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SL Green Realty Corp. (SLG)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you, everybody, for joining us. And welcome to SL Green Realty Corp's Fourth Quarter 2024 Earnings Results Conference Call. This conference call is being recorded.

At this time, the company would like to remind listeners that during the call, management may make forward-looking statements. You should not rely on forward-looking statements as predictions of future events as actual results and events may differ from any forward-looking statements that management may make today. All forward-looking statements made by management on this call are based on assumptions and beliefs as of today. Additional information regarding the risks and uncertainties and other factors that could cause such differences to appear are set forth in the risk factors and MD&A sections of the company's latest Form 10-K and other subsequent reports filed by the company with the Securities and Exchange Commission.

Also during today's conference call, the company may discuss non-GAAP financial measures as defined by Regulation G under the Securities Act. The GAAP financial measures most directly comparable to each non-GAAP financial measure discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure can be found on the company's website and in our current report on form 8-K relating to our fourth quarter 2024 earnings.

Before turning the call over to Marc Holliday, Chairman and Chief Executive Officer of SL Green Realty Corp., I ask that those of you participating in the Q&A portion of the call to please limit your questions to two per person.

Thank you. I'll now turn the call over to Marc Holliday. Please go ahead, Marc.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Okay. Thank you. And thank you for all dialing in today. It's great to speak to everyone as we kick off another exciting year 2025. We're ready to dive into it. In years past, my opening remarks in January are typically brief, coming on the heels of what is a very comprehensive presentation we do for our institutional investors at the December Investor Conference, which was just seven weeks ago. It was very exciting moment for the company in December and for our team because it really capped a pinnacle year where we achieved so much.

Having come through some fairly tough years, it was nice to see our strategy pay big dividends for our shareholders and we posted market leading returns. And it was great affirmation, if you will, of a strategy that we stuck to and hung in there. And now I think we're entering a period of time, which I mentioned in December. I think this is going to be possibly some of the best years we've had at the company possibly ever given the dynamics of what we see in this market.

We finished the year strong with a 188 individual leasing deals, totaling 3.6 million square feet. That's our third highest leasing year ever. We closed on our opportunistic debt fund in December. That really came just within a short period of time of when we launched it earlier in the year. I think it was February or March. And we have additional closings occurring that we expect will round the fund out over \$1 billion in the first half of the year.

There are opportunities that are far, far beyond what that \$1 billion will provide for us. So, the good news is, we expect to have opportunities to deploy and to continue our historically successful debt and preferred equity platform in this fully discretionary fund format. And I think it's a real feather in the cap of this team, in this platform,

to have been able to close this fund that quickly and what will be robustly in terms of amount for a first time closed end fund issuer. And we look forward to rolling out many additional strategies in the future.

At its core, the most important stat is that we ended the year at 92.5% occupancy and we're projecting over 93% leased occupancy in the coming year. Our business is fundamentally about filling office buildings with tenants. And when we get close to that 95% range and we are closing in on it, that's when we can really begin to push rents, rein in concessions, and see building values increase at above average rates.

In December, we had 900,000 square feet of pipeline. That was the stat that we announced at our investor conference. We've already leased just in those seven weeks 250,000 square feet since then and we still have about 900,000 square feet of pipeline.

So, we're getting the stuff done, but we're also immediately refilling that pipeline, which is what it's all about, refilling and growing that pipeline. And it's only January, which is usually a slow time in the market, but not here and not this year.

In fact, there was a lot of good news in the earnings release yesterday. We had very strong profits that you saw. We continued on a path of, sort of making the market in New York City with a lot of transactional activity. And we certainly got a lot of leasing done as well. I think close to 1.8 million square feet in the fourth quarter.

Since that time, so as not to let too much grass grow into the feet, we've announced two big expansions already with leading companies this year. Yesterday, we announced the signing of IBM to a 90,000 – 93,000 square foot expansion at One Madison. That's about a 33% expansion over the square footage that they had originally committed to just within the past 18 to 24 months.

So, rapid growth, good for IBM. I'm sure part of that is due to their – successes they're having, particularly a rapidly growing footprint in the AI industry and also they're one of the many, many firms out there that are getting people back to work five days and are benefiting from collaboration in buildings that are designed to accommodate tenants like them.

Ares added another 38,000 square feet. That was about a 10% growth in footprint, little more actually at 245 Park. And that's a building that's undergoing a significant repositioning and is also now a massive success. So, we leveraged off that success that we're having leasing in our premier buildings and our premier Park Avenue portfolio by closing on 500 Park Avenue. We closed a couple of days ago. It's a great postwar landmark building designed by SOM. It's a building where we can bring our brand of hospitality, high end amenities, service, capital improvements to move rents meaningfully higher and make it another key holding of Ares on Park Avenue. We're very proud to make that addition. And we got brand new debt from Wells Fargo on that property on terms that I think were very competitive and reflective of the building, its location, the opportunity and sponsorship.

