UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to _____.

Commission File No. 1-13199

SL GREEN REALTY CORP.
(Exact name of registrant as specified in its charter)

Maryland	13-3956755
State or other jurisdiction incorporation or organization)	(I.R.S. Employer of Identification No.)

420 Lexington Avenue, New York, New York 10170
(Address of principal executive offices - zip code)

(212) 594-2700
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock $.01 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the restraint was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes |X| No |_|.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 15, 1999, there were 24,191,826 shares of the Registrant's common stock outstanding. The aggregate market value of common stock held by non-affiliates of the Registrant (23,200,601 shares) at March 15, 1999, was $413,260,705. The aggregate market value was calculated by using the closing price of the stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Stockholders' Meeting to be held May 19, 1999 are incorporated by reference into Part III.

SL GREEN REALTY CORP.

FORM 10-K/A REPORT INDEX

THE "COMPANY" MEANS SL GREEN REALTY CORP., A MARYLAND CORPORATION, AND ONE OR MORE OF ITS SUBSIDIARIES (INCLUDING SL GREEN OPERATING PARTNERSHIP, L.P.), AND THE PREDECESSORS THEREOF (THE "SL GREEN PREDECESSOR") OR, AS THE CONTEXT MAY REQUIRE, SL GREEN REALTY CORP. ONLY OR SL GREEN OPERATING PARTNERSHIP, L.P. ONLY AND (II) "STEPHEN L. GREEN PROPERTIES" MEANS SL GREEN PROPERTIES, INC., A NEW YORK CORPORATION, AS WELL AS THE AFFILIATED PARTNERSHIPS AND OTHER ENTITIES THROUGH WHICH STEPHEN L. GREEN HAS HISTORICALLY CONDUCTED COMMERCIAL REAL ESTATE ACTIVITIES.

INFORMATION CONTAINED IN THIS FINANCIAL REPORT CONTAINS "FORWARD-LOOKING STATEMENTS" RELATING TO, WITHOUT LIMITATION, FUTURE ECONOMIC PERFORMANCE, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS AND PROJECTIONS OF REVENUE AND OTHER FINANCIAL ITEMS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "FACTORS THAT MAY INFLUENCE RESULTS AND ACCURACY OF FORWARD LOOKING STATEMENTS" AND ELSEWHERE IDENTIFY IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD-LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

PART I

ITEM 1. BUSINESS

GENERAL

The Company is a self-managed Real Estate Investment Trust ("REIT") with in-house capabilities in property management, development, construction and leasing and was formed in June 1997 for the purpose of continuing the commercial real estate business of Stephen L. Green Properties. For more than 19 years, Stephen L. Green Properties has been engaged in the business of owning, managing, leasing, acquiring and repositioning Class B office properties in Manhattan. As of December 31, 1998, the Company owned interests in 18 Class B commercial properties encompassing approximately 6.3 million rentable square feet located primarily in midtown Manhattan (the "Properties"). The Company's wholly-owned interests in these properties represent fee ownership (14), including ownership in condominium units, leasehold ownership (2) and operating sublease ownership (2). Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. As of December 31, 1998, the weighted average occupancy (total occupied square feet divided by total available square feet) of the Properties was 93%. In addition, the Company continues to manage six office properties owned by third-parties and affiliated companies encompassing approximately 1.6 million rentable square feet.

Stephen L. Green Properties was founded in 1980 by Stephen L. Green, its Chairman, President and Chief Executive Officer. Since that time, Stephen L. Green Properties became a full service, fully integrated real estate company. Prior to the Company's Initial Public Offering (the "Offering" or "IPO") in August 1997, Stephen L. Green Properties had been involved in the acquisition of 31 Class B office properties in Manhattan containing approximately four million square feet and the management of 50 Class B office properties in Manhattan containing approximately 10.5 million square feet.

There are numerous office properties that compete with the Company in attracting tenants and numerous companies that compete in selecting properties for acquisition.

The Company's corporate offices are located in midtown Manhattan. The Company's corporate staff consists of 83 persons, including 49 professionals experienced in all aspects of commercial real estate. The Company's Corporate offices are located at 420 Lexington Avenue, New York, New York 10170. The Company can be contacted at (212) 594-2700 or visit the Company's website at www.slgreen.com.

The Company's primary business objective is to maximize total return to shareholders through growth in distributable cash flow and appreciation in the value of its assets. The Company plans to achieve this objective by capitalizing on the external and internal growth opportunities described below and continuing the operating strategies historically practiced by Stephen L. Green Properties.

FORMATION AND INITIAL PUBLIC OFFERING

In connection with the Company's IPO the Operating Partnership received a contribution of interests in real estate properties as well as 95% of the economic non-voting interest in the management, leasing and construction companies (the "Service Corporations"). The Company is organized so as to qualify and has elected to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended.

