.

Graphically, you can see the dynamic I was referring to, with almost half this year's activity occurring in the first quarter of the year. This chart tracks rolling 12-month average cap rates versus the 10-year Treasury. Manhattan cap rates today are at their widest spread to treasuries in almost 10 years as we sit here.

All it takes is a little confidence in the future to start closing that gap. Where is the ammunition to close this gap going to come from? As investors jump to the sidelines this year, inflows continued and for some strategies, even accelerated. For capital that requires an absolute return, fixed income is offering a lot less compelling alternative in this rate environment and now cause people to shift and focus on real estate.

Who are we looking to sort of sharpen up that focus? You can see a lot of initials on this page and the scale of their collective capital dwarfs most other sources in the world. But each of these players has been active in Manhattan previously. And from what we're seeing and hearing, we expect them to participate in a recovery after going on pause for this year, as you see demonstrated on the chart, given the pandemic.

With the pandemic grabbing all the headlines, it was easy to lose track of Amazon's bellwether purchase of the Lord & Taylor building from WeWork in March, stabilizing a large block of space in Midtown. In post-COVID activity, you're going to see a lot of SLG, as we were one of the only active sellers in the market, as Marc said, we pretty much made the market. We don't mind. We're happy to work harder and more creatively to find buyers and get deals done and not have to compete with a full slate of availabilities like we do in an ordinary year.

Our deal at 410 Tenth Avenue closing this month provided that large-scale that was still highly in demand for investors, which I'll show you more on in a moment. Sellers will also join venture as an alternative to outright sale, both pre and post-COVID in a theme, I believe we'll see continue into 2021. We completed 2 very notable joint ventures in the post-COVID environment feature here, One Madison Avenue and 15 Beekman.

You'll hear a lot more about those deals later today. Development and redevelopment deals with the right sponsorship and requiring more active management can oftentimes find more liquidity and better pricing as joint ventures.

Now let's take a deeper dive into our prime delivery on Tenth Avenue. Recall our transformation of this building from a tired old printing warehouse to a reimagined tech palace. 410 started as a DPE investment all the way back in 2014 before we were able to negotiate for a controlling interest in the building 3 years later. We said about vacating the building on contract signing, no small task with 10 large, deeply entrenched tenants in the building. 2019 was a huge year for the asset, as we signed 2 blockbuster leases with Amazon and First Republic Bank and a renewal and expansion of another tenant. And all that was left was to tear the building to pieces and complete our redevelopment.

When COVID hit, our construction teams kept bravely grinding away, putting us in a position to hit our delivery targets. And later in the year, after we refinanced the asset in the summer, with our stock as undervalued as it was, we made the decision to test the market for the asset and shift strategies. Taking advantage of the dearth of high-quality weighted average lease -- long weighted average lease term deals available, we set a very high target, and we're very pleased with the results of the process. With 5 qualified bids and additional interest from joint venture recapitalization prospects who wanted to partner with us, we changed tack and made the decision to sell the asset outright. The profitability numbers speak for themselves, and we believe we more than delivered for our shareholders and, again, demonstrated the SLG difference with this asset.

We gave ourselves some applause. Speaking of complex deals with lots of execution required, we also announced our third build-to-suit deal with Pace University of 15 Beekman. This building rendering should look very familiar to our longer-term investors as it follows form with our other Pace deals. To orient everyone, just south of Pace's main campus is Beekman Street with our site shown here in green. It sits directly adjacent to 33 Beekman, the last building we built for Pace, and in close proximity to 180 Broadway, 185 Broadway, which is our affordable New York project and 100 Church Street, our flagship downtown office build. We've reassembled our successful development from 33 Beekman to tackle building on this tight site. Now let's hear from Bob Almon from Pace about this important project.

[Presentation]

**Andrew W. Mathias**
*President & Director*

So as soon as Pace contacted us, we set about the difficult task of site location and assembly. Unfortunately, their ideal location happened to sit with a generational owner of real estate, who had absolutely no desire to sell and also had contacted Pace himself about trying to develop a project there. So he knew who our tenant was. Through creative deal structuring and a lot of relationship building by Brett and his team, we were able to formulate a win-win deal.

And then came the part that's often minimized on these time lines except for those who have the scars to prove just how tough it is, vacating tenants. Over an 18-month period, with 6 of those months in a pandemic, we managed to deliver the building for demolition. We committed to a very aggressive time line with Pace. So we started with the usual groups of tenants. And then came the tricky ones, starting with the guys whose locations at the buildings all of a sudden became top grossing stores as soon as we called them about terminating their leases, followed by, lucky us, another Irish pub. Recall there were 2 Irish pubs on the One Vanderbilt site that you're sitting in today, and I have some of the scars of those buyout negotiations.

The one of 15 Beekman just happened to be the gathering spot for many city council members and other city hall occupants from a block away who didn't want to see their favorite watering hole moved. And then when all those were done, we reached a little tenant called NTLA on the rent roll. What, you ask as we did, is innocent sounding NTLA? New York State Trial Lawyers Association, a nightmare tenant and 11 other trial lawyer law firms who traveled in the circle of their state association. But Brett, Harry, [ Satomer ] and their team got it done, as they always do, ahead of schedule and under budget, unlocking the full potential of the site. They bought out 41 tenants, $200,000 under budget and 1 month ahead of schedule. So we'll deliver this building in 2023 to meet Pace's academic calendar and hopefully take advantage of a construction market that will bid aggressively for this work as we were price -- we're in the middle of pricing the job now.

The building is a bit larger than its neighbor at 33 Beekman, given it's a multi-use with some Pace offices at the base and again, dormitory at the top, but nothing our construction team can't handle. We closed our construction loan this summer and shortly afterwards, brought in a partner for 80% of the equity at a very attractive markup.

Our partner agreed that we could create a lot of value in site assembly, getting the financing and vacating the tenants. So we were able to charge quite a profit at closing. And with the proper incentive structure and a 30-year triple net lease in a very low rate environment, we expect to profit handsomely from our remaining interest in the building as well. Still some execution to go here on the construction side, but an amazing effort by the teams to structure and capitalize this project and deliver the site in turbulent times.

Now let's look at the financing markets and our own DPE portfolio. As they usually do, CMBS lenders really pulled back for the first couple of quarters of lockdown in New York financing activity. Turmoil rolled through the bond markets, and appetite for holding risk was almost nil. Undeterred, we closed the first large financing post-COVID with our syndicated bank deal at 220 East 42nd Street, which you see on the left side of the slide, that was part of our $1 billion liquidity plan. The refinancing market has gotten a lot more liquid since then as the year has progressed, and CMBS shops have reentered the market.

Acquisition and construction loans are even harder to come by, and we've had to dig deep in our rolodexes to fill out syndicates and get financings done competitively as we did at 15 Beekman, 410 Tenth and One Madison Avenue. You can see those 3 deals highlighted on the right side of the page, representing almost $2 billion of construction redevelopment loans closed this year.

Bigger deals are starting to find footing as well. And as you look at the deals in the pipeline that have yet to close, there's cause for cautious optimism in 2021.

CMBS issuance was down about 50% for the year, and much of that activity came in the first quarter. Every sector was down, with industrial not surprisingly representing the smallest decrease.

And then what we hope will be a test case for its neighbor, you see towering to the right, the Grace Building achieved very efficient financing pricing in a single asset deal a couple of weeks ago, hopefully paving the way for One Vanderbilt next year.

Similar to the equity markets, capital for debt investment continues to be raised in large quantities, putting some pressures on institutions to deploy more aggressively toward the end of this year and into next year.

Now turning to SLG's owned DPE portfolio. After an active first quarter of originations, we tasked the team with raising liquidity in a very challenging environment. The results you see on the screen show just how liquid our investments are even at the toughest of times and our real credit to the underwriting and structuring of David Schonbraun, Jeff Steiner, Drew Isaacson and the rest of the structured finance teams. We sold $392 million of positions for an aggregate dollar price of almost $0.98 on the dollar in a very tough environment, a great achievement really in any market.

As I mentioned, we did originate some loans as well this year, primarily in the first quarter of the year. Yields and volumes were tracking to be a very good year, as you can see, and then we shut off the spigot and quickly converted to liquidations. Looking back, you can see the size of the DPE book will finish the year at by far its lowest level in 6 years at about $1.1 billion of outstandings, more from Matt on that later. As the portfolio shrank in size to prioritize stock buybacks and leverage reduction, we focused the collateral pool on office assets intentionally. Retail assets represent just 2% of DPE loans outstanding these days.

The program continues to be extremely profitable on both the gross and a loss adjusted basis. You can see we've generated average 10-year returns of 9.2% with only 30 basis points of diminution for losses. Compare those returns to average high-yield bond yields over the comparable period of 6.5% and levered loan index default rates of 6x our loan losses, and we think we make a strong case for the durability of this business.

Equity opportunities unearthed through the DPE program continue to develop, highlighting the importance of staying active in this business. This year, we added the iconic Lipstick Building and 2 prime Fifth Avenue assets through the program. These assets should provide significant growth in the coming years with SLG's management and capital programs changing their profiles in the market.

Moving to the retail portfolio, it's worth a quick trip back to trace the program's success. In 2014, we stood at 2 million feet and embarked on an aggressive sales program in addition to the acquisitions we were making to try to harvest some gains. The program peaked in 2016 with almost $200 million of retail revenues, and we kept selling when -- as assets stabilized.

Now with $2.9 billion of sales completed at compelling returns, we're down to 1.5 million square feet in the program. Over 60% of that remaining revenue and about 1/3 of that square footage is derived from our top 15 tenants, household names you see here on the screen with a weighted average lease term of 9 years remaining. We're definitely in for some turbulence as the market settles, but we feel the underlying strength of the portfolio and of the tenants you see on the screen here will carry us through.

The sale of 609 Fifth Avenue as an adjunct to the $1 billion plan was a good example of the power of weighted average lease term on the retail side. Recall, we recaptured an office lobby and reconfigured our ground floor at this asset to prime retail space, then leased it to Puma for its New York City flagship and Vince, a clothing retailer, for the back portion of the space. We also leased the entire office portion to WeWork. You can see the before and after, Puma representing quite an upgrade to American Girl. In April, we found a U.K.-based buyer who closed all cash in 30 days at a sub-5% cap rate for the retail portion of the building. We also restructured the WeWork lease this year giving them -- can we go back one slide? Giving them a bit more time to complete their improvements to the building and its systems in exchange for a far more robust security package and other assurances.

Now I'd like to call Marc back up to take a deeper dive into our other development projects, starting with One Madison.