The market on Park, I'll just sort of keep harping on that. It's about as tight as I've ever seen it. It's – leased occupancy is about 7% – or vacancy, I should say, is 7% or less and dropping. And you can extrapolate that to trophy buildings throughout New York. There's about 38 buildings defined as trophy buildings. They account for 46 million square feet. That's about – that's over 10% of the market is trophy. The availability rate in those 46 million square feet is 6.7%. Notably, that's down almost 200 basis points from where it was just in the third quarter of 2025. That's what I mean when I talk about the rapidity with which things can tighten up when you get a confluence of diminishing supply and escalating demand.

When I look out at the year ahead, my optimism is driven by all of this activity that I'm talking about, but also just by the fundamental economic success of New York City on so many levels. On job creation, the city's OMB is forecasting about 38,000 new office using jobs in 2025. Those jobs will be coming out of the finance, business services and information technology sectors. That translates into millions and millions of square feet of new absorption for each one of those bodies. And those are not work from home bodies for the most part.

Combine that with the fact that on-site attendance is rising every month, as companies are calling people back to the office four and five days a week. We expect to see very strong demand for office space throughout 2025. And we'll just continue to monitor and keep you all updated on these quarterly calls throughout the year.

The revenue line item – moving away just from office specific metrics, looking at the city overall, personal income tax receipts are way up, driven largely by the, sort of extraordinary profits being realized in the finance sector. We track and bring to your attention from time to time the Wall Street member firm profits. They were \$36 billion through September. They're expected to be \$48 billion of profits through the end of 2024 when they finally report on that. That would make it to third highest year ever in that category. And that drives corporate tax collections, that drives personal income tax collections on increased compensation. Combine that also with the fact that the city has been spending over the past couple of years, \$3 billion to \$4 billion annually on dealing with the severe migrant crisis that New York City was experiencing more acutely than many other cities throughout the country. But now we've seen a trend towards shelter closures, which should accelerate, I believe, under this new administration and should be a big pickup for the city in saved costs as that crisis begins to become more manageable for the city, both in terms of space and support services for those community people.

All of this occurs at a time when there's real scarcity of well-located amenitized space in Manhattan. I said in the December Investor Conference, there are zero new ground-up office projects currently underway in Core Midtown and with four to seven year timelines for major projects, the reality is that inventory is only going to get scarcer in the coming years due to that imbalance between timeline for demand and the realities of when the space can be delivered in a best case. Space is going to be even more constrained. You've heard us talk about the office to residential conversion trend, which is moving ahead, and it's moving ahead rapidly. We are tracking about 15 million square feet of residential space that's being built out of office buildings being converted. Some of those deals are moving ahead. Some are announced, some are being capitalized. But that subset is the subset we track and I think this – it marries up with the city's numbers. That's extraordinary.

If you look back over decades and decades, the city office inventory does not shrink. It stays static, it goes up modestly, it rarely shrinks and if so, by tiny amounts. But to take – to be talking about 15 million square feet possibly coming off the rolls as we sit here today and I think that number could be in excess of 25 million square feet when you look back in time five to seven years from now. That is kind of like a – it's like a double compounder to have accelerating demand while you've got diminishing supply and no obvious path for immediate delivery of new product because of the long lead times. And that is a recipe that I think is makes us very optimistic for achieving our goals in 2025 and beyond.

I've always said that this conversion opportunity is kind of a triple win. It takes obsolete space off the market. It addresses the housing crisis in a big way, and it revitalizes New York's prime and primary central business district, Midtown, that needs 24/7 activity, not activity just during business hours.

So, we'll keep tracking that. We're participating in that as well. And you heard us announce that we are kicking off this year. We have kicked off, to be more accurate, the conversion of 750 Third Avenue. The plans, which we unveiled in December, I think are spectacular. We're going to add over approximately 650 units of new housing on Third Avenue, take that space off the market and create real lifestyle amenity in that location, which will only act

as an incentive to other buildings on Third and Second to do the same. And that's on top of those – the Pfizer former headquarters. That's a lot of square feet. It's probably over a 1 million square feet in the headquarters – well over a 1 million square feet. That is coming off the market and is being converted by Metro Loft. Yeah, by Metro Loft. So anyway, it's just going to build and build on itself, and I would keep your eye fixedly attuned onto that.

So, when we said in December, we are out there on the hunt for another big development site in Manhattan, something we could do on a scale of at One Vanderbilt or One Madison. Those are the reasons. We think now is the time. But taking into account the lead time that it takes to get those buildings control approved and built.

Finally, it's been an exciting couple of months on the hospitality and entertainment side of our business. We're quickly becoming a hospitality, branded hospitality and great restaurant tour within the city. Not only did Mike Williams summarized a record breaking year for SUMMIT One Vanderbilt with over 2.25 million visitors upstairs, we've now done 6 million – over 6 million visitors since we opened at SUMMIT One Vanderbilt. And it's contributing significant profits at the building level into our company. But we also – it was announced the new location for the Paris expansion of SUMMIT will be at the incredibly designed Triangle Tower and the 15th arrondissement of Paris. It has the most amazing views of the Eiffel Tower in the entire city. We're working again with our partner and incredible artist, Kenzo Digital, on a new bespoke concept for Paris. And it's going to be a lot of shared DNA with what we've got at SUMMIT One Vanderbilt. But bringing everything up a level beyond anything we could have comprehended when we designed this first four years ago for New York.