The authorized capital stock of the Company consists of 200 million shares of capital stock, $.01 par value, of which the Company has authorized the issuance of up to 100 million shares of Common Stock, $.01 par value per share, 75 million shares of Excess Stock, at $.01 par value per share, and 25 million shares of Preferred Stock, par value $.01 per share.

INITIAL PUBLIC OFFERING

On August 20, 1997, the Company issued 11.615 million shares of its Common Stock (including the underwriters' over-allotment option of 1.52 million shares) to the public through the Offering. Concurrent with the consummation of the Offering, the Company issued 38,094 shares of restricted common stock pursuant to stock loans and 85,600 shares of restricted common stock to a financial advisor. In addition, the Company previously issued to its executive officers approximately 553,616 shares, as founders' shares.

Concurrent with the consummation of the Offering, the Company and the Operating Partnership, together with the partners and members of affiliated partnerships of the SL Green Predecessor and other parties which held ownership interests in the properties contributed to the Operating Partnership (collectively, the "Participants"), engaged in certain Formation Transactions (the "Formation Transactions").

The net cash proceeds received by the Company from the Offering (after deducting underwriting discounts) was $228.7 million. The Company utilized approximately $42.6 million of the Offering proceeds to repay mortgage indebtedness encumbering the properties, including $1.5 million for prepayment penalties and other financing fees and expenses, approximately $6.6 million to purchase the direct or indirect interests of certain participants in the properties, approximately $95.5 million to acquire properties, approximately $3.4 million to pay certain expenses incurred in the Formation Transactions, $35.6 million to repay a loan from Lehman Brothers Holdings, Inc. ("LBHI") (which included $20 million to repay a loan that was made to Green Realty LLC, a Company indirectly owned by Stephen L. Green), $1.8 million to fund the advisory fee payment to Lehman Brothers, Inc. and $41.7 million to fund capital expenditures, general working capital needs and future acquisitions.

MAY 1998 PUBLIC OFFERINGS

On May 12, 1998 the Company completed the sale of 11.5 million shares of common stock and 4.6 million share of 8% Preferred Income Equity Redeemable Shares with a mandatory liquidation preference of $25.00 per share (the "PIERS"). Gross proceeds from these equity offerings ($353 million, net of underwriter's discount) were used principally to repay the Acquisition Facility (see Item 1 - Financing Activity) and acquire additional properties. These offerings resulted in the reduction of continuing investor's interest in the Operating Partnership from 16.2% to 9.2%.

At December 31, 1998 the Operating Partnership had 26,379,882 outstanding partnership units. These outstanding units were the result of (i) 23,115,000 units issued to the Company in exchange for the net proceeds from the Company's initial and secondary public offering of 23,115,000 common shares, (ii) 2,383,284 units representing 9.2% of the total units outstanding were issued for the contribution of interests in the properties owned by Green Properties Inc. immediately prior to the IPO and 100% (representing 95% of the economic interest) of the non-voting common stock of the Service Corporations (iii) 44,772 units issued for partial consideration for the 50% fee interest in the property located at 711 Third Avenue in July 1998 and (iv) the issuance of 836,826 units underlying common shares of the Company previously issued to management and a Company financial advisor. The Company's management and continuing investors own 3,179,281 units and common stock or 12.1% of the common equity.

Substantially all of the Company's assets are held by, and all of its operations are conducted through, the Operating Partnership, a Delaware limited partnership. The Company is the sole managing general partner of the Operating Partnership. All of the management and leasing operations with respect to the properties as well as leasing operations with respect to a portion of the properties not owned by the Company is conducted through the management LLC. The operating partnership owns 100% of the management LLC. Pursuant to the terms of the Operating Partnership's partnership agreement, the Units issued to the Company's management and continuing investors at the IPO may not, for up to two years from the IPO date, transfer any of their rights or redeem their Units as a limited partner without the consent of the Company.

THE SERVICE CORPORATIONS. In order to maintain the Company's qualifications as a REIT while realizing income from management, leasing, tenant representation and construction contracts with third parties, all of these service operations with respect to properties in which the Company will not own 100% of the interest are conducted through these Corporations. The Company, through the Operating Partnership, owns 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporations. Through dividends on its equity interest, the Operating Partnership expects to receive substantially all of the cash flow from the Service Corporations' operations. All of the voting common stock of the Corporations' (representing 5% of the total equity) is held by the Service Corporation LLC. This controlling interest gives the Service Corporation LLC the power to elect all directors of the Service Corporation.

MANHATTAN OFFICE MARKET BACKGROUND

The term "Class B" is generally used in the Manhattan office market to describe office properties which are more than 25 years old but which are in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan. Class B office properties can be distinguished from Class A properties in that Class A properties are generally newer properties with higher finishes and obtain the highest rental rates within their markets.