**Marc Holliday**
*Chairman & CEO*

Okay. Thank you. And development projects, we did an overview of these projects last year, and you'll recall that we made a real strategic pivot about 5 years ago. We were kind of known for an expert at taking properties, repositioning, redeveloping well-located properties and delivering to the market. 5 years ago, we said we want to be developers of premier properties in the best location. Why? Because it's really a scarcity of state of the art, new product, highly amenitized, sustainable real estate New York City in the best commutable and most desirable locations. And that's the only place we want to do development. So we don't develop in volume, but what we do, we think is very special.

You just heard 15 Beekman, Andrew went through that. And we have 6 others that we'll take you through now, that 7 of which form the nucleus of our development portfolio, which fuels much of our growth over the next -- what was 5 years, when we did a 5-year bridge last year, now 4 years because most of those projects, if not all, will stabilize by '24. And these projects, when we did them, we didn't do it as a defense to COVID. That's obvious. But it turned out they were a natural defense to COVID. Because in good markets, everybody goes out and seeks these high-value properties. Because they're premium and they want to be associated with the best and most efficient and well-designed buildings. In tough markets like we have now, people want to move up.

And that's what we're seeing, and that's what I think you'll continue to see as people look at a time like this to move up into the best of the best, which maybe they couldn't have before then. So either way, there is deep demand for projects like One Vanderbilt, One Madison, 185 Broadway and others like 760 Mad, when that delivers. And it's a very exciting time for us. So we're going to show off a little bit with where we are here on these other 6 projects.

We'll start with One Madison Avenue and show you the first kind of a new hero shot that shows this beautiful 550,000-foot glass tower that is going to be landed right at top that 9 floor limestone podium, which you see, here has been fully retrofitted with new windows and limestone alterations to create a vignette that we think is spectacular right on Madison Square Park, one of the best and most desirable neighborhood parks in New York City. So again, it's not development for development's sake. It's development in a part of the city that we think is highly desirable and special. There's very few buildings like this fronting right on top of a major public park.

This year, our friends at NPS, tremendous partners, felt as we do about this project, and they came in with a $500 million commitment to purchase about half the equity along with Hines in this project. And they did that in May. So deep into this new market, we're very happy to be back together with NPS. They obviously are very, very pleased with the investment in One Vanderbilt, and we're looking to replicate that success here at One Madison.

And then just last month, weeks ago, we announced one of the largest spec office development loans I think that I'm even aware of, a $1.25 billion construction facility by those banks up there, the leads, in particular, were instrumental in pulling this together for us in a market that didn't have a lot of liquidity for this type. I know Andrew talked about liquidity for other types of investments. But for this, this was a heavy lift, and we got it done. And everyone is thrilled. And we got it done on a basis that makes the project feasible, that makes the NPS JV workable and it met one of the conditions. And on we go.

So now the deal guys, I think that was the hardest part, but the construction guys say, now we get to the real meat of the deal. We got to build this thing. And this, in some ways, is going to be a little bit more of a technical and complex build than One Vanderbilt because we're building on top of an existing building. So tricky, but with this team that we've assembled, us, KPF Architect, Doug Hocking, premier core and Shell designer. We've got the same structural consultants on board, and we've got Tishman building the project, and we're off and running.

So in 2020, in addition to everything else, you saw, we accomplished on One Madison these very important goals, completed our CDs, executed a CMA with Tishman, completed soft demo, commenced hard demo, vacated the property, got our permits in place and we've actually awarded 80% of the deal, and I'll show you what those awards look like in a moment. We did a Tekla model on the steel, which we did successfully on One Vanderbilt. Saves time, saves money, costly on the front end, but savings more than outweigh it. So busy 2020.

And now we've got a project schedule in front of us that I'm not going to go through all the detail, but just to show you, I mean, this is in progress now. We're -- the white bar, 2021, we start. We will execute a GMP at the end of December, and then we will begin structural demolition, which I'll show you in a second, which will be completed around September of '21. We expect to start erecting steel for the tower in April of '23. Curtain wall will be complete at the end. So here, curtain wall follows steel and concrete, a little different than we did at One Vanderbilt. And that will be October '23 for TCO in November of '23. So this is about a 36-month project time line. And that's -- we're going to hustle and meet every bit of that time line. And turning over floors to tenants also in '23 to begin their build-out for occupancy in '24.

So here, you see the existing building. We're going to take down 9 stories. We strip away the curtain wall, then we demolish those 9 floors as well as the existing core. We create a new core, and we put these 4 columns -- 4 superstructure columns and along with other reinforcement, build the new core, have these trusses to transfer the weights on the specialty floor, build the concrete core up first and then steel around it, and then we place the curtain wall back on top. So that's the sequence of how this project is going to go forward. We've got a very good handle on it, and I'm confident that it's going to be a very strong and flawless execution.

The budget to do this work, when we first showed this to you last December, I guess, this is from last year's, I see was $625 million total cost based on a $483 million trade cost. Well, in the middle of the year, through a lot of value engineering and good bidding practice, we were able to reduce the cost of that project by $22 million, largely savings coming on GMP trade costs and general conditions. So that's the good news.

Now for the better news. We are, as I said, about to sign our GMP, we've bid and awarded 80% of the deal. And here are our current and revised construction costs for the project. We are now projecting GMP trade costs of about $417 million and a total cost savings of nearly $60 million off the budget we presented last year. Great work by the team. And that results in about a $479 per foot gross budget. That's about $300 a foot less than the building we're sitting in here. One, this was unique. I's scale, its height, scrape and build new development, took more time. All of those savings we had envisioned drove us to the kind of execution that we designed for One Madison, although we didn't anticipate this market.

So '21. With that behind us, we'll get our permit in Jan or Feb to begin the structural demo. We'll award the remaining trades as we go forward. We're going to complete structural demo and then commence foundation and core in '21.

The tenant experience. So while we were doing all that, Steve, Bob and Anthony and the design team were all working together to improve what was already a great tenant experience. And we're going to show you a little trailer of what will be going out to all the major tenants and brokers at the start of the new year to show off our enhanced offerings than what we showed you last year in terms of amenities, extraordinary spaces and opportunities for tenants to have this be, not just a building on the park, but a true campus feel in a very desirable downtown Midtown South market.

[Presentation]

**Marc Holliday**
*Chairman & CEO*

So a lot of what you saw there was developed with firm the Vocon, Tom Vecchione. We wanted to create a place that would inspire workers to come back to the office, choose One Madison as their home. We saw how compelling these amenities were in the leasing of One Vanderbilt and in a way that's contextual for that particular building, try to replicate that strategy.

So the strategy that we're carrying out is for this building in front of you, which is really 2 buildings within a building. One is at the podium, which has these unprecedented 92,000 square foot floor plates, very efficient and kind of hits the value part of the market. Then you've got these 14-foot ceiling height, 36,000 square foot side core floors that will be marketing to people who want the absolute premium space in this building, and we've got a good tenant list for both.

2024, there's 20 million square feet of leases expiring in New York City, in 2024. That's when tenants will take possession of One Madison Avenue. That's about 15% higher than the average of 15 million to 17 million feet. That normally expires in any given year. So we are going to set our sights right on those 2024 expirations.

And we're going to be hitting them with this video for those tenants that want a building within a building, as you saw a private lobby opportunity and an opportunity for branding to anchor this. And it will translate into what we think is the best of any offering that tenants will have for 2024 deliveries, not to mention the outdoor space, over an acre of outdoor space, specialty floors, and it attaches at all different points, 10th floor, 11th floor, 2 set back floors on the tower and then the roof. So very unusual.

And we're going to be marketing hard in '21. We're going to try and sign 1 or 2 anchors in '22. This really follows the strategy of One Vanderbilt. This is how we leased One Vanderbilt. This is how we're going to attack One Madison.

In 2023, we expect to focus in on the tower because the tower follows because we want it built, so people can feel it and touch it and walk it. And then complete the lease-up in '24, ambitious lease-up schedule. But we feel we'll be hitting the market right. And as I mentioned, '24 is a sweet spot in tenant rollovers.

So the financials, I'll just quickly revisit a lot from last year. The costs are down. So the loan amount was actually $1.25 billion, down $50 million, tying to the $60 million of project costs. We have presumed takeout financing on stabilization at a 7% debt yield and benefiting from today's fixed rates. And the rental assumptions are largely unchanged except for maybe some of the below grade space.

Our source and uses on budget are obviously down a bit, I think about $25 million to $30 million from what you saw last year. But in addition, there's the unallocated contingency of $37 million, which can either be used as -- for additional leasing tools or additional enhancements to the property or it will represent additional savings like we had at One Vanderbilt. So there's somewhere between $25 million to $60 million of project savings that we're budgeting, depending on how we use that contingency. And you see on the left, NPS and Hines are now contributing collectively half the equity.

Cash flow projections, largely unchanged. Maybe the stabilized year has pushed out a bit, a few months that were lost in part because of COVID, but we really didn't lose much time at all. And then we expect to be at around a 6.1% unlevered yield on cost with implied value creation anywhere between $600 million to $1 billion depending on cap rate on that stabilized NOI.

So a very exciting project for us to roll out of One Vanderbilt on. And I'm going to lead us right into the next one, which is of a much different scale and at a much different location, 760 Madison, is also a project. You'll recall from last year, we've advanced it greatly during 2020. This is a project we're doing in combination with Giorgio Armani, and it's something that we're going to deliver in to the neighborhood which this is a completely harmonious project. So whereas One Madison and One Vanderbilt, they're transformational. This is intended to slip right in to Upper East Side Madison Avenue for kind of the quintessential and classic New York buyer, not the tourist buyer or not the, I should say, the foreign buyer, but the local New York buyer who wants a neighborhood property in the Upper East Side and can't really get projects like this, and I'll show you comp set, shortly.

Reminder, we're doing this in conjunction with Giorgio Armani and CookFox is the design architect, Rick Cook. Victoria Hagan works with Armani on the interior design and Douglas Elliman is going to be marketing for us.

Last year, we showed you project costs just for the retail. Now we have retail and residential. And you can see that while the project is large, only $127 million remains to be spent, so the actual hard construction costs, which will kick off in 2021. And we're building on top of what's largely a retail podium where a lot of the value is embedded, 13 very high-end luxury condos.

Project time line is for Armani to swing out of their space in January or February. We then begin demolition of what is essentially a 3-building site. We put foundations in place starting in Q4 of next year and ending 9 months later, and then we'll be getting our TCO for the property in '23. At the same time, we will start our residential closings, which will be completed a year after. So we think it's going to be a product with a fairly short sale life. And Armani takes their space in the second quarter of '23, and we commence their lease while they're doing their build out. That's the deal. So that's what that time line looks like.