And we opened, in partnership with Daniel Boulud, Daniel's first steakhouse, La Tete d'Or at One Madison. For my liking, it's the best steakhouse in the city and I think maybe one of the best restaurants in New York period. And combined with our Michelin Star restaurants, Jōji and Le Pavillon, I think we've proven our chops in the high end culinary world with the incredible Dinex team and Daniel Boulud. And you could say we're only an Italian restaurant away from having most of the major food groups covered. So, thank you for your support in 2024. We hope to – and look forward to being on this journey with you in 2025. And let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conduct the question-and-answer session. [Operator Instructions] Please limit yourself to two questions. Please stand by while we compile the Q&A roster. And our first question comes from the line of Nick Yulico of Scotiabank. Your line is now open.

Nicholas Yulico

Analyst, Scotiabank

Q

Great. Thanks. I guess, first question is maybe, Matt, you can just walk through a bit how Q4 and the year played out because I think there was a little bit of confusion about, the FFO number given the gains and whatnot. But it does seem like you actually beat on the year even versus the December forecast that you just gave even if you exclude all the gains. So, can you just maybe walk through some of the items there? And if there was a beat, what drove that? Thanks.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah, absolutely. One topic Marc didn't cover in all the good news he laid out there was that fourth quarter was also well ahead of our expectations from an earnings perspective, even going back to December, where we indicated – that's on a reported basis and on a normalized basis, we indicated back in December that without all the DPO gains, which are real gains, but I'll exclude those are mark-to-market on derivatives that what I'll call our normalized FFO midpoint of – would be \$4.86.

Looking at the posted results and taking out those same components, mark-to-market on derivatives and any DPO gains, we ended up at \$4.95, so \$0.09 ahead on the quarter and therefore the year, as driven by better performance at the properties. So, higher NOI, other income. So, fee income, we continue to generate incremental fee income.

SUMMIT performed better than expectations in the fourth quarter and incremental debt and preferred equity investing. So, we said, we would be out searching for new investments primarily on the debt side. The equity raise we did in November would have helped fund that. We did some of that investing and recognized incremental income in late December off of those investments. So, all told, \$0.09 better excluding all the gains and mark-to-market on derivatives just in the fourth quarter.

Nicholas Yulico

Analyst, Scotiabank

Q

All right, thanks. And then, Marc, you talked about the leasing pipeline essentially being up because you removed some leased activity versus December. Can you just talk a little bit about kind of what's the incremental pipeline? Where it's focused? Any other sort of commentary either you or Steve can provide on that? Thanks.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah. Well, I guess, in terms of color, you want – we could talk a little bit about, Steve, where it's coming from. But I just would start off, it's broad-based. I made the statement earlier about how tight Park Avenue is and it is from a occupancy standpoint as well as trophy buildings as defined throughout the city. But some of the biggest deals we did last year – we're in great buildings. Maybe they're considered trophy. But I don't know how those

definitions are exactly handed around. But 919 Third, we did a lot of – we did massive leasing and expansion with Bloomberg. 100 Park, Alvarez & Marsal.

So, one is information and media, the other financial business services, consulting. Those were – Alvarez & Marsal was like 220,000 square feet at 100 Park and Bloomberg was 900,000 feet expansion and renewal. We did Travelers, insurance company, at 485 Park – sorry, 485 Lexington – I got Park in my mind. 485 Lexington right across in 245 Park. And that's a building we've owned since, I think, like 2003 or something. And it's a great building. And Travelers has been there for a decent amount of time and they renewed there. And so, there's lots more anecdotally you can go through, Steve. But in terms of the 900,000 or 875,000 feet of pipeline that we have today, how would you characterize them?

Steven M. Durels

Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.

A

Yeah. So, I think Marc hit one of the key features, which is that it's broad-based, not dominated by any one particularly large transaction. As a matter of fact, it's composed of 59 separate tenant transactions. In the 900,000, roughly 600,000 square feet of leases that are out, another 300,000 square feet of advanced term sheets. Coincidentally, it's the same number, about 600,000 square feet of new tenant leases as opposed to renewals. And it's spread everything from 810 Seventh Avenue to the Graybar Building to a little bit of leasing on Park Avenue, which we don't have a lot of space left on Park Avenue.

So, it's a wide variety of different kinds of businesses, different size, geographic locations, financial services, law firms, entertainment, some media type and general business uses.

So, I take a lot of comfort from that because we had this conversation a year or two ago, it would have been heavily dominated by the top end of the market and only financial services. And now, we're seeing a much broader type of tenant demand and broader geographic and different price points.