A variety of tenants who do not require, desire or cannot afford Class A space are attracted to Class B office properties due to their prime locations, excellent amenities, distinguished architecture and relatively less expensive rental rates. Class B office space has historically attracted many smaller growth oriented firms and has played a critical role in satisfying the space requirements of particular industry groups in Manhattan, such as the advertising, apparel, business services, engineering, not-for-profit, "new media" and publishing industries. In addition, several areas of Manhattan, including many in which particular trades or industries traditionally congregate, are dominated by Class B office space and contain no or very limited Class A office space. Examples of such areas include the Garment District (where three of the Properties are located), the Flatiron District (where one Property is located), the areas immediately south and north of Houston Street ("Soho" and "Noho", respectively), Chelsea (where one Property is located), and the area surrounding the United Nations (where one Property is located). Businesses significantly concentrated in certain of these areas include those in the following industries: "new media", garment, apparel, toy, jewelry, interior decoration, antiques, giftware, and UN-related businesses. The concentration of businesses creates strong demand for the available Class B office space in those locations. By way of example, some of the tenants that currently occupy space in Company owned properties include The City of New York, New York Association of New Americans, Inc., Metro North, Parade Publications, Dow Jones, Crains Communications, Ann Taylor, Escada, Cowles Business Media, Kallir, Philips, Ross Inc., Bank Leumi, NationsBank, MCI International, New York Presbyterian Hospital, Newbridge Communications, Ross Stores, UNICEF, Bell Atlantic and Dyersburg.

The Company's management team has developed a comprehensive knowledge of the Manhattan Class B office market, an extensive network of tenant and other business relationships and experience in acquiring underperforming office properties and repositioning them into profitable Class B properties through intensive full service management and leasing efforts.

The Company believes that the recovery of the New York commercial real estate market from the downturn of the late 1980s and early 1990s combined with the ongoing strength of the New York City economy creates an attractive environment for owning, operating and acquiring Class B office properties in Manhattan.

GROWTH STRATEGIES

The Company seeks to capitalize on current opportunities in the Class B Manhattan office market through (i) property acquisitions- continuing to acquire Class B office properties at significant discounts to replacement costs that provide attractive initial yields and the potential for cash flow growth, (ii) property repositioning - repositioning acquired properties that are underperforming through renovations, active management and proactive leasing and (iii) integrated leasing and property management.

PROPERTY ACQUISITIONS. In acquiring properties, the Company believes that it has the following advantages over its competitors: (i) management's 19 years of experience as a full service, fully integrated real estate company focused on the Class B office market in Manhattan, (ii) enhanced access to capital as a public company, (as compared to the generally fragmented institutional or venture oriented sources of capital available to private companies) and (iii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests as opposed to solely cash transactions. In addition, the Company may benefit from the abolition of the New York State Real Property Transfer Gains Tax, the reduction in the Federal Capital Gains Tax and from tax law developments reducing the transfer tax rates applicable to certain REIT acquisition transactions. These previous barriers to the sale of real property have been greatly reduced or eliminated, making transactions more economically viable for property sellers.

PROPERTY REPOSITIONING. The Company believes that there are a significant number of potential acquisitions that could greatly benefit from management's experience in enhancing property cash flow and value by renovating and repositioning properties to be among the best in their submarkets. Many Class B buildings are located in or near submarkets which are undergoing major reinvestment and where the properties in these markets have low vacancy rates. Featuring unique architectural design, large floor plates or other amenities and functionally appealing characteristics, reinvestment in these properties poses an opportunity to the Company to meet market needs.

LEASING AND PROPERTY MANAGEMENT. The Company seeks to capitalize on management's extensive knowledge of the Class B Manhattan marketplace and the needs of the tenants therein by continuing a proactive approach to leasing and management, which includes (i) the use of in-depth market research, (ii) the utilization of an extensive network of third-party brokers, (iii) comprehensive building management analysis and planning and (iv) a commitment to tenant satisfaction by providing "Class A" tenant services. The Company believes proactive leasing efforts have contributed to average occupancy rates at the Properties that are above the market average. In addition, the Company's commitment to tenant service and satisfaction is evidenced by the Company's and its predecessor past record of renewal of approximately 75% of the expiring leases and rentable square footage at the Properties owned and managed by the Company and its predecessor during the period from January 1, 1994 through December 31, 1998.

1998 ACQUISITIONS

Since December 31, 1997, the Company completed the acquisition of six additional properties for an aggregate purchase price of approximately $339 million. These properties were financed through excess proceeds from the Company's May public offerings, use of the Company's revolving line of credit, and additional property level debt. These six properties have an aggregate rentable area of approximately 2.9 million square feet.