Here's what the building looks like with all the different multipurpose uses, all the pink or salmon colors is Armani retail and Casa/Armani (sic) [ Armani/Casa ]. So they're going to have a big, long-term 15-year plus presence. At this site, green, we added this year, a building that was adjoining that we also own and is now going to be used as a Giorgio Armani Ristorante. And then you see there's some amenity floors on the third floor, on the southern portion of the third floor and then the condos and penthouses up top, 13 units, mixture of single floor units and 2 a floor unit average with a lot -- with 5 of the units with exterior space, which is a scarce commodity in Madison Avenue.

So the retail looks like this, a beautiful limestone fluted storefronts, brand-new with those vitrines for Giorgio to display all their clothing line. And when you pull back, you see they have a corner presence on 65th as well as the separate restaurant entrance further north on the block to the right.

Then the condos will have, particularly the top 1/3 of these units, have tremendous views. All of them have great light in there. But many of them will have these kind of park views from the outdoor spaces from the windows, looking both at the park, which is only a block away. And the landmark Temple Emanu-El, beautiful structure.

There's a lot of amenity space, small amenity spaces throughout this building. This one is a library, lounge and party room that's right off the lobby of the building, but then there's also fitness center and other amenities on the third floor.

Inside the unit, you see here, while the building is very classic, the interior is meant to be modern. It's not -- this is supposed to be very livable. It's not supposed to be formal, so not formal living is not how we intend people to experience this space. So comfortable, modern, elegant seating, big, big windows, fire place and kitchen, that's -- working kitchen with an island and a side dining room area that could either be separate or adjoined into the kitchen with very high end materials that will be standard in these units. Bathroom finishes will look something like this or fairly close with special car vanities and tubs, et cetera. Master bedrooms with great views.

And I said earlier, there's very few buildings really that fit this look. This is the comp set. These are buildings with 50 -- 25 units or less, 25 units or less is where we will compete. Obviously, 760 fits right in there. We have new entrance here at the Benson and 150 78th Street. The Benson just sold within the past, I think, a couple of months perhaps 2 penthouse units at an average price of $5,500 a unit. So penthouses are still in very high demand. 150 78th is also doing quite well.

So the price range indicated here is kind of $3,500, $4,500 a foot. Some of these predate COVID, some are current. But the point is we'll be delivering into this market and we'll be uniquely a product that fits the times. Many People today want smaller buildings. They don't -- right now is not the time for 250-unit buildings, big shared amenities, crowded elevators. This is the exact opposite. It's neighborhood living in a very desirable part of Manhattan, you know your neighbors. And we think, more importantly, Douglas Elliman thinks that this moment in time only serves to enhance this project. So we're very excited to commence.

Numbers are pretty much unchanged from last year. We put a range of pricing in for the condos, which will be really drilled down as we get closer to filing with the AG in about 1.5 years. Total project cost, $440 million, but remaining is only $127 million. We own it all. It's unlevered, and we don't intend to lever it. And cash flow projections are such that Armani will begin to cash flow in '23 when they repossess their space. And then in '24, we sell out the balance of the condos. And then you've got stabilized NOI of close to $18 million, which is up significantly over what we received in 2020.

And profitability of somewhere between $80 million and $130 million and a value for the retail that's anywhere in the range -- it was 5.65% cap rate on stabilization, and we would apply somewhere between 4% and 4.5% cap, given our experience with Puma and some of the other low cap rate sales that we've done in 2020. That's 760. I'll turn it over to Andrew.

**Andrew W. Mathias**
*President & Director*

Okay. Well, in September, I would say, against all odds, certainly, if you'd asked us in March or April, whether it was possible, we would have said, no chance. Ed Piccinich and his team topped out 185 Broadway, take you through that ceremony we had for the construction workers who work tirelessly throughout the pandemic.

[Presentation]

**Andrew W. Mathias**
*President & Director*

So just to remind you, this is our affordable New York project, 30% affordable units, 35-year tax abatement, the corner of Broadway and Dey Street downtown in that -- our little Pace submarket I showed you earlier. We brought the project team together on this one with a lot of experts in market rate residential and the commercial space, maximizing the exposure of the commercial space and its location next to Fulton Street Transit Center. The project cost from last year is down about $3 million to this year, mostly due to interest savings. LIBOR has been our friend. Project time line, you can see we're pretty much completed with this job. We're working on the interiors of residential units. We'll start leasing up the space in 2021, both the residential units and hopefully, some commercial leasing as well.

And to give you some updated visuals of this extraordinary offering, building features, outdoor space, rooftop amenities, loggia space, a lot of public space for the building and its residents to try to give it a competitive advantage. Within the units, you can see, the glass lines, giving a tremendous view all really around downtown. And then in plan, the building lays out with commercial at the base and then you see the residential and the amenity space is up top.

The impacts to our underwriting from the pandemic. So we converted the second floor from retail to office. We feel we can get a loss factor and get rents that are more competitive from an office user. We've decreased office rents a bit about 10%, 10% to 15% and increased our concession packages we're offering tenants to be reflective of the market. Retail rents have ticked down as well, reflective of the current retail environment. And then residential, we're offering some additional incentives to first-time residents as we move people into this project, we moved our residential concessions a bit as well.

Hopefully temporary, but you can see the sources and uses for the project with the debt costs I mentioned and the project coming in a little bit below budget, even with those additional concessions. Capitalization. We have a construction loan on the deal now. Once we stabilize, and we'll look to put on longer-term takeout financing, take advantage of today's low rate environment to lock in long-term rates. Really extraordinary all-in rates available out there in the financing markets.

The cash flow projections, the stabilized year moves out a bit. And you could see we're still stabilizing at a $13 million plus NOI with the underwriting changes I discussed. So the yield on cost at this is down to about 5% with the underwriting changes as a result of COVID. So still a successful profitable project, albeit a bit less with reflection of the market environment, but it will be an exciting project for us to bring out our first affordable New York project. That's 185 Broadway.

Moving West and North, 707 Eleventh, that's another deal we introduced last year. Recall, this is -- this was Kenneth Cole's headquarters. We bought it from Kenneth directly and leased him back some space at grade and in the lower level of the building. And we did some basic building improvements to get this building ready for office. Our business plan was office when we purchased it. There was some notable office deals done in the neighborhood on 11th Avenue, 10th Avenue and 9th Avenue, which we still think will carry over to this area. However, I would say, based on the pandemic, we're going to evaluate this site as well for alternative uses.

We have a very attractive basis in the building and an even more attractive basis in the site because the site is significantly underbuilt. Recall, this is located in an opportunity zone. And although residential zoning is not as of right, we think it may make sense to pursue a ULURP to potentially explore a residential rezoning.

If we do wind up going commercial, we've made some adjustments to our underwriting to reflect longer timing of lease up, a reduction in market rents on the office side and a bit more capital, but we're at a place where we can still really evaluate different alternatives. Amazon leased the site across the street as a last-mile fulfillment center. So self-storage, last-mile fulfillment, school, other uses we're going to explore, in addition to commercial and the residential I mentioned. So there's a lot of flexibility in this site.

You can see the amount of residential units that have been added in this area. Why, you ask, [ does ] our zoning not allow residential? It's literally just the west side of 11th avenue for no particular reason. So we'll be addressing that with the city. A lot of units have been added to the east of us here, almost 13,000 in total. So this has become a bustling residential neighborhood. You can see Sky on 42nd Street, our deal with Joe Moinian about 6 blocks south of this project.

So we're going to market the asset to commercial users. We're going to pursue a ULURP for 330,000 feet or so of residential development with an affordable housing component, and we're going to continue marketing to alternative uses. We have a lot of flexibility in this asset, given the occupancy, and we'll pivot a bit based on where we see highest and best use based on how the market presents. These sources and uses is still based on a commercial lease-up, where we'd find an office tenant, have about $125 million basis on a stabilized NOI of around $7 million. So you get to almost a 6% yield on cost and still have a profitable deal if we're able to find that office user, but we'll explore the other uses as well. So that's 707 Eleventh and now pivoting to our flagship project, which we're sitting in today, One Vanderbilt.

In September, a couple of weeks before the 185 topping out ceremony, we had a very busy September, we hosted the ribbon-cutting of One Vanderbilt, which really was a special event following Labor Day. The city sort of started to come back to work. And we had a great turnout for a safe and socially distanced ribbon-cutting event at One Vanderbilt. Here are some highlights from that day.

[Presentation]

**Andrew W. Mathias**
*President & Director*

All right. So leasing progress, you can see in -- highlighted in blue, the 4 leases we signed this year amid the pandemic, including our announcement this morning of our full floor lease with Heidrick & Struggles. So we welcome them to the building. We stand at about 70% leased today. Steve Durels has assured us that in the next 30 days, he'll be signing 2 additional leases where we have execution leases out, tenants weren't compliant with our investor conference policy, getting them done. But we have 3% more. We feel very confident we'll get done to get to that 73% by the end of the year. And then we have proposals out on 2 additional floors. We're trading paper on 2 additional floors. So you see total availability in the building of around 23%.

And then to access a part of the market we really haven't been able to access because these small space users want immediate occupancy, they don't plan as far out as the larger users you see on the screen, we're introducing a new concept of One Vanderbilt called the Altus Suite. So these will be 6,000, 6,500 square foot, very high end prebuilts. And they'll take the building. We're going to start with the 2-floor program. You can see 53,000 feet. And I'll take you through a little bit more specifically our offerings.

These are going to be unique, the highest end prebuilts in New York City. Period. There -- again, the 54th and 60th floor feature spectacular views from that portion of the building, which you'll get to experience later today. They're going to be serviced. So this building is all about a higher level of hospitality. The suite customers will have some exclusive benefits that other prebuilts can offer the space we're competing against just isn't able to offer.

You can see some of the visuals, very high end arrival experience. Each suite will have of its own reception area, great conference facilities, taking advantage of the views. The suites come furnished. So these are move-in ready which is -- we've had a lot of success in other buildings, leasing up furnished product, great trading setups for small financial firms. Pantry areas in each of the suites. And you can see in plan how it sort of breaks up when you take the 4 different suites, each 6,500 feet and break them off the core. So we think this type of offering, we haven't been accessing that smaller space user mostly because the building hasn't been open and ready for business. Now that we are open, we think we'll have a lot of success.

As we brought a different approach, a more hospitality approach to this building, we recognize we needed some talent beyond sort of traditional property management. So we made 2 key hires this year, bringing on Gerald Feurer as Director of Hospitality for SL Green with specific responsibility for a lot of the hospitality of One Vanderbilt; Marijana, who was with us in a property management capacity has moved over to be a hospitality manager at One Vanderbilt specifically. These folks will help service both the Altus Suite customers and also other tenants in the building.