Nicholas Yulico

Analyst, Scotiabank

Q

All right. Thanks, guys.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Alexander Goldfarb of Piper Sandler. Your line is now open.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Hey, good afternoon. Two questions. Steve, maybe I'll just continue on that, the leasing discussion. From the Investor Day till now, it seems like there's been an uptick in activity. And as Marc noted in his commentary, the holiday times January is not exactly a hot leasing activity market. You had two big expansions. So, could you just give a little bit more color as to what was going on? Were these just sort of deals in the pipeline that were stalled because of the election or what was driving this sort of holiday, January surge, if you will?

Steven M. Durels

Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.

A

Well, I think, recall that when we talk about our pipeline of deals that are pending for that component of the pipeline, that's a – where transact – term sheets have just advanced to a stage where we have a high degree of probability that will convert over to a lease. So, some of that is now – those conversations maturing, so that they

may have started two or three months prior to us now adding it to the pipeline. Some are just new requirements that have come out of the woods. But what's most notable of that is that it's – that it's – two thirds of it is – are new tenants as opposed to just renewal transactions. So, yeah, I mean, listen, we did a 0.25 million square feet of leasing since investor conference, kept the pipeline basically at the same level. And I think it's combination of factors.

I don't think there was an unnatural pause of deals other than the fact that people took a powder for 2, 2.5 weeks over vacation, and now they're sort of restarting the engine. So, I think what would be most notable is what we see over the next two or three months, now that everybody is back in the office and there's a lot of enthusiasm in the tenant market for where the economy is headed and particularly for New York City commitments.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Okay. Second question is on the debt paydowns or payoffs. You guys, if my math is right, you now have four deals that you've paid off mortgages either below par or repaid mezz below par. The 690 Madison, I think that's a fully leased asset. Can you just give a little bit more color on sort of the secret sauce or how you're able to – especially at this point, the market where things seem to be improving, you're still able to get lenders to accept cents on the dollar. And are we still – there still a lot more deals like this possible or are we at the tail end of these lease payoffs?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah, sure. This is Harry. Look, we have great relationships with all of our lenders. We work closely with them. We don't get into their motivations. Everyone in every cycle has their motivations as to why they want to either keep paper or move paper. And our job is to work closely with them to find the best outcome for everybody.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

And as to the last part of your question, Alex, we layered into our guidance another \$20 million of gains in 2025. I think we stretched that goal to \$50 million like we did last year. Do we have opportunities? Potentially, but we'll have to work them.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Thank you.

Operator: Thank you. One moment for our next question. And our next question comes from the line of John Kim of BMO Capital Markets. Your line is now open.

John P. Kim

Analyst, BMO Capital Markets Corp.

Q

Thank you. So, this quarter, leased occupancy went up, but your financial occupancy went down sequentially. And this is not just one or two assets, it's across several assets. I was wondering why that happened this quarter? And also, if you can give us maybe some guidance or an idea of how financial occupancy trends this year?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah, John. It's Matt. So, the – I telegraphed a bunch of this in December. There were move-outs in the fourth quarter, either late third or early fourth. That's a factor in the same store NOI guidance we gave in December because occupancy – leased occupancy is on a distinct trajectory upward was in 2024, got to our goal. We're expecting it again in 2025, but you have to roll through the move-outs, build the space for the new leases and then bring them on. So, that kind of mutes the same store cash NOI growth we see in 2025. But that – and you do your capital spend in 2025, which then leads to the NOI growth and economic returns in 2026 and beyond.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Yeah, Matt. I think it's definitional that financial is always going to trail leased because you're only leasing – you're either leasing to renew or you're leasing to replace vacant. So, lease can't really be ahead of financial, I don't think. I got to think that through. But I think you'll always see it, it'll trail. So, as leased occupancy rises, financial occupancy should follow suit after the downturn.

John P. Kim

Analyst, BMO Capital Markets Corp.

Q

Okay. My second question is on the New York City congestion tax, which certainly seems like it's had an impact on traffic patterns. But I'm wondering if you could comment on any impact that you've seen on the office side, whether it's tenant preferences for certain neighborhoods or office utilization or anything that maybe have impacted demand in a negative way?

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

No, I think it's too early to – I mean, it's only been a couple of weeks. So, we'll have, I guess, some data on that after a quarter or two. It's very tough. It's because at this time, everyone's commutation patterns change a bit after the holidays and in January.

So, I think, the stats MTA is putting out there is that traffic is lighter than usual in the congestion zone. How much of that is on account of the new tax? How much of it is a result of what Januaries are like sometimes in New York City when it's very cold? I think we need more time to get the data, assess it, and speak to our tenants, which we really haven't had a chance to do to see if they are making any changes in their preferences and choices based on that. I've not seen that. I don't know if you have, Steve.

Steven M. Durels

Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.

A

Common – we haven't heard any commentary to it. But common sense would tell you that if more people are going to take public transit, then proximity to Grand Central Terminal and major transportation hubs will be a driver. And of course, that's where our portfolio is most centrally located.

John P. Kim

Analyst, BMO Capital Markets Corp.

Q

Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Steve Sakwa of Evercore ISI. Your line is now open.