420 Lexington Avenue and 1466 Broadway

On March 18, 1998 the Company closed on its purchase of the fee interest in one property (1466 Broadway) and the operating interest of another property (420 Lexington Avenue, The Graybar Building) from the Helmsley organization. (together, the "Helmsley Properties"). The Graybar Building is located adjacent to Grand Central Station and encompasses approximately 1.2 million square feet. 1466 Broadway is located in the heart of Times Square at 42nd Street and Broadway encompassing approximately 290,000 square feet. The aggregate base purchase price for the two properties was $142 million. At the time the acquisition was announced, the Graybar building was 83% leased and 1466 Broadway was approximately 87% leased.

321 West 44th Street

On March 31, 1998 the Company closed on its purchase of a 203,000 square foot office building at 321 West 44th Street. The property was acquired for $17 million in cash and was approximately 96% leased at the time the acquisition was announced.

711 Third Avenue

On May 21, 1998 the Company acquired the outstanding leasehold mortgage of the property located at 711 Third Avenue for approximately $44.6 million in cash. The 20-story, 524,000 square foot building was 79% occupied at the date of acquisition. The Company's outstanding mortgage position provides for the Company to receive 100% of the economic benefit from the property, and accordingly for the period owned, the Company has recorded the operating results of the property in the statement of operations. On July 2, 1998 the Company acquired 50% of the fee interest in 711 Third Avenue for $20 million and 44,772 Operating Partnership Units.

440 Ninth Avenue

On June 1, 1998 the Company acquired the property located at 440 Ninth Avenue for approximately $32 million in cash. The 18-story, 340,000 square foot building was 76% occupied at the date of acquisition. In connection with this purchase, the Company contracted to acquire the properties located at 38 East 30th Street and later assigned these contracts to third parties. In connection with the assignment 38 East 30th Street, the Company extended a mortgage for $6.2 million bearing interest at 8% and was repaid during September 1998.

1412 Broadway

On August 14, 1998 the Company purchased the property located at 1412 Broadway - The Fashion Gallery Building - for $72 million, plus approximately $5 million for reimbursement of loan prepayment charges and $5 million related to capital expenditures, commissions and other closing costs. The property is a 25-story office building totaling 389,000 square feet with an occupancy rate at the acquisition date, including pending leases, of 89.5%.

OTHER TRANSACTIONS

On January 8, 1998, the Company acquired fee title to its property located at 1372 Broadway. Prior to this date, the Company held a mortgagee's interest in this property with a right to acquire the fee without additional cost.

On April 14, 1998, the Company converted its mortgage interest in 36 West 44th Street into a fee interest and its mortgage interest in 36 West 43rd Street into a leasehold interest (collectively known as the Bar Building) for an additional cost of approximately $1.0 million.

On January 15, 1999 the Company discontinued the current redevelopment and subsequent purchase of 636 11th Avenue, and did not purchase the 469,000 square foot industrial and warehouse property. Termination of the purchase agreement signed last June resulted in a 1998 charge of approximately $1.1 million. The Company continues to hold a $10.9 million first mortgage which is fully secured by the property yielding a current rate of 8.875%, increasing to 9%, effective March 1, 1999.

SUBSEQUENT AND PENDING ACQUISITIONS

Graybar Building Sublease

During January 1999, the Company purchased a sub-leasehold interest in 420 Lexington Avenue for $27.3 million. The sub-leasehold expires on December 30, 2008 with one 21-year renewal term expiring on December 30, 2029. The acquisition was funded through the Company's revolving line of credit.

BMW Building

During January 1999, the Company acquired a 65% interest in the property located at 555 West 57th Street (The BMW Building) for approximately $66.7 million (including an acquired 65% interest in existing mortgage debt totaling $44 million). The 941,000 square foot property was approximately 100% leased as of the acquisition date. The cash portion of the acquisition was funded through the Company's revolving line of credit.

During March 1999 the Company contracted to acquire the remaining 35% of the property located at 555 West 57th Street for approximately $20 milion.

Reckson Associates Realty Corp. Properties

On March 12, 1999, the Company entered into an agreement with Reckson Associates Realty Corp. to purchase four office properties totaling 675,000 square feet for approximately $84.5 million. The acquisition will be financed through a mortgage on the acquired properties ($53 million) and a mortgage on the Graybar Building ($65 million). The excess funds will be used to reduce the balance outstanding on the Company's Credit Facility.