When we pitch this building to tenants, we have a level of offering here that other buildings just can't offer, whether it's food, whether it's hospitality, whether it's the unbelievable common spaces you're experiencing here, and on the other side of this floor, you'll see after the presentation, security, life safety, COVID preparations, this building is state of the art in every sense of the word.

Also, this year in 2021, we'll open Daniel Boulud's Le Pavillon restaurant which we introduced last year at this conference. We have some updated images to show you of the arrival off the Plaza on 42nd Street, coming up to the reception area, beautifully landscaped dining room. You can see sort of intimate dining experience with a mezzanine bar overlooking Grand Central, and these spaces are really starting to take shape. And look, you're starting to get really a sense for how spectacular and exciting they're going to be as restaurants come back to life in the city.

The financials of One Vanderbilt, a success story all the way around. The pandemic's pushed out our lease-up of remaining space a bit by about 6 months. We've lowered rents very modestly, given the demand in this building, what we think is our ability to drive pricing for this premium product and moved out concessions a bit, hopefully temporarily. The Ob deck ramp-up will be delayed a bit, given the state of tourism in New York, and we moved the cap rate out for conservatism. All that is balanced against those construction savings on this project, which Marc spoke about, which net of that leasing -- additional leasing capital I just took you through, will still translate to $50 million of project savings on this deal from original budget.

The loan -- our construction loan is still in place. We'll hope to line up takeout financing in 2021. Again, Hines and NPS are our JV partners. The REIT owns 71% of this asset itself. And in stabilized year 2024, we're projecting $190 million in net operating income, off very slightly from what we presented last year, given those pandemic impacts, but still a 7%

return on cost and the potential for enormous value creation, given the scarcity factor of this building and all it has to offer. So very exciting. And One Vanderbilt still stands a great success story for us. And now I'll turn it over to Marc to take you through the Summit.

**Marc Holliday**
*Chairman & CEO*

All right. So our last -- the last project I want to talk to you about, maybe the most exciting project, you might think you're sitting in the most exciting project. But at the top of One Vanderbilt sits the Summit. This is kind of the debut of our logo, name for the object, take a good look at it because I hope in a year's time, this is going to be recognized worldwide for what is going to be, I think, one of the most compelling, must-see experiences in all of New York City, perhaps the world. And I don't think I'm understating it. So I want to present it to you today, see what you think. But we've been working on this hard for 2 years. And there's no better way to finish the top of this building than, I think, with what we've created here at the Summit, and it will be launched and opened in 2021.

The project -- advance that. This is going to be an entirely different way that you're meant to experience cities, the environment, yourself through not just observatory view but through immersive and multisensory experiences that begin right when you enter the Summit off of Grand Central Station and really don't finish until you're done with your journey at the end and you're leaving. It's highly orchestrated, but it's meant to give everybody the freedom to interpret it as they wish.

We are obviously very proud to have worked on this, developed it, pulled it all together. We started it, ripped it up, started it again until we found something that we really felt was more than an object, something that people would visit time and time again different times of the year, different times of the day. It'll be uniquely compelling in all those factors. And that's something that I think we helped put the team together to make that a reality and then put our touch on it to make it something that will be truly memorable and sort of infinitely Instagrammable.

We -- as part of the team, we hired Snøhetta. This is award-winning designer, Snøhetta architects, based in Oslo. They have a very crisp, clean, futuristic design motif that they brought to the Summit. And you'll see in some of the future images the spirit of Snøhetta throughout. It's something that I think will be timeless and for decades to come. It will be a very relevant design on the interior, again, view aside.

We then reached out to Kenzo Digital who you sort of met virtually last year. And Kenzo made it his mission to come up with something that is unique, I would say that's mind-blowing, and I don't think I'm overstating it, and something that is going to create a motion within people that is not something achievable in other objects and other destination experiences. And he's sort of a great storyteller, artist and creator of these ownable moments that we've seen him do in other instances. And now he's brought that to the Summit to put this structureless, boundless world right on top of One Vanderbilt and something that will become sort of instantly recognizable and, I think, desirable.

So you see, it's more about a journey than a view. This is -- every little teardrop, if you will, is an experience unto itself. It starts at the arrival, and it follows all the way through to the 3-story Ob Deck until its completion. I'm going to take you through each of these moments. Any one of these moments I feel would be reason enough to want to visit the Summit. Taken together, I don't think there's -- there will be any comparable.

You start in Grand Central. And you've seen this, but now you see the branding that actually exists for the One Vanderbilt, for the Ob Deck. Grand Central is essentially a billboard, if you will, a digital billboard for the Summit. You'll see some of this today on your walk-through. Everything sort of draws you in with all these different points along the way to the entrance to this experience, which will be time-ticketed to prevent any kind of crowding or queuing outside of the event.

Once inside, you see we have this kind of amazing, very clean, crisp ticketing area, state-of-the-art security, something that will be really definable within Grand Central Station for what it will bring to Midtown. And when you enter, we want to sort of cleanse the palate, if you will. There's this immersive theater, Dolby Atmos, 180-degree screen, which will get your mind prepared about the making of One Vanderbilt. We have about a 5- or 7-minute movie that is going to be sort of amazing about this achievement. And that's just to sort of get you set for what is yet to come.

You move from there into -- through a door into black space. You sort of step out of the frenetic energy of the city. You leave it all behind. You kind of reset your senses. And you don't really know what to expect, but you know it's something special. You get to the elevator that will transport you to the top. White light is what greets you. You walk into the elevator, the door is closed, everything fades to black and then you begin this rapid ascension up to the top, made even more so by pulsing lights and other features in the elevator that kind of give you the sensation of powerful ascension in under 1 minute from ground floor below grade to the top of the building. And then you arrive at transcendence. And this is sort of the moment where you come out of the darkness back into light. And what you see, you may find a bit disorienting, a bit thrilling.

We've wanted to present this to you. We had to mock this up in kind of a prototype in a bunker that had limited or almost no access. We've kept it pretty much on the q.t. We filmed reaction to people as they walked into the prototype. And we put those together so that you guys can see for the first time what that will feel like as you first experience transcendence in the Summit.

[Presentation]

**Marc Holliday**
*Chairman & CEO*

You didn't think I was going to show it to you, did I? There's no chance I'm going to show it to you, guys. You're just going to have to wait longer and show up in October 2021. Reserve your tickets right now because those are the actual reactions. If you want to see what people are experiencing, we'll see you there at the grand opening in October. It's going to be incredible, and it's I think a very exciting moment for the company.

And by the way, then you move on the journey. Symbiosis, another experience where you encounter a universe, where you float, you reflect, and there's all sorts of interactive features to it that will be fun for kids and adults alike and very much in keeping with the current times and what's going on. You step out onto ledges where you float above the city, you become part of the clouds. These brave souls are hanging off the curtain wall of the building on glass that's basically zero reflectivity. So it looks like you're standing on air.

You move there to unity, where you join up with your fellow visitors. You become one with the sky. You become one with your other visitors in the room. Your face comes together. It disappears in this kind of very emotional experience that's going to be very powerful when enhanced by view and other things we're doing.

So when you finally get to the top, you got to sort of recharge, refresh and pull your senses together in sort of a chalet-styled café and bar at the top where -- complete with fireplace and grab something to drink, a bite to eat, continue out onto this beautiful landscaped terrace. Most of you or many of you will see that today. That terrace is under construction. The views are phenomenal. This is going to be visited throughout the year for the view, for the experience, for the drink and food. So we expect this to be a real New York place, not a stop on a tourist map. And it will have a level of finish and landscaping, I think, is appropriate with that.

And then you first get to the ascent. You've made it all the way up to about, I don't know, 1,050 feet, but you got to travel that last 200 feet except you don't know how to do it. So we solved that by hanging 2 glass elevators off the curtain wall of the building that were made by gondola makers in Italy that have now been installed. And you are in a surrounded glass box so that you can climb up the crown of the building as this ascends and take in a view from the highest viewing vantage point in Midtown. And I've done it, and it's crazy. And you've got to do it, and it's something like this.

[Presentation]

**Marc Holliday**
*Chairman & CEO*

Okay. So the journey doesn't end there. There's more, but I'm going to withhold for now. I think what we wanted to convey to the shareholders is that this is something that is very far along. It's something that will open in October. It's something that is going to be differentiated from almost anything else I can think of in the city, in the world. We're excited about it. You should be too and definitely make a point of being at that opening in October.

Right now, today, we're launching this preview website so that we begin to tease out this launch in the fall. This is the first version of the site. And like the Summit, it will continue to grow and evolve over time. This is just a taste to give visitors kind of a small emotional insight into what's to come. People can register for newsletters, updates, preopening events, et cetera, all leading up to October 2021 when we get to unveil this spectacular and very cool, cool experience.

So the financials of this, time line today, preview website is now live. I think you can access it at summitov.com, summitov.com. And we're going to go limited presale April '21, construction complete in July, punch-list commissioning in August, special events in September and opening in October. So that is Summit.

We've delayed the ramp-up a bit, as Andrew mentioned. So we've really ramped down our 2021 expectations, 10% to 20% stabilized. Then we ramp it up in Q1 in 2022 but still 1/2 or so of -- 50% or so of total average capacity throughout the year. And then in '23 and '24, we ramp up to full stabilization of 2 million visitors, plus or minus 10%, so -- or 5%. So anywhere between 1.9 million and 2.1 million of visitors.

We've hired a staff that we're building out. We're going to have 40-plus full-time employees of the Summit housed right over at Graybar. There's going to be a lot more over -- stationed at the building. We're well along the way with the 2 key hires, Jason Hackett and Michael Williams, already on board, who each, in their own right, you're going to meet later and have destination experience that is very deep. And we're fortunate to have these guys.

The sources and uses of the budget, we're still right on budget. We increased the scope, but we didn't increase the budget. So for the same $155 million total, we were able to work in more experience and more finish into the program. And we own it all ourselves at the moment. Hines has an option to come in for a small piece.

The ticket values could be anywhere, probably on average, around $40 but with special experiences that can drive that price up. There's additional experiences, which could be almost anything. I think there'll be -- I think the marriage proposal price is probably going to be, I don't know, $500. And there's ancillary profit in the form of food, beverage and retail.

It's going to stabilize in '24 at around $15.5 million, which is what we had modeled last year. So really no change, just a smaller -- a slower ramp. And that's about a 19% cash on cost to the operator. $80 million of that $155 million is the Summit operator, which is all SL Green.