Steve Sakwa*Analyst, Evercore ISI*

Q

Yeah, thanks. Good afternoon. Marc, you've noted the tightness in the market. And I'm just wondering, how is that translating into the brokerage community? And are you getting a sense from the brokers and maybe tenants that there's a little bit more angst on their side to start thinking about even 2026 and 2027 expirations? And are they coming to you earlier to talk about renewals?

Marc Holliday*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Yeah. I mean, I don't know about angst. I think the tenants are increasingly aware that their window of opportunity is closing. The market is not yet tight. I mean, we're tight. Of course, we're just out there and we're getting stuff done and other prime buildings are tight and Park Avenue is tight. But there's still vacancy in the secondary and tertiary buildings and some of the outlying markets. And I think tenants kind of got lulled into thinking they had time, they could defer on decisions, they could stay loose and flexible. And with the dynamics I mentioned earlier about escalating demand and decreasing inventory, specifically in that secondary, tertiary inventory world, that window is going to close quickly and I can't – whether we see it now or we'll see it in the next few quarters, tenants are going to come to the realization very soon. If everything stays on its current trajectory, that that moment is going to be passed and they're going to be – there will be competition for space and that's when we'll have an opportunity to revisit rents concession. So, we're seeing it some buildings. And soon, I hope we'll see it across the board.

And I mentioned in the earlier remarks, I look at this as kind of one of the real moments in time for us. We're looking at over the next two, three years, I know everyone is focused quarter-to-quarter. But we've got a two, three, five year horizon and we like the landscape we see. And we want to accumulate more product into that, develop more into that and deploy as much capital as we can out of our new discretionary funds to take advantage of the present day opportunities. Because not everyone is realizing that same level of success. There are deals out there that are upside down and some sponsors are getting through and some aren't.

Steve Sakwa*Analyst, Evercore ISI*

Q

Okay. I guess that leads to my second question. You had talked at the Investor Day about trying to find another Midtown development site. You just mentioned here, you'd like to do more development. Just can you kind of update us on that process? And to the extent that you are underwriting a new development, like, what sort of hurdle would you want to see on a new deal today to the extent that you could put one under contract and bring it to market in say three to four years?

Marc Holliday*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Well, Steve, we have to reserve that one for the next quarter, because a group of us are saddling up and heading out to do about a 12-day roadshow in Asia. We've got a lot of partners and capital and equity partners out there. We try and be out there several times a year because they have a significant appetite for the best of the best product, the best of the best markets. And we've got really great relationships that now are broad and diverse throughout several different markets in Asia. And we'll have it really dialed in on those yield expectations for prime development. I don't think it's changed much over time. I think secondary product, risk product, the spreads gap

out, they contract. I think good core class AAA properties, trophy properties in Midtown Manhattan, you don't see those prices change a whole lot. And we've demonstrated that over the years on deals that we've done where people take a very long term view. Not 3 to 5 or 7 to 10. I'm talking 15 years and beyond. For good core product, it's kind of irreplaceable and top of the market. And those returns on a levered basis could be in the low teens. I don't think it would be much more than that, but I think that's consistent with where it's been.

Steve Sakwa

Analyst, Evercore ISI

Great. Thank you.

Q

Operator: Thank you. One moment for our next question. Our next question comes from the line of Jeffrey Spector Bank of America Securities. Your line is now open.

Jeffrey Spector

Analyst, BofA Securities, Inc.

Great. Thank you. Marc, one follow-up to that conversation around international interest or foreign capital interest, working with you or New York City. Has anything – I guess, could you share any comments? Anything, any views or anything you're hearing since the election over the last couple of weeks, given all the – at least it seems like interest in the US?

Q

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

I have not. But to be honest, I haven't – we haven't really been in that mode in the past four, five weeks. So, I think, that's what we're embarking on. We've got new agenda, new deals we want to get done this year, all sorts of debt and equity deals. When we go, we go with a full menu of opportunities and I think we'll get a good read on that, but I can't say. I'm looking around the rest of the room whether anyone's had that input, but I haven't had anything directly on those lines.

A

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

Yeah, I think it's worth noting a few of the transactions we've completed were post-election, whether it be One Vanderbilt or financing a 500 Park. So, we haven't seen anything getting in the way and if anything, we're seeing continued momentum coming off the election.

A

Jeffrey Spector

Analyst, BofA Securities, Inc.

Okay, thanks. It'd be interesting to hear after your trip some of the feedback.

Q

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Yeah, sure.

A

Jeffrey Spector

Analyst, BofA Securities, Inc.

Q

I guess, maybe keep it high level, Marc. You touched on one of the policy initiatives, immigration potential changes coming in New York City. Any other high level thoughts you can share with us on some of the executive orders or again, policy shifts that you think SL Green – will benefit SL Green or you're thinking about? Thank you.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

I love the five day a week mandate. I mean, let's get back to work. I mean, it's a – corporate America is largely back. I think now federal government, people think of it as Virginia and DC. We've got a lot of federal buildings in this city, leased and owned. It's a big deal to get everybody back. And I think it's – it just further cements. For us, the business activity, the profitability, the energy is all there. We just want to see the bodies back. And I think that being one of the early executive orders signed was just a – just directionally a very positive statement on productivity and just getting people back together. I think it's a big deal, certainly for our market directly and indirectly.