LEASING ACTIVITY

The following represents the change in occupancy lease rates of the Company's properties from December 31, 1997 (or their date of acquisition in 1998) as compared to December 31, 1998:

	Occupancy Percent	
	December 31,	
PROPERTY	1998	1997
Same Store1	99%	95%
ACQUIRED 1997 POST IPO		
110 East 42nd Street2	72%2	92%
17 Battery Place	85%	79%
633 Third Avenue	100%	100%
Weighted Average Total	83%	83%

	Occupancy Percent		
ACQUIRED 1998	December 31, 1998	At Acquisition	Acquisition Date
1466 Broadway	90%	87%	March 1999
420 Lexington Avenue	98%	83%	March 1999
321 West 44th Street	97%	96%	March 1999
440 Ninth Avenue	73%	76%	June 1999
711 Third Avenue	96%	79%	May 1999
1412 Broadway	89%	90%	August 1999
Weighted Average Total	93%	84%	

FINANCING ACTIVITY

On December 19, 1997 the Company entered into a $140 million three year senior unsecured revolving credit facility (the "Credit Facility") due December 2000. Availability under the Credit Facility may be limited to an amount less than the $140 million which is calculated by several factors including recent acquisition activity and most recent quarterly property performance. Outstanding loans under the Credit Facility bear interest on a graduated rate per annum equal to the London Interbank Offered Rate ("LIBOR") applicable to each interest period plus 130 basis points to 145 basis points per annum. The Credit Facility requires the Company to comply with certain covenants, including but not limited to, maintenance of certain financial ratios.

During March 1998, the Company asked the Credit Facility banking group to temporarily relieve the Company from its obligations under the financial covenants of the Credit Facility in order to close an additional

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1 Represents properties owned/acquired at August 14, 1997 and consist of the properties located at 673 First Avenue, 470 Park Avenue South, Bar Building, 70 West 36th Street, 1414 Avenue of the Americas, 29 West 35th Street, 1372 Broadway, 1140 Avenue of the Americas and 50 West 23rd Street.

2 Does not reflect new lease taking effect January 1, 1999 resulting in the building's occupancy rate to increase to 99% and increasing the 1998 weighted average occupancy to 89%.

financing necessary to acquire the Helmsley properties (the "Acquisition Facility"). The Acquisition Facility, which closed on March 18, 1998, financed the acquisition of the Helmsley properties, paid-off the outstanding balance on the Credit Facility and provided liquidity for future acquisition and corporate needs. The term of the Acquisition Facility was one year with a graduated interest rate that was determined by a schedule based on the percent of loan commitment outstanding and the duration of the outstanding commitments, ranging from 170 to 300 basis points over LIBOR. The Acquisition Facility was secured by the unencumbered assets of the Company. The Acquisition Facility was repaid through the Company's May 1998 equity financings, resulting in an extraordinary charge to earnings. All assets were released from the lien related to the Acquisition Facility, resulting in some being reassigned to the Credit Facility unencumbered asset pool. The Company's Credit Facility was reinstated subsequent to the repayment of the Acquisition Facility during the second quarter. As of December 31, 1998 current borrowings on the $140 million Credit Facility totaled $23.8 million, with remaining availability of $110 million with a current effective interest rate of 6.86%. Availability was reduced by the issuance of $6 million of Letters of Credit.

During December 1998, the Company closed two short-term bridge financings. The first financing was a $51.5 million bridge loan with Prudential Securities at an interest rate (7.58% at December 31, 1998) equal to 200 basis points over the current one-month LIBOR . The loan matures on December 30, 1999 and is secured by the properties located at 1412 Broadway and 633 Third Avenue. The second financing was a $36 million bridge loan with Lehman Brothers at an interest rate (8.29% at December 31, 1998) equal to 275 basis points over the current one-month LIBOR . The loan matures on December 15, 1999 and is secured by the properties located at 70 West 36th Street, 1414 Avenue of the Americas and The Bar Building.

INTEREST RATE PROTECTION AGREEMENT

In anticipation of financing properties, the Company executed a forward treasury rate lock on September 2, 1998 for $100 million of future debt. The underlying rate for that position was 5.13%. On December 3rd this rate lock expired and was not renewed. The negative value of this hedge at expiration was $3.2 million. In connection with the hedge, during April 1999 the Company has mortgage commitments to complete five permanent mortgage financings totaling $103 million on properties located at 70 West 36th Street, 36 West 44th Street, 1414 Avenue of the Americas, 633 Third Avenue and 1412 Broadway. The hedge cost represents a deferred financing cost which will be amortized over the life of these financings, except for $0.2 million which related to a mismatch in terms resulting in a charge to 1998 earnings.