And that is it for Summit. And I think now we're going to turn to a quick look at net asset value. I'm going to try and go through this reasonably quick as everybody here is very familiar with this format by now. At a share price of $63.90, which is where we closed on Friday, we have a total market enterprise value of just under $15 billion.

And to kind of put in context what that means, we first look at all the -- everything outside of that core Manhattan Fee Simple office portfolio. Obviously, that's the bulk of our company. But the other things largely right now are the development properties. What's interesting to note is things like high street retail, residential properties, other assets, even DPE have become a very small part of this company, almost financially insignificant, financially. They're not insignificant because they're great assets, but relative to a $15 billion -- $14.8 billion enterprise value, they're modest.

Leased fee and leaseholds, you see the valuation methodology at cap rates, fee cap. We lift the same leasehold caps, we moved up. High street retail, we move that cap rate up obviously because of what's going on in the retail sector. Notwithstanding it's largely credit and long-term leases, we still move that cap rate up.

Residential, same thing, great residential properties, moved the cap rate up a bit, unstabilized. Suburban asset is down to a little over $100 million gross asset value. The development properties we just went through, that's the bulk of where the company's additional value is. Most of that is at cost except for One Vanderbilt, which is at today value, not residual value, not stabilized value, today value.

Held-for-sale properties are properties we are going to be -- or will be disposed of in the near term. Debt and preferred equity portfolio, it's a credit book at over $1 billion, but we value it $0.9 billion in case there's any -- gives us the flexibility to continue trading assets. And you saw Andrew showing that assets were trading around $0.95 on average. This gives us the ability between 90 and par if we want to monetize more to put into opportunities or our stock. And that leaves $6.5 billion of Fee Simple clean Manhattan office value, which is an 8.25% cap at today's valuation. That's probably the highest cap rate since we started doing this. I don't recall a higher cap rate.

$447 a foot. Given the quality of the portfolio, I think that sort of speaks for itself. And if you vary that using cap rate range, that's a little out from last year, 25 basis points, 4.75% to 5.25%, you're still at ranges between about $113 to $128 a share. That's implied, right? That's not our NAV. That's an implied stock price based on those cap rates on that stable -- on that core Fee Simple Manhattan office. 2021 office cash NOI at share. So these are not stabilized value -- in some cases, they're transitional values, but we just put direct cap on it.

To show you -- I don't want to call it absurdity. But to show you the -- just the extremism of that valuation, we wanted to sort of cross out anything that's not Manhattan real commercial assets and development properties, meaning what was the $6.5 billion below and the $4.4 billion above. We zero out the equity in the debt. On high street retail, residential, suburban asset value, the entire DPE book, which is unlevered and all other assets except cash. We thought you'd give us a free pass on cash and let us sort of keep that at $83 million. And if you take out all of those assets, all the equity and all the debt associated with those assets, you're still at a 6.87% cap rate implied for clean brand -- with a weighting almost sort of -- I don't know what that weighting is, but I'd say 40-60 between brand-new development properties and our core portfolio. So that is where we stand on the NAV slide.

Now we go to the bridge. We started this last year. We want to reconcile it to this year. Core portfolio NOI from last year's IC was $651 million GAAP and $603 million cash NOI projected for 2020. That's where we start. Then we add in the unsold properties, meaning properties we intended to sell but didn't in '20. There's 4 of them. You see them right there. So since we didn't sell the properties, we have to add in the NOI contribution from those assets that we hadn't anticipated. Then we did sell properties, which we hadn't anticipated. So we have to deduct those amounts, $11.7 million GAAP, $10.1 million cash because we hadn't anticipated it. And then we had to add one more category of newly acquired properties that contributed NOI in 2020 to the tune of about $15 million, with 885 being most -- the Lipstick Building being most of that.

And now we have a reconcilable 2020 adjusted NOI, GAAP and cash. The GAAP reconciliation is very difficult because you have to reconcile straight-line adjustments going forward and going back. And we're going to instead reconcile cash. It's not too dissimilar from GAAP. It's just easier to follow.

We currently project 2020 cash NOI of $644 million. That's Q3 actual, Q4 projected $644 million current projected 2020 NOI on that adjusted pool. As against the $671 million, that's a $27 million difference, 4%.

Reasons for the 4%, components of that variance, mainly what you heard in my discussion about the rent abatements and the fact that we -- for a lot of our small tenants, we did some abatement deals. There is also a garage operator, Icon, who's in default, hasn't paid on a good number of our properties. And we're in litigation with those guys because they can pay. They just not. And that's $3 million. And that -- those 2 things there account for 80% of the variance. So if the garage is paid and no pandemic, I think we would have been within -- I don't know what that is, but 1% of our projection. So I think it was -- and there's other ins and outs, but those are I think the major unexpected items.

I think it was a great job of projecting. And now with that new category of 2020, we're going to roll forward. That's the GAAP NOI that's associated with the cash NOI, $674 million. And off of that, we now have to do a little bit more reconciliation for 2021 where we plan -- we have planned sales this year as part of our '21 business plan that will deduct $9.4 million from that GAAP NOI, 2021 NOI. Again, that's from the same pool from the prior page, just '21, not '20. Then it gives us core portfolio NOI of $633 million, and we project it forward. You see we have a dip in '21 because '21, we expect to be the toughest year in the sequence and a little bit tougher. So even before pandemic, we had a dip in '21 for the development properties. So a little more pronounced now, not by much.

And then we have growth kicks in. And the growth kicks into even higher levels because we have more assets, assets we either didn't sell or assets we acquired. So there's more growth, both in a CAGR sense, 4.4%. I think last year was 3-and-a-change, 3-point-something percent. And in a total sense, $800 million stabilized versus some lesser amount last year. If we look at the growth just from where we sit today because '20 is already largely in the bank, then we've got an 8% CAGR on the core operating portfolio off of these modest or relatively modest '21 results.

So now we look at the development portfolio. We projected $69 million of GAAP NOI, $58 million of cash NOI. That was last year as I see. We sold 410 Tenth. Hadn't anticipated that. So we got to take out that NOI, but there is no NOI projected. So we don't take out anything.

And then we get to an adjusted, which is the same. And the current projected from that pool with that one adjustment is only $3 million below. And again, I think in the pandemic world, we're satisfied with that result.

And we carry forward, you see that dark blue bar at the top, that's the contribution from the development properties, which obviously in '21 is minimal. But when you bring it in, '21 to -- oh, now you do a '21 business plan, we -- no newly acquired properties of significance. I think 15 Beekman is in there, but we only own around 20% or so. So the number comes up at 0.

So now you bring in not only the operating properties but the operating and development properties, and there's a 10% CAGR back from the beginning of the bridge, but we're at 20% of the way across the bridge. So if you look at that CAGR from today, it's 16.5%, getting to a total of $1.61 billion of total stabilized GAAP NOI versus the pool last year, which I think was about $1.20 billion, if I'm not mistaken.

So again, higher growth, higher achievement, more capital. I think net-net, the incremental unfunded capital is about $180 million. So it's about $40 million more of NOI and $180 million of incremental capital. And we're 20% of the way across the bridge.

So now I think we're going to -- Andrew -- Matt is going to come up. It was a long lead-in to you, Matt. I mean this was -- but we're in the home stretch here. Matt's going to do guidance, which I imagine some folks want to hear. And then Andrew and I will wrap it up with scorecard.

**Unknown Attendee**

Please welcome Chief Financial Officer, Matt DiLiberto.

**Matthew J. DiLiberto**
*Chief Financial Officer*

[indiscernible] It's because of Andrew.

**Unknown Executive**

Yes, probably.

**Matthew J. DiLiberto**
*Chief Financial Officer*

Thank you, Marc. Thank you, everybody, for being here in person. Special thanks to Marc and Andrew for allowing me to condense 20 minutes of prepared remarks into a minute and 30 seconds. And for those who have been so patient sitting here and haven't asked the question, it's down the hall, make a right. I am perfectly comfortable with you heading out and doing that in the middle of all this.

It means a lot that you're here with us today, that you made this effort. I'm going to kick off the most scintillating part of our discussion this afternoon or this morning, I guess now this afternoon, with a view of our balance sheet. Focus of ours but even more so in times like this, we're going to start with a look at our liquidity position. We're proudly a company that has many opportunities to generate cash, starting with our cash flow from operations to being very active on the sales side, selectively monetizing real estate assets and debt and preferred equity investments. We also strategically use the debt markets to source capital, both at our properties and the corporate level, while keeping a laser focus on leverage, which I'll talk about in a second.

On the uses side, we pay you that healthy dividend, still all-in cash and still monthly for now. We fund our capital needs, the largest of which are on the development and redevelopment projects and most of which are funded with construction facilities like the one we just got at One Madison. And since 2017, incremental liquidity has gone from asset sales to buying back deeply discounted stock. And don't count us out when it comes to opportunistic real estate investing where we're always on the hunt.

Now back in April, we were all trying to take stock of where we were, where the business would be and the city would be. And there's no crystal balls in our office, but we did know that we wanted to significantly bolster our cash position, not just liquidity, cold hard cash money. So we set out to take our cash balance up to around $1 billion. Through a combination of financings, including drawing up a revolving credit facility to protect against cracks in the banking system, as well as real estate sales, DPE sales and repayments, we generated an enormous amount of cash, amassing well over our $1 billion target even after repaying $650 million of debt.

So we restarted the buyback program well ahead of when anybody thought possible, which is a clear signal of our confidence in the future of the business and in the city. While repurchasing over $132 million of stock and 40 million of units, we still ended the quarter with well over that $1 billion.

Now we were focused on cash in the second quarter, but the close management of the sources and uses I touched on earlier has allowed us to maintain significant liquidity as measured in cash, marketable securities and revolving credit facility capacity well in excess of our target for many, many years, long before the pandemic had companies scrambling to shore up their balance sheet. 2020 alone, you see we expect liquidity to grow by almost $200 million to $1.7 billion. And you'll note the change in the composition of our liquidity in the third quarter where we returned to our more customary liquidity model, less cash on hand, more line of credit capacity after we paid down that credit facility when we got more confidence around the stability of the financial markets.

Turning to debt maturities. We certainly feel very good with where we are, having a very modest amount to attend to over the coming years in a very constructive lending environment. Assuming the uses of available extension options, this is what our maturity profile looks like at the end of this coming year. In 2023, you see our corporate credit facility maturing. Now traditionally, we attend to that 1 to 2 years ahead of time. So I'd expect we'll be getting conversations with our financial institutions later this year.