Jeffrey Spector

Analyst, BofA Securities, Inc.

Q

Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Anthony Paolone of JPMorgan. Your line is now open.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Great. Thank you. First question is on just the capital markets and building sale side. So, maybe putting aside something like One Vanderbilt, that's pretty unique. But in the past few months, it seems like buildings are starting to transact again. And yet in the last month, you've had this big move in treasury yields. Like is there a point where there's a pause again or do you think that's a limiting factor or just there's enough momentum to keep this going?

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Not after today's mandate from President Trump. Interest rates down immediately. Do you get the memo? I'm not going to bet against? Pause...

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

On it.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Harry?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Not, whatsoever. I mean, we're seeing a very strong momentum from investors right now. Look, they're focused on the fundamentals, right. All the things that you're hearing, Steve talk about all the results we're posting, that it

takes up almost the entirety of our discussions with investors today. And so, I continue to see more momentum of investors wanting to participate in recaps, outright sales. And as Marc said, we're going to be out in Asia very shortly and we'll be digging in on those conversations as part of execution of our 2025 business plan.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. Thanks. And then just second one, just a little bit more details that you've given out numbers now in special servicing in terms of like what's active and where you've been designated. Just curious, are you all like designated more as events become highly probable and thus there's a high likelihood of this – the \$8.2 billion, for instance, converting to active or just trying to think about that, like, is that a pipeline or just how to think about it, I guess.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah. Look, those events are – particularly they're out of our control. So, I wouldn't feel comfortable commenting on the outcomes of those assets and those assignments. Some may go into servicing, some may not. For us, the priority is working with controlling class bondholders and the capital stacks to be properly aligned with them. So, you're not -I don't think there's any way to weight how many of those going to special servicing or not.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Michael Griffin of Citi. Your line is now open.

Michael A. Griffin

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks. Maybe just going back to the leasing pipeline and the tenant interest you're seeing out there, Durels, I know you mentioned a number of different industries, but I didn't hear tech as being a bigger part of that. I know that tech doesn't make up a big part of your portfolio, but just curious if you're seeing more demand from those kind of companies, given what we've seen in the press about more stringent return to office requirements?

Steven M. Durels

Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.

A

Yeah. So, overall in the market right now, there's generally roughly 300 active tenant searches, covering over 25 million square feet. Of that, there's 7 million, over 7 million square feet of known tech tenant searches ongoing. Compare that to 3.7 million square feet in January of 2024. So, you've seen a doubling in demand over the past year. Not a big part of our portfolio other than we are in, I'd say diligence discussions with a couple of tech tenants who seem to be focused on One Madison Avenue.

Michael A. Griffin

Analyst, Citigroup Global Markets, Inc.

Q

Great. That's helpful. And then maybe just a little more color on the financing, the new mortgage at 500 Park. Should we take this as lenders are more willing to dip their toes into the office financing market? I mean, I imagine there's an aspect that's driven with relationships that you have with lenders, but curious if that market is opening

up more. And then just on the term, is there 10-year debt out there for mortgages yet on office buildings or is 5 really kind of pushing it for what's out there?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

No. Look, lenders are back. We've already – we're – mid-January, we've already seen some very large transactions get done. I talked about the spiral at the end of last year's investor conference. We just saw that get done, \$2.85 billion. I think it's even worth noting that the AAA spreads on that got done just over 1%. I mean, I think it's now even trading inside of that when I looked at the screen before the call. So, we're seeing big momentum from lenders right now closing into both balance sheet and CMBS. 2025 is going to be a very active year for the credit markets. Some of the deals that you should look out for will be 299 Park, 200 Park, 3 Bryant and 5 Manhattan West, all of which are out for pricing and should close in Q1 and Q2 of this year.

Michael A. Griffin

Analyst, Citigroup Global Markets, Inc.

Q

Great. That's it for me. Thanks for the time.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Thanks.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Ronald Kamdem of Morgan Stanley. Your line is now open.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Hey, just two quick ones from me. So, going back to the leasing, I think the commentary on Park Avenue was pretty clear. But wondering if there is moving to sort of the Westside assets and that part of the portfolio. Any sort of color on the interest tenants on that piece of it?

Steven M. Durels

Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.

A

Yeah, we've got – we did a substantial amount of leasing at 1185 Sixth and 810 Seventh last year. And that momentum was carried into this year where we have a number of leases out at both those buildings. And they are – they are – for our Westside part of our portfolio, they're probably the two of the three or four biggest assets that we have in that part of town.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Great. That's helpful. And then my second one is just on the FAD, funds available for distribution. I know this year the guidance has some CapEx and speculative CapEx. Just any comments, or as you're sort of leasing up this portfolio really quickly, how we should think about that, that recurrent CapEx line and maybe getting better in 2026 and 2027? Just high level thoughts would be helpful.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah, I touched on this a bit back in December as well when we gave guidance. We leased approximately 3.6 million square feet, third highest year ever, and took our occupancy up 300 plus basis points. The dollars that we spend on that new leasing are investment dollars. It happens to run through FAD. That's just a categorization that the industry likes, but it's investment capital. As we get closer to stabilized occupancy, 93% this year, 94%, 95% thereafter, the leasing CapEx obviously comes down as occupancy goes up.