COMPETITION IN ITS MARKETPLACE

All of the Properties are located in highly developed areas of Manhattan that include a large number of other office properties. Manhattan is by far the largest office market in the United States and contains more rentable square feet than the next six largest central business district office markets in the Unites States combined. Of the total inventory of 379 million rentable square feet in Manhattan, approximately 172 million rentable square feet is comprised of Class B office space and 207 million rentable square feet is comprised of Cass A office space. Many tenants have been attracted to Class B properties in part because of their relatively less expensive rental rates (as compared to Class A properties) and the tightening of the Class A office market in midtown Manhattan. Consequently, an increase in vacancy rates and/or a decrease in rental rates for Class A office space would likely have an adverse effect on rental rates for Class B office space. Also, the number of competitive Class B office properties in Manhattan (some of which are newer and better located) could have a material adverse effect on the Company's ability to lease office space at its properties, and on the effective rents the Company is able to charge.

In addition, the Company competes with other property owners that have greater resources than the Company. In particular, although currently no other publicly traded REITs have been formed solely to own, operate and acquire Manhattan Class B office properties, the Company may in the future compete with such other REITs. In addition, the Company may face competition from other real estate companies (including other REITs that currently invest in markets other than Manhattan) that have greater financial resources than the Company or that are willing to acquire properties in transactions which are more highly leveraged than the Company is willing to undertake. The Company also faces competition from other real estate companies that provide management, leasing and construction similar to those to be provided by the Service Corporations. In addition, certain requirements for REIT qualification may in the future limit the Company's ability to increase operations conducted by the Service Corporations without jeopardizing the Company's qualifications as a REIT.

EMPLOYEES

At March 1, 1999, the Company employed approximately 372 employees, over 60 of whom were managers and professionals, approximately 275 of whom were hourly paid employees involved in building operations and approximately 37 of whom were clerical, data processing and other administrative employees. There are currently three collective bargaining agreements relating to 19 of the Company's properties covering 275 employees of the Company. The Company believes that its relations with its employees are good.

ITEM 2. PROPERTIES

THE PORTFOLIO

GENERAL. As of December 31, 1998, the Company owned interests in 18 Class B office properties encompassing approximately 6.3 million rentable square feet located primarily in midtown Manhattan. Certain of the Properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. One Property (673 First Avenue) includes an underground parking garage.

The following table sets forth certain information with respect to each of the Properties as of December 31, 1998:

PROPERTY	Year Built/ Renovated	Submarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet	Percent Leased	Annualized Rent(1)	Percentage of Portfolio Annualized Rent	Number of Leases	Annualized Rent Per Leased Square Foot(2)	Annual Net Effective Rent Per Leased Square Foot(3)
17 Battery Place.....	1903/1973	World Trade/ Battery Place	811,000	13.0%	85%	$14,260,149	9.9%	45	$20.69	$18.93
29 W. 35th Street....	1911/1985	Garment	78,000	1.2	97	1,533,539	1.2	11	20.31	19.50
50 W. 23rd Street....	1892/1992	Chelsea	333,000	5.3	96	6,319,275	4.4	16	19.74	19.55
36 West 44th Street (5).........	1922/1985	Grand Central North	165,000(5)	2.6	100	4,579,606(5)	3.2	69	27.19	24.62
70 W. 36th Street....	1923/1994	Garment	151,000	2.4	100	2,815,529	2.0	45	18.22	14.82
110 E. 42nd Street...	1921/----	Grand Central No.	251,000	4.0	72	4,543,456	3.1	35	25.19	26.37
470 Park Avenue South(4)...........	1912/1994	Park Avenue South	260,000(4)	4.2	99	6,176,569	4.3	34	23.90	19.73
633 Third Avenue (7).	1962/----	Grand Central No.	41,000	0.7	100	1,709,433	1.2	3	42.08	44.64
673 First Avenue.....	1928/1990	Grand Central South	422,000	6.8	100	10,733,289	7.5	18	25.43	23.40
1140 Avenue of the Americas...........	1926/1951	Rockefeller Center	191,000	3.0	100	5,381,583	3.7	40	28.18	26.80
1372 Broadway	1914/1985	Garment	508,000	8.1	99	10,988,757	7.6	48	21.85	22.43
1414 Avenue of the Americas...........	1923/1990	Rockefeller Center	111,000	1.8	99	3,783,035	2.6	37	33.42	34.67
1466 Broadway........	1907/1982	Garment	289,000	4.6	90	9,190,417	6.4	139	35.33	35.74
420 Lexington (8)....	1927/1982	Grand Cent.No.	1,188,000	19.0	98	29,452,425	20.4	294	25.30	25.65
321 W. 44th Street...	1929/----	Times Square	203,000	3.3	97	3,310,026	2.3	40	16.81	18.23
440 Ninth Avenue.....	1927/1989	Penn Station	339,000	5.4	73	4,441,837	3.1	19	17.95	17.49
711 Third Avenue.....	1955/----	Grand Cent.No.	524,000	8.4	96	15,194,853	10.5	29	30.21	27.36
1412 Broadway (9)....	1927/1989	Garment	389,000	6.3	89	9,714,657	6.7	123	28.06	30.71
Total/Weighted Average...........			6,254,000(6)	100.0%	93%	$144,128,435	100.0%	1,045	$24.70	$24.02

(1) Annualized Rent represents the monthly contractual rent under existing leases as of December 31, 1998 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of 1998 for the 12 months ended December 31, 1998 are approximately $3,052,000.