Looking at some of the larger maturities over the coming years. We get into the market, as we said earlier, for an early refinancing of 100 Park with our partner Prudential, and the reception was phenomenal. Proud to say we now have a signed term sheet in hand. And I actually think we'll be in a position to close this out before the end of the year. We also plan to unencumber a couple of assets to bolster that portfolio at 885 Third Avenue in April of 2021 and then in 2022, 100 Church Street.

On the corporate side, you see an issuance of unsecured bonds that mature next year, those are floaters we issued in 2018, and 2 more issuances in '22. We have almost daily indications of interest in a new bond issuance. So we could certainly take those out with one. But given our desire to reduce overall debt and maintain flexibility in our capital stack, I expect we'll repay those bonds in '21. And I wasn't so bold here as to say what we'll do with those bonds in '22 just yet.

Now we move to a favorite topic of mine and everybody in the room: leverage. And I'm going to try and keep my cool because I'm going to use debt-to-EBITDA, which has been proven time and time again that is not the appropriate measure for real estate companies, maybe for oil companies or other sectors but not us or our peers for a whole host of reasons that I've gone through over many, many years. Doesn't give any value to our development projects. Values all cash flow the same way regardless of geography and credit quality and duration. It's a point in time measure influenced positively or negatively at that point in time. And probably everybody in this room does it differently. But I'm going to acquiesce and do it again this year, spend a little bit of time on debt-to-EBITDA using Fitch's methodology.

So here's where we expected to end this year prior to the sale of 410 Tenth Avenue. Slightly higher than where we expected to be because we had reduced DPE income so much. Now we sell 410 Tenth, which in and of itself, is a spectacular transaction, but it's enormously beneficial to the balance sheet, removing $630 million of consolidated debt but only $5 million of EBITDA, leaving us at the end of this year well below our target at 6.9x on a consolidated basis.

But I want to focus on this gaping flaw again in debt-to-EBITDA that it doesn't value our development assets, like the ones you see here. They're by design carrying debt to fund their construction, but they don't have much EBITDA. Debt-to-EBITDA says this entire portfolio here is essentially worth about 0. Yes, One Vanderbilt is now 70% leased, 15 Beekman is 100% leased, and we just sold the JV interest in One Madison for approaching $1 billion valuation before it's even developed. So how do you use a calculation that says these are all worth 0?

So we adjust out for these projects in this debt-to-EBITDA calculation. Going back to where we expect to end the year, 6.9 on a consolidated basis, 10.4 on a combined basis and back out these development properties that are given 0 value. See 4.6x on a consolidated basis. And if I was to convert these measures to LTV, what you'd see is that by real estate standards, we're very prudently levered, if not low levered by New York City standards. Needless to say, we're still exceedingly comfortable with where we are from a leverage perspective given the quality of this team, the stability of our portfolio, its cash flow and the market in which we operate.

Now we turn to a topic that used to be a matter of course for office REITs, but in 2020, it became an easy thing for people to back away from, just providing basic earnings guidance. As I said, when we took the bold step of putting guidance out, revised guidance back in April, while many others pulled it away, we feel we owe it to our investor base, the people in this room, the people on the webcast, to provide you our view of the business at all times. You don't pay us to say we don't know.

Interestingly though in this environment, it's been asked by one of the more prominent research analysts on The Street who published this statement last week, does it even matter near term? Well, I don't know if it matters or not, but I'm still going to go through it.

First, from the attorneys, I have to read this verbatim. As I go through this, I may be using some non-GAAP financial measures. So you should look to our SEC filings, including the 8-K filed this morning, for any comparable GAAP financial measures and required reconciliations. Andy, good? Perfect, all right.

And I always start back with a look at the year in the rearview mirror. Normally, it's just tweaks from original guidance to currently, not this past year. We saw some pretty dramatic moves in some line items this year versus our original guidance, including the 2 DPE-related items where in income, we deliberately and strategically shrunk our book of business to generate liquidity. While on the expense side, we took a very conservative view of reserves, around $27 million against the portfolio.

In other income, we recognized more lease termination income that was originally projected as well as that nice juicy $20 million of legal settlement income in the third quarter. While on the expense side in G&A, we reduced our overhead over the course of the year much more than we projected.

And probably the most interesting to see on this page is the increase in GAAP NOI. While there are a lot of ins and outs obviously in that number, as highlighted in the bridge, it's important to call out the incredible contributions that Ed Piccinich, who stepped out 2 seconds ago, and his team implemented on the operating expense side as well as the absolutely incredible job that our collections team did, led by Ken Padmore and my group as they collected over 97% of our office rents on a gross basis, not net of concessions or anything else since the pandemic began. All told, on a reported basis, this puts our FFO expected for this year at the upper end of our range of $7.10 a share.

Now we move on to 2021 where we start with our projected share count. As announced this morning, we have increased our share repurchase program by another $500 million, bringing the total program to $3.5 billion. Over the balance of this year and into next, we anticipate finishing out the existing program with the proceeds of the sale of 410 Tenth. And then we'll tap into the new authorization in 2021 using proceeds from other strategic asset sales. This activity brings our diluted share count down by almost 8.5 million shares next year, which, if accomplished, would mean that we have shrunk our equity base by almost 32% since we started this program back in 2007.

And it's a little bit of a fun trivia slide. Just to put our buyback program in perspective, if it was a stand-alone company and just based on the shares we've purchased to date, not anything for the balance of this year or next, it would be the 12th largest REIT in the SNL Office Index, the 77th largest REIT in the RMZ and the 13th largest real estate take-private deals since Blackstone acquired La Quinta back in 2010. So you can quiz your kids on this later on.

All right. Now I'm going to step through the components of our 2021 FFO. In the real estate portfolio, GAAP NOI of $711 million equates to over $10 a share. Along with targeting a healthy volume of leasing by Steve and his team, much of the operating expense savings that we recognized in 2020 carry into 2021 while we ramp up other expenses like cleaning as we do view tenants gradually returning to the office over the course of the year.

And in the category of the hits just keep on coming, and Neil Kessner knows this better than anybody, real estate taxes always seem to go up. But the way New York City taxes work, they're in part based on NOI and phased in over several years. So as a result, we're actually seeing real estate taxes go up because the taxes next year are based on NOI from years ago. Such is life.

I'm going to break down our real estate NOI using a slightly different format this year, so I can better illustrate the magnitude of each portfolio's contribution. Our Manhattan office portfolio is now 83% of GAAP NOI and an incredible 98% of our cash NOI. In that portfolio, on the positive side, rent commences at 2 Herald, Ulta, one of the best performing retail companies out there today. We reap the benefits of a new full-floor lease at 11 Madison that the leasing team is working furiously on right now. And these are offset by some new vacancies where occupancy decreases at several properties, most notably 44,000 square feet going vacant at 485 Lex. That's Travelers. And as we've telegraphed for many months, News Corp has vacated their 165,000 feet at 1185 Avenue of the Americas.

Our development and redevelopment portfolio expected to contribute about $75 million of positive GAAP NOI next year, but you see that it's negative. Why? The largest component of this is One Vanderbilt. There are tenants moving in within a matter of weeks this year, and then over the course of next, many of them are still in free rent periods, so operating expenses eat into the cash NOI. In addition to increasing occupancy at One Vanderbilt, 185 Broadway begins to bear fruit in 2021. We expect tenants moving in, in the third quarter.

And we have a new addition to the development and redevelopment portfolio next year, 750 Third Avenue, where Advance Magazine, it's a subsidiary of Condé Nast, that's vacating over 200,000 feet. This is coupled with other vacancies at the property, bringing occupancy below 50%, puts us in a position to perform a fairly comprehensive redevelopment, relatively modest cost.

And then we take 760 Madison off-line for its development, which hits NOI by about $8 million. But that's a yellow sideways arrow because that's an important project to generate significantly more NOI than the predevelopment NOI when Armani moves in and their new lease takes effect.

Now since I covered more than 90% of our NOI just through Manhattan office and development/redevelopment, I'm just going to build the rest of these in. At the bottom, you see what's left of our suburban and residential portfolios, in total, less than 3% of NOI. And I expect that to trend lower when we're talking 1 year from now as much of the remaining suburban and residential portfolios are out for -- out in the market for sale either formally or informally.

Of particular note here, I want to highlight where our high street retail portfolio is, now less than 4% of our total NOI, showcasing our very deliberate reduction in this portfolio, well ahead of the challenges that we're currently seeing in retail.

In the same-store portfolio, I go through the changes each year. It's probably the smallest number of changes we've seen year-over-year in a long time. 115 Spring comes in after it was JV-ed back in 2019, and there's 4 assets coming out. I told you 750 Third had its redevelopment. Tower 46, a small retail property in Williamsburg, and 400 East 57th are currently in the market for sale.

Now looking ahead to our same-store NOI. On the cash side, we see an improvement in cash NOI over this past year, with only a modest decline as the abatements or reserves we took in 2020 are offset primarily by vacancies at certain properties I highlighted earlier, including 485 and 1185. Leasing is in process to backfill the vacancies at 485 and 1185, but we're unlikely to see the cash benefits of those in 2021. While on the GAAP side, generally considered less important than cash, we project a slightly larger decline given the smoothing effect of straight-line rent in 2020.

Now this is an area where I expect most of The Street estimates were off: debt and preferred equity income. Not that long ago, we were generating more than $200 million out of this portfolio a year. In 2021, that number shrinks to the lowest it's been since 2009 at only $72 million as we strategically maintain a smaller portfolio size of around $1.1 billion. With other opportunities to invest incremental capital, particularly in our shares, we've assumed only $100 million of new originations and $53 million of future fundings, offset by $190 million of anticipated repayments in sales.

Now does this mean we are lessening our focus on the debt business? Of course, not. It has been and will continue to be a very strategic part of our business, a fundamental component of the platform. It's an area of expertise for this entire management team. It also provides an incredible amount of intelligence on the market and real estate pipeline. But as we've said for years, it's completely scalable, and right now, we think the appropriate scale is smaller.

In other income, we had a big year in 2020 and expect another big year in 2021. I know some people call this ancillary income, but it's tough to call it ancillary when we generate it so regularly. Other income, $43 million comprised primarily of JV fees, leasing management, construction management, totaling $29 million. We've also assumed $7.4 million of lease termination income, about $400,000 of which is already identified. That's far below what we recognized this past year. And then we have other, other income, which are promotes, special servicing fees and other little goodies that the team finds throughout the course of the year.

In interest expense, $275 million of net interest expense is a $23 million decrease over 2020 as rates remain at historic lows, and we continue to make concerted efforts to reduce our overall corporate debt levels. We also see a reduction in capitalized interest. It's also influenced by low rates, but it's coupled with increasing occupancy at One Vanderbilt. Now clearly the most important financing activity we're targeting for next year is the permanent financing of One Vanderbilt, targeting that for the middle of the year.