The other side of that you talked about maintenance CapEx or just other forms of capital, I mean, we're spending on the leasing capital, investment capital, but the base building kind of non-revenue generating CapEx is very, very nominal. Our operations and construction team does a phenomenal job. It's a mostly redeveloped portfolio. They spend a little bit every year to maintain the high standards. But in total dollars, on a 30-plus million square foot portfolio, we spend, call it, \$20 million, somewhere between \$20 million and \$30 million a year on non-revenue enhancing CapEx, which is very nominal overall.

So, it's investment dollars that we feel are very valuable and look forward to spending them because it means occupancy and NOI is going up.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Thanks so much.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Michael Lewis of Truist Securities. Your line is now open.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Thank you. So, that CapEx question was my first question, too. And so, obviously, when you have a lot of leasing activity and success like you've had, you also have CapEx, right? So, you guided to \$88 million spec this year and \$99 million committed, and then you've got base building and the other stuff which is smaller, like you said. I was wondering if there – is there committed capital that you think builds into 2026? And do you expect the CapEx to remain high until you get close to that 95% occupancy or does it kind of normalize first? And I guess to maybe put a point on it [indiscernible] (00:47:47) just on guidance, I mean, do you think the dividend is covered in 2026 or is the CapEx still really heavy for another year?

Steven M. Durels

Executive Vice President & Director-Leasing & Real Property, SL Green Realty Corp.

A

Let me – I'll weigh in from the TI side of that question for capital. I'll make a couple of points. One is that where we saw the higher end of our TI in the fourth quarter, those were transactions generally associated with long term, meaning longer than 15 year leases or the higher end price point deals. Where I sort of see those conversations going right now and improving throughout the rest of this year, I think the high end of the market you're going to start to see TIs come down because there's a shortage of supply and just that's going to give the landlord more leverage to push that number down. I also think you're going to see a tightening of TI on the renewal side of transactions because tenants have fewer spaces to select from. It's going to drive them to a higher probability of renewal. And there's just less TI that one has to spend in order to retain an existing tenant. So, I think those are both really positive factors to see the capital side of the equation come down over the next year and going forward.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Okay. Thanks. And is there any capital that – so \$100 million committed this year that needs to be spent? Is there anything committed beyond 2025 that's sizable like that?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

So, when we commit capital tenants, we have to – unless we're doing the work, we have to rely on our best guess as to when the capital will be requested and spent. So, in any given year, stuff spills over. There may be some spillover in 2025 and 2026. We accelerated some capital from 2025 and back into 2024. So, yeah, on the margins, it does move around a little bit year-to-year because we're not in control of every nickel of that capital.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Okay. And too early or not appropriate to comment on whether the dividend will be covered?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

The dividend is covered this year. And we look at the dividend every year from a perspective of not just taxable income, which is what governs it, but coverage and FAD is not the metric. I'll say it for the 100th time. FAD is not the right metric to look at coverage of dividend because FAD is not cash flow.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Okay, understood. And my second question, or last question, I guess. You mentioned that continuing to close commitments for the debt fund and just at the kind of leading edge of starting to deploy some capital. Over the next like several months, what would – what should we expect as the pace of kind of deploying what your expectations are and then also how do we kind of follow along? I know in your supplemental package, you got some good disclosure on the DPE book. I don't know if we'll see something similar or if that's necessary, at least until you launch more funds and it gets complicated. But what can we expect to kind of see out of that over the next few months?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

There's a big opportunity in front of us right now. We have term sheets and documents and negotiation on pipeline deals that are – what we want to see ourselves investing in, what our investors in the fund want to see us invested in, and we expect to deploy the capital over the coming months and through the end of the year. As to how you can track that, I got to push that to Matt if there's anything to cover.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

No.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

All right. Thank you, guys.

Operator: Thank you. One moment for our next question. And our next question comes from the line of Blaine Heck of Wells Fargo. Your line is now open.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Q

Great. Thanks. Just following up on the investment side. It sounds like your focus might be on debt transactions at the moment, but we're hearing that there are higher quality properties that have come to the market and more potentially coming to the market. So, if you were to make more direct property acquisitions, are they most likely to be done in the JV structure or would you consider full ownership? And if it required a big check, what are your thoughts around issuing equity at these levels for the right transaction?

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

Question about new property acquisitions. I mean, generally, we've taken an asset light approach for the past several years now since we shifted direction. But there's still many assets we'll own at a point in time, [ph] Marsal's (00:52:32) 500 Park is great case in point. We own it, we're going to execute a program, we're going to lease it up. And then down the road, maybe we'll bring in a JV partner and recapitalize it. But that's a down the road thing and that's after the value creation. But that's for a deal that we can comfortably fit on balance sheet.