(2) Annualized Rent Per Leased Square Foot, represents Annualized Rent, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Annual Net Effective Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by SL Green, the remaining lease payments under the lease (excluding operating expense pass-throughs, if any) divided by the number of months remaining under the lease multiplied by

12 and (b) for leases entered into after an interest in the relevant property was first acquired by SL Green or the Company, all lease payments under the lease (excluding operating expense pass-throughs, if any) divided by the number of months in the lease multiplied by 12, and, in the case of both (a) and (b), minus tenant improvement costs and leasing commissions, if any, paid or payable by the Company and presented on a per leased square foot basis. Annual Net Effective Rent Per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Rent Per Leased Square Foot.

(4) 470 Park Avenue South is comprised of two buildings, 468 Park Avenue South (a 17-story office building) and 470 Park Avenue South (a 12-story office building).

(5) The 36 West 44th Street is comprised of two buildings, 36 West 44th Street (a 14-story building) and 35 West 43rd Street (a four-story building).

(6) Includes approximately 5,812,400 square feet of rentable office space, 366,600 square feet of rentable retail space and 75,000 square feet of garage space.

(7) The Company holds fee interests in condominium units.

(8) The Company holds an operating sublease interest in the land and improvements.

(9) The Company holds a leasehold mortgage interest, a net sub-leasehold interest and a co-tenancy interest in this property.

HISTORICAL OCCUPANCY. The Company has historically achieved consistently higher occupancy rates in comparison to the overall Class B Midtown Markets, as shown in the following table:

	PERCENT LEASED AT THE PROPERTIES (1)	OCCUPANCY RATE OF CLASS B OFFICE PROPERTIES IN THE MIDTOWN MARKETS (2)
December 31, 1998	93	92%
December 31, 1997	94	90
December 31, 1996	95	89
December 31, 1995	95	87
December 31, 1994	98	86
December 31, 1993	96	84

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(1) Includes space for leases that were executed as of the relevant date in Properties owned by the Company or SL Green as of that date.

(2) Includes vacant space available for direct lease, but does not include vacant space available for sublease; including vacant space available for sublease would reduce the occupancy rate as of each date shown. Sources: RELocate, Rosen Consulting Group.

LEASE EXPIRATIONS. Leases at the Properties, as at many other Manhattan office properties, typically extend for a term of ten or more years, compared to typical lease terms of 5-10 years in other large U.S. office markets. From January 1, 1994 through December 31, 1998, the Company or its predecessor renewed approximately 75% of the leases scheduled to expire at the Properties owned and managed by the Company or its predecessor during such period, constituting renewal of approximately 75% of the expiring rentable square footage during such period. Through December 31, 2003, the average annual rollover at the Properties and the Pending Acquisitions is approximately 478,909 square feet, representing an average annual expiration of 7.7% of the total leased square feet at the Properties and the Pending Acquisitions per year (assuming no tenants exercise renewal or cancellation options and no tenant bankruptcies or other tenant defaults).

The following table sets out a schedule of the annual lease expirations at the Properties with respect to leases in place as of December 31, 1998 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES(1)	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES (2)
1999......................	187	468,608	8.03%	$11,455,082	$24.44
2000......................	189	584,596	10.02%	15,710,736	26.87
2001......................	132	488,748	8.38%	12,195,526	24.95
2002......................	119	604,686	10.36%	14,937,901	24.70
2003......................	126	498,795	8.55%	12,905,091	25.87
2004......................	67	491,493	8.42%	11,716,979	23.84
2005......................	43	510,807	8.76%	11,576,147	22.66
2006......................	40	356,778	6.12%	9,054,378	25.38
2007......................	49	518,019	8.88%	11,218,746	21.66
2008......................	40	511,645	8.77%	13,348,965	26.09
2009 & thereafter.........	53	800,161	13.71%	20,008,884	25.01
Total/weighted average...........	1,045	5,834,336	93%	$144,128,435	$24.70

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(1) Annualized Rent of Expiring Leases, as used throughout this report, represents the monthly contractual rent under existing leases as of December 31, 1998 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 1998 for the 12 months ending December 31, 1999 are approximately $3,052,000.