Looking at our floating-rate debt. We are primarily -- as you saw on the last slide, primarily a fixed-rate debt company. But it's important to note how we budget for floating-rate debt every year, very conservatively. We tack on to the forward curve a 50 basis point cushion that historically has not needed to be utilized, but we throw it in there. And this year, it's actually multiples more than we expected forward LIBOR to be. That's more of a plateau than a curve these days.

Here, you see the components of capitalized interest, the capitalized properties. A slightly larger list than last year as 410 Tenth falls away, but the likes of 885 Third, 15 Beekman and 885 -- 750 Third, 885 Third and 15 Beekman come on to the list.

All right. So if I had to rank the questions that I've gotten in 2020 in order of frequency, this has got to be #1. How do you calculate capitalized interest? So I just put up the kind of dummy-proof way to do it. All right, so you have a total investment of $2 billion, $1 billion of debt, $1 billion of equity. The $1 billion of debt is capitalized at the rate on the debt times the vacancy of the property. There's that component. Your equity investment, the rate used there is the weighted average cost of the company's debt times the vacancy rate, there's your component there. Pretty straightforward.

Now here, I'm taking the level of detail one level deeper. Andrew's probably disturbed by how much detail I put on this slide. This is the projected average vacancy for each of the capitalized properties throughout next year. So if you want to see how we got to the $87.5 million, there you go, highlighting One Vanderbilt that sees its vacancy decrease from 72% at the end of the year -- I'm sorry, at the beginning of 2021 to 27% at the end of the year.

And finally, concluding with G&A. While others have just now started to address their G&A, we've been focused on it for many years. Coming into 2020, we expected to reduce G&A by about 2%. But over the course of the year, we shaved another $7 million off our G&A through corporate overhead and compensation reductions, getting us to $92 million. We hold that flat in '21. That's nearly a 9% reduction in G&A just since 2019. And just to verify that we align ourselves with the people in this room and on the webcast, $42 million, over 40% of our G&A, is stock-based compensation to align us with you.

So we bring that all together, here are the components. We get to a midpoint guidance of $6.50. And because of unknowns obviously in this environment, we're going to go with a wider range than we traditionally do, actually tighter range than this year, though. $6.30 to $6.70 is our established 2021 FFO guidance range.

Now for a little fun, I decided, let's take a look at 2021's guidance versus where we were in 2015, in particular focusing on a couple of key, key points here. Look at the composition from real estate GAAP NOI. Almost $1 a share more from a now more concentrated, smaller but higher-quality portfolio as offset by $120 million less contribution from DPE income, which is always a source of great debate as to whether that's good or bad earnings.

Now you layer in the effect of our asset sale and share repurchase program. And what you end up with is bottom line FFO higher than 2015. So that's great, right? So we have a company that's generating more FFO per share. It's more concentrated in real estate. It's lower levered. It's got a higher growth trajectory, as we just saw in the bridge. So naturally, that should translate into multiple expansion, right? That's -- yes, so I don't know really what to say. It's -- that's what I've been told is the special sauce, all those things, all the ingredients, multiple expansion. Didn't happen. So looking forward to the correction that is coming, the obvious correction.

Turning to FAD, a little bit of just data for you to think about later. This is what pays our common dividend. Over $320 million of FAD or AFFO next year. Real highlight here is our focus on keeping second cycle capital low as we did in 2020. And this is truly just a referral slide, all of the key assumptions that go through our -- go into our guidance that you can all jot down and put in your reports later on.

And I'm going to conclude with a brief discussion of our dividend. You saw on Friday, we increased our dividend for the tenth year in a row by just under 3% to $3.64 a share, rewarding our shareholders. We generate a lot of free cash flow, as I showed you before. This is what allows us to continue to increase this dividend.

For now, we've kept it a monthly payment. I know that's breaking with the REIT tradition of paying quarterly. From my seat, cash management makes all the sense in the world. You collect rent on a monthly basis. You pay expenses on a monthly basis. You pay a dividend on a monthly basis. We'll continue to evaluate it over the course of the year. And that's not a typo on the screen. We actually do pay almost a 6% current cash dividend these days.

But we may have gotten a little bit more attention on our announcement on Friday. We did announce our first-ever special dividend. It's pretty remarkable. Credit to our tax team that we've sold tens of billions of dollars of real estate in our history and never had to do a special dividend, all right?

And this is a summary I put up 1 year ago, outlining the unique technology we would use if we ever did do a special dividend in tandem with our ordinary dividend to meet the distribution requirements. In 2020, the IRS tweaked this a little bit, allowing us to do 90-10 if we wanted. Our math works out to be about 85-15.

Now why are we doing this? Very simple, that bottom box. We're going to keep the cash primarily from the sale of 410 Tenth, use that for share repurchases while still satisfying our distribution requirements as a REIT. Simple and elegant way to retain that cash for a share repurchase program that's growing. And I wouldn't be surprised to see us use that technology down the road.

Now I'd like to bring back our closers, Marc and Andrew. They have survived another financial presentation. Marc only survives by leaving the room for it. And they're going to conclude with our scorecard and our 2021 goals and objectives.

**Marc Holliday**
*Chairman & CEO*

Well done, Matthew.

**Matthew J. DiLiberto**
*Chief Financial Officer*

Thanks.

**Marc Holliday**
*Chairman & CEO*

Marc leaves the room for it because Marc's seen it 4 times and didn't want a fifth, but good job. All right. Andrew, scorecard. This one, no [ asterisk ], no [ asterisk ] on this one for...

**Matthew J. DiLiberto**
*Chief Financial Officer*

No.

**Marc Holliday**
*Chairman & CEO*

Okay. We'll be -- we'll take it like -- standing up like men.

**Andrew W. Mathias**
*President & Director*

So our initial goals in 2020 are on the screen in front of you, which we announced last December. We missed a bunch because of pandemic. Not surprising, I would say, and the teams did a good job given the circumstances. But we missed 9 of them, about 50%.

A bunch of notable achievements, though, I would say, in a lot of the categories: share repurchases fed by dispositions; TCO on One Vanderbilt; bringing in a JV partner on One Madison and getting construction financing, which was herculean to capitalize that deal; GMP, Marc showed you the savings we achieved earlier; topping out 185, I showed you that was a great accomplishment; Debt-to-EBITDA, we're in -- we beat it by 0.5 turns with the sale of 410 Tenth; and ESG, we met both of our goals.

We also did 3 revised goals in April, I believe, so those are in yellow here. And you can see we met all 3 of our revised goals. We'll finish the year with 1.3 million of leasing against our goal of 1.2 million, 72% occupancy at One Vanderbilt with the lease signings I showed you earlier and same-store NOI of between 1% and 2%, we'll be right in the middle of that range.

So with all that said, 2021, let's take a look at the goals and objectives. Leasing, we have 3 goals. Manhattan signed office leases, always a bellwether-type test, 1.3 million feet. Same-store occupancy of 93% or better and Manhattan office mark-to-market down 5% to 10%. We have a lot of highly escalated rents rolling off in 2021, as you saw from Matt's presentation earlier.

Investments, Marc?

**Marc Holliday**
*Chairman & CEO*

Share repurchases. You heard Matt, we have a very ambitious program for next year, big asset sales which you see on the next -- I guess, we could have inverted these, but dispositions greater than $1 billion; acquisitions, $100 million; difference in proceeds, debt reduction, share repurchases, $400 million for next year.

DPE, I guess, also gets a mention there. We expect that there's going to be some opportunistic situations coming to our attention in '21. This will probably be limited. $100 million may just be 1 or 2 big deals. But we think we can make greater than 10% returns on assets in this part of the cycle, which are usually at their lowest in terms of risk adjusted. And so we'll pay attention to DPE as well and grow by $100 million.

**Andrew W. Mathias**
*President & Director*

One Vanderbilt is going to get a lot of focus next year, obtaining permanent financing, which was this year got pushed off as the leasing got pushed off. So we'll hope to term out and put permanent financing on the building in the next year. We hope to secure an additional JV partner and bring the building to 85% occupancy by year-end. And then as Marc showed you, opening of the Summit observation experience by October.

On One Madison, we also will be out in the market looking for additional joint venture capital there, likely another 25% of the building, bringing our ownership down to 25%. And completion of demo and commence core work, the foundation by October of this year, that's going to be a heavy lift given the amount of demolition that's involved.

185 Broadway?

**Marc Holliday**
*Chairman & CEO*

30% leased by December. So that's -- it's fairly ambition. First, we have to finish the building, that will be sometime in the summer, and then embark -- our projections have at leasing 30% by December. We did not change that lease-up schedule for '21, so we're going to take a run at that.

Financial performance. Same-store cash NOI growth is modestly down. Again, I think it's a great testament to the portfolio that, in back-to-back years, like '20 and '21, it will be down just 0.75% is what we're projecting. And we do think we're going to have an opportunity to unencumber at least $350 million of gross asset. And again, that will come from our disposition activities and JV activities. And TRS, we think where pricing is today for all the reasons I showed you guys on the NAV, that we're poised to hopefully turn these into 2 green thumbs next year.

**Andrew W. Mathias**
*President & Director*

All right. Corporately, 100% of SLG employees work from office in 2021. We made it through most of 2020, and we intend to try to keep working from the office in 2021, leading, and hopefully, many of our tenants will follow our lead. And we're going to support COVID vaccination efforts in New York City, whether that's via use of empty storefronts, whether that's financial support, trying to figure out how we can get our population vaccinated to get people comfortable leaving their houses again, get tourism back at our hotel business going and achieve a lot of the goals that Borough President Eric Adams spoke about earlier.

That's it. So with that...

**Marc Holliday**
*Chairman & CEO*

Okay, so listen, thank you, everyone, for making the effort to be here today. Thanks, everybody, I guess, listening in on the phone. We're presumably hundreds more on the phone than here with us, but we do have a full house and proud to show off our new digs as well as our '21 business plan. You've seen this 2 days ago. A week ago, you would not have believed it. So credit to the team that worked 24/7 past 2 weeks to get this floor ready for today, ready for our tenants. Nothing like a deadline to motivate everybody. And I think when you walk around, you haven't seen the best part or at least an equally good part across the way. I think you'll -- to me, it's some of the nicest space in the city for this building, and it will help us with the remainder of the lease-up.

So we'll take the Q&A now. I think we're just going to -- rather than in years past, texting it in. It's a small group. We'll just take it live if people have questions on any aspect of what we covered today.
I think we may have a mic or no? No mic? Okay. We'll just repeat the question. Anybody have questions?

# Question and Answer

**Marc Holliday**
*Chairman & CEO*

[ Charles ]?