There might be very significantly large deals like the new development deal we spoke about in concept that we really would only want to undertake something like that in venture with others because the equity commitments could be a \$1 billion plus. And that doesn't – that's inconsistent with our asset light program.

So, it's situational. I don't – we don't run the book here looking at investments, JV, non-JV, et cetera. Our goal is first and foremost to identify and execute upon good opportunities and then figure out the optimum capitalization approach after because fortunately we're in an enviable position of having ample liquidity that gives us the flexibility to act first and then optimize as opposed to a lot of our competitors that have to have all the various capital sources tied up even to be able to be competitive. That's why you invest with us, or hopefully invest with us, is in part because of the flexibility you have with our billion-dollar plus of corporate liquidity, that enables us really to be very tactical fleet, flexible when it comes to those kinds of decisions. But that's a secondary consideration, never the primary consideration. Primary is always finding the best deal and deal we want to do. And then second is, how do we optimize capital structure.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Q

Okay, great. And any thoughts on issuing equity for the right transaction?

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

A

I mean, we did an equity issuance, as you know, month and a half ago or thereabouts. I wouldn't say that was for new opportunities. I mean, that was – it was a more general raise. There were various purposes to that raise. I think prior to that we hadn't raised equity in a long time. I feel it's 10 years, Matt, or – so, it's a tool in the quiver. I mean, it's an arrow in the quiver, tool in the shed, sorry. And we're pretty stingy with our equity, as you know. In fact, I guess over the past six, seven years, we've reduced share count substantially from about 105 million shares to now I think 75 million shares.

So, it's always an option. It's usually never the primary option, but you never rule it out either if we think that there's a moment in time where we have uses. Those uses might be new investment, might be debt reduction, might be any number of sort – of items. If we think there's a moment in time we'll – we certainly won't shy from that. But if you look at our 10-year track record, it's not a primary source of our raising capital.

Blaine Heck*Analyst, Wells Fargo Securities LLC*

Q

Great. And then second question, you invested in a relatively small amount of CMBS this quarter, but can you talk about the profile of those investments, whether they're collateralized by office properties in New York or whether there's any exposure to other sectors and potentially other markets? And I guess what sort of attributes from a return and profile perspective you're looking for in additional CMBS investments?

Harrison Sitomer*Chief Investment Officer, SL Green Realty Corp.*

A

Yeah, the only color at this point would be New York City commercial properties.

Blaine Heck*Analyst, Wells Fargo Securities LLC*

Q

All right. Fair enough. Thanks.

Operator: Thank you. One moment for next question.

Marc Holliday*Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.*

A

Yeah, we're going to – and I apologize, we do have a hard stop. We had it for 3:00 because of commitments we have out of the office immediately after this call. I think we have time for maybe one or two and we got to run and I apologize. It's more than we're onto 16, 17 et cetera, and that's just more than usual, which we hadn't anticipated. But hopefully we can limit it to just one or two more.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Caitlin Burrows of Goldman Sachs. Your line is now open.

Caitlin Burrows*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Thanks for taking the question. Maybe I'll just go on the other income side. I know this was a volatile line item in 2024. So, wondering if you can go through what drove it to be so high in 4Q, and then beyond the full year guidance you've given, maybe your expectation for 2025 main drivers and cadence?

Matthew J. DiLiberto*Chief Financial Officer, SL Green Realty Corp.*

A

Yeah. So, 2025, I just refer you back to the investor conference deck where we gave guidance and broke out all the categories. Q4 was nominally ahead of what we expected, maybe a \$1 million or \$2 million just through incremental fee income that we generate in a bunch of different ways. The large number in Q4 was all expected. We generated fee income off of our JV interest sale in One Vanderbilt. That was included in guidance going all the way back to December of 2023 and was again included in the numbers that I presented for 2024 back in early December.

So, nothing really unusual or unexpected in the Q4 numbers. Maybe a \$1 million or \$2 million more than we expected. 2025, you can look at the investor deck.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Okay. And then just back to a question earlier on the lease versus economic occupancy. I was wondering if you could talk about your expectation for economic occupancy this year? And do you think it goes down before up or like how quickly will it rise?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

No, it's going to trail. As we said earlier, it's going to trail the leased occupancy by a little bit because we have to get the space built and the tenant build leases commence and then into financial or physical occupancy. But that will trend upward throughout the course of 2025 and beyond and ultimately catch up to the leased occupancy but it does generally lag.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Q

Thanks.

Operator: Thank you. I'm showing no further questions at this time. I would now like to turn it back to Marc Holliday for closing remarks.

Marc Holliday

Chairman, Chief Executive Officer & Interim President, SL Green Realty Corp.

Okay. Thank you everyone who is still listening in. Appreciate your participation on the call and look forward to getting together in a few months' time.

Operator: Thank you for your participation in today's conference. This concludes the program. You may now disconnect.

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