**Unknown Analyst**

[ The big, big extension of the office environment ], especially the office environment down 5% to 10%. I think in 2021, we'll be seeing it sort of outside securities. Just maybe, Steve, want to comment on his expectations, a lot of that's discussed in his role, I mean people [indiscernible] what the expectation for what will happen for a lot of the [indiscernible] environment in '21 and '22, whether it will be real renewals or maybe short-term funds and figure it out later when backlog [indiscernible]

**Marc Holliday**
*Chairman & CEO*

Just repeat that, Steve, for everyone on the phone, just in a condensed version. No offense.

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

I think the question is, what do we see as far as mark-to-market and some of the larger -- the near-term lease expirations and how...

**Unknown Analyst**

And then also how much in '21 and '22 do you expect will be short-term funds...

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

Yes.

**Unknown Analyst**

As opposed to leasing or more [ actions ], renewals and stuff?

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

Right. So how much of the '21 and '22 expirations are likely to be short-term extensions as opposed to vacates. So the story is that we spent a good deal of this year working on attacking those '20 and '21 expirations, even going out to '22. We've done either signed or have deals in the pipeline of something like 69 renewal deals. So -- and Marc posted that one stat that showed that 50% of the leasing transaction done this year had in fact been renewals as it compared to the original pre-COVID budget of 78% were supposed to be new deals.

So we've already attended to a good deal of the renewals that we think are obtainable. Therefore, I think we've known for a while, we're burdened with a couple of notable large expirations over the next year or so, which we know are going to vacate. And likely some of those tenants who've already vacated, like Condé Nast at 485 Lexington and 711 Third Avenue, which had vacated years ago and subleased the space. We've retained some of the subtenants on a direct basis. We think we're going to be able to keep a couple more, but it will be a mixed bag as far as that goes.

And as far as the short-term extensions, again, as part of that renewal exercise, we've already seen a good deal of short-term extensions as far as the near-term expirations go. And I think we'll likely pull down a couple more. We are -- we just shook hands with a tenant to do something less than a year extension for 100,000 square foot tenant downtown. So there'll probably be a little bit more of that as time goes by as well.

**Marc Holliday**
*Chairman & CEO*

Any other. Next?

**Unknown Analyst**

All right. Based on the exit cap on [indiscernible] 5% for '20 [indiscernible] that 5% exit cap, what do you think the rest of the market [indiscernible]

**Andrew W. Mathias**
*President & Director*

I think there's -- every building is its own story, right? But the News Building, as you look at -- that was going to trade around a 5.2% cap. And that was in-place income, 30 years, great from our perspective. Some buyers said it wasn't enough roll after 10 years to sort of bring the rent roll up. But I think somewhere between that 4.75% and 5.25% cap rate range for leased product.

But then obviously, you have where the rents are versus market in any one of these buildings. So if you're dealing with a very above-market rent in place, you could see that cap rate go up to even 6% to -- because it prices in roll down in the future. And if you have a very low in-place rent, the converse, you could see a very low cap rate. We're -- a couple of the assets we're out marketing now, you're going to see cap rates in the high 3% to low 4% capital range because those in-place rents are below -- well below where people perceive market is even today in pandemic land.

**Marc Holliday**
*Chairman & CEO*

I would just -- it was 5 on stabilized in the presentation?

**Andrew W. Mathias**
*President & Director*

Yes.

**Marc Holliday**
*Chairman & CEO*

I mean these are intended to be conservative. I think this asset stabilized, with rates up 4 with that -- I mean whatever the lowest cap rate is in the country, I think this asset we trade for at stabilization. So that's a little bit in the eye of the beholder. But that's not -- for these purposes, everything you saw a retailer, 5.5 out, we're using levels that we think are conservative. And then almost every...

**Andrew W. Mathias**
*President & Director*

5 was not on One Vanderbilt, just to clarify.

**Marc Holliday**
*Chairman & CEO*

It was on...

**Andrew W. Mathias**
*President & Director*

5 was on market, not on One Vanderbilt. One Vanderbilt, we moved out 25 bps.

**Marc Holliday**
*Chairman & CEO*

Okay, got it.

**Andrew W. Mathias**
*President & Director*

To 4% to 4.5%.

**Marc Holliday**
*Chairman & CEO*

I still think it's some 3% and 3.75%. Got it.

**Andrew W. Mathias**
*President & Director*

It was 3% and 3.75% to 4.25% last year.

**Marc Holliday**
*Chairman & CEO*

I just wanted to get that in. It's sub-4%, that's it. That's the only reason I want to say that, sub-4% on One Vanderbilt.

**Andrew W. Mathias**
*President & Director*

Yes.

**Marc Holliday**
*Chairman & CEO*

Yes.

**Unknown Analyst**

I think in one of your slides, you had CapEx in '21, '22 and '23 really ramping up, I think, in the existing portfolio. Can you say a little bit what projects you're doing there?

**Marc Holliday**
*Chairman & CEO*

So a lot of that increment -- I told you it's $183 million or so of incremental capital. That was on the -- that's overall. A big part on the opco is like $350 million just on the operating. 75% of that is Lipstick Building. That's 75% of that incremental capital is Lipstick because we're putting that building through a redevelopment and then a full lease-up of the Latham & Watkins space. That's the bulk of the additive there.

Now it will stabilize, and it adds to the NOI. But that wasn't in prior guidance obviously because we just acquired it this year. And that is one of the largest. Steve, is there any other one that jumps out at you in that core portfolio?

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

No, that's the biggest variable that's out there obviously.

**Andrew W. Mathias**
*President & Director*

750 has been out there previously.

**Marc Holliday**
*Chairman & CEO*

750 is leasing capital, but very little -- the reason it sticks is it's the only one in that portfolio that has any material redevelopment capital on top of reset.

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

And then 485 Lexington and 750 Third Avenue, which have usually large vacancies due to the Condé Nast exit out of the building. So we topped up the capital for the relet.

**Andrew W. Mathias**

*President & Director*

1185 is the capital spend, right? So it's just leasing capital. It's got...

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

It's all leasing capital. We redeveloped the building 2 years ago. So it's got a new lobby, elevators, entrances.

**Unknown Analyst**

What do you think NOI margins are going to [indiscernible] in terms of income and expenses [indiscernible]

**Marc Holliday**
*Chairman & CEO*

I think we'll start to get some real estate tax relief, not that the rate is going to come down, but the way the transitionals work, all the taxes today are really based off a 2019 income and expense. So in '21, you're going to base it off of '20 and '22, '21. And then I think you're actually going to start to see those transitional valuations come down. That will help.

We're starting to see that a little bit already. Neil, do you want to -- are you -- can you address a little bit of that? Neil Kessner, in addition to doing everything he does with Steve on the leasing equation for that 1.2 million you saw, also is front and center on the taxes.

**Neil H. Kessner**
*Executive VP & General Counsel of Real Property*

Sorry, I'm not like that. As Marc said, everything in 2 years is weird. So everything that [ you see ] into the transition, as I said, based upon [indiscernible] 2 years ago [indiscernible]. So it's a 2-year lens. The frustrating point now is to see that the value less than what it was [indiscernible] about 2 years ago.

**Marc Holliday**
*Chairman & CEO*

All right. You're not going to see anything from expenses per se because we've already realized a lot of those expense savings. So the incremental contribution will come from combination of increasing rents and hopefully leveling with decreasing taxes. Any other questions? Yes?

**Unknown Analyst**

Do you think short-term leases is a short-term phenomenon [indiscernible]? Or it something that you think is sort of...

**Marc Holliday**
*Chairman & CEO*

I don't -- I think it's a short-term phenomenon. I think...

**Andrew W. Mathias**
*President & Director*

The question is what?

**Marc Holliday**
*Chairman & CEO*

The question, I'm sorry, is do we think short-term leases is a near-term phenomenon or a structural phenomenon, I think is the question. And there's big investment of space made by tenant and landlord in order for these big Fortune 500 headquarter companies and medium-sized companies. And they want traditionally 10, 15, 20 years, which is where we see most of those big leases. It has to be for the quantum of capital. They want it for certainty. They don't want to be in a position of facing radically rising rents or being not given an opportunity to renew. So I think it's a short-term phenomenon. Maybe the smaller tenants as we start to do interesting things like with our Altus program, the average term on that deal, I think we're modeling 3...

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

5 years.

**Andrew W. Mathias**
*President & Director*

5 years.

**Marc Holliday**
*Chairman & CEO*

5 years. And we might even go lower, depending...

**Andrew W. Mathias**
*President & Director*

[ Hydrac ], Steve, was 13 years. So you do still see big companies making longer-term commitments because of the cost, I think, to develop this.

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

And everybody who's coming into One Vanderbilt where they're taking a half floor or more are 10-, 15- and 20-year terms.

**Marc Holliday**
*Chairman & CEO*

Yes. We wouldn't do a short-term deal in a One Vanderbilt, in a One Madison or in any of our other sort of big tenant properties other than in like an Altus form.

**Unknown Analyst**

Are those leases then indexed or [ contemplating ] CPI...

**Marc Holliday**
*Chairman & CEO*

Are those leases indexed or CPI?

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

We get a -- typically, we get a base rent increase every 5 years, and then we have a pass-through of operating and real estate taxes to the tenants. One Vanderbilt is unique in the portfolio in that the majority of leases, not all of them, but the majority of leases that we've done in this building have actually been done on a net basis. I think that makes us the only building in the city that's been able to accomplish that. So 100% of the cost of operating and taxes are borne by the tenant.

**Marc Holliday**
*Chairman & CEO*

Any other questions? Scanning the room once, twice.

Okay. We are right about on time. We have -- for those that can stay, we've got another hour or so of rotating through the building. I highly recommend it. See the restaurant. See the objects. See the amenity space and a couple of other interesting -- some tenant space that's built out. So enjoy that.

But mostly, thanks for the support. We really enjoy putting this together for you guys. It's a lot of work. But today is sort of the pinnacle day for us where it all comes together. Thanks to all the people and organizations that helped get us ready for today. In particular, Image Media sort of behind the scenes. Behind there, there's 25 people orchestrating everything you saw. Atlantic Pictures for these unbelievable movies and videos that we enjoy every year. Guys, good job. And [ A List ] for amenitizing the space and making it tremendous.

So -- and the SL Green team. There's an org chart about, I think, 30 people who made sure this space was finished. If you saw this 2 weeks ago, you wouldn't have believed we'd be sitting here today. And they finished it to a very high level and made today the success it is.

So thank you. Enjoy the holidays. Stay COVID-free, I hope, for everybody and to a better '21. Thank you.