(2) Annualized Rent Per Leased Square Foot of Expiring Leases, as used throughout this report, represents Annualized Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

TENANT DIVERSIFICATION. The Properties currently are leased to over 1,000 tenants which are engaged in a variety of businesses, including publishing, health services, retailing and banking. The following table sets forth information regarding the leases with respect to the 20 largest tenants at the Properties and the Pending Acquisitions, based on the amount of square footage leased by such tenants as of December 31, 1998:

TENANT(1)	PROPERTIES	REMAINING LEASE TERM IN MONTHS	TOTAL LEASED SQUARE FEET	PERCENTAGE OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	ANNUALIZED RENT	PERCENTAGE OF AGGREGATE PORTFOLIO ANNUALIZED RENT
City Of New York............	17 Battery Place	108	295,371	5.06%	$5,614,655	4.18%
NYANA.......................	17 Battery Place	48	132,306	2.27%	2,710,544	2.02%
MetroNorth..................	Graybar Building	205	129,675	2.22%	2,477,452	1.85%
Parade Publications.........	711 Third Avenue	140	82,444	1.41%	1,813,768	1.35%
Dow Jones...................	Graybar Building	31	82,431	1.41%	2,562,788	1.91%
UNICEF......................	673 First Avenue	60	80,000	1.37%	2,165,092	1.61%
Kallir, Philips & Ross.......	673 First Avenue	66	80,000	1.37%	1.910,515	1.42%
NY Presbterian Hospital......	673 First Avenue	92	76,000	1.30%	1,898,558	1.41%
Gibbs & Cox.................	50 West 23rd Street	80	71,200	1.22%	1,591,802	1.15%
Crains Communications........	711 Third Avenue	121	66,735	1.14%	2,068,785	1.54%
Capital-Mercury.............	1372 Broadway	79	64,122	1.10%	1,292,732	0.96%
Board of Education of the City of New York..............	50 West 23rd Street	138	64,000	1.10%	700,000	0.52%
Leslie Fay Companies.........	1412 Broadway	116	60,999	1.05%	1,731,996	1.29%
Ann Taylor..................	1372 Broadway	139	58,975	1.01%	1,199,389	0.89%
Ross Stores.................	1372 Broadway	101	57,094	0.98%	1,193,323	0.89%
NationsBank.................	1372 Broadway	15	55,238	0.95%	1,364,343	0.95%
Escada......................	1412 Broadway	92	49,038	0.84%	1,639,118	1.22%
Newport News................	711 Third Avenue	147	48,468	0.83%	1,163,232	0.87%
Hill Knowlton/JW Thompson....	Graybar Building	92	47,977	0.82%	1,199,424	0.89%
Bank Leumi..................	Graybar Building	115	47,610	0.82%	1,356,885	1.01%
TOTAL/Weighted Average(2)....			1,649,683	28.27%	$37,654,401	27.85%

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(1) This list is not intended to be representative of the Company's tenants as a whole.

(2) Weighted average calculation based on total rentable square footage leased by each tenant.

17 BATTERY PLACE

The Company purchased a co-tenancy interest in 17 Battery Place in December 1997. 17 Battery Place is comprised of a 423,000 square foot glass and steel high-rise office structure (the "North Building") built in approximately 1972 and an 799,000 square foot Beaux Art office building (the "South Building") constructed in two-phases during the 1910's.

During 1998 the building was converted into a three unit condominium. The Company's co-tenancy interest was converted to two units comprising 389,000 square feet in the South Building and 422,000 square feet in the North Building. The Company anticipates spending approximately $11.2 million on a redevelopment program which will include a new entrance and modernized lobby, facade repair and restoration, upgraded air conditioning, fire protection and electrical systems, and redecorated elevator lobby and corridors.

The interest of the Company in 17 Battery is comprised of its condominium interests, and a note and mortgage encumbering the interest of the other co-tenant in the co-tenancy. The note and mortgage held by the Company are in the principal amount of $15,500,000. The obligation was due and payable on September 30, 1998 and was extended to March 31, 1999. The note bears interest at 12% per annum. The entire interest obligation through the extended maturity is cash-collateralized, with the cash collateral held by the Company. The Company acts as managing and leasing agent for the entire property. The economic risks and benefits of the lower thirteen (13) floors (excluding certain portions of the ground floor) of the South Building and the entire North Building are vested with the Company, and these risks and benefits for the fourteenth and higher floors (together with certain tenanted areas of the ground floor) of the south building are vested with co-tenant.

17 Battery Place is located in the World Trade/Battery submarket of downtown Manhattan. The Property contains 811,000 rentable square feet (including approximately 802,421 square feet of office space and approximately 8,579 square feet of retail space), with floor plates ranging from 13,325 square feet to 30,740 square feet. Immediately adjacent to the Property is the Downtown Athletic Club ("DAC"), home of the Heisman Trophy award. Adjacent to the DAC is a 300,000 square foot rental apartment building conversion. In addition, the Property offers unobstructed views of New York Harbor, the Statue of Liberty and Ellis Island.

As of December 31, 1998, approximately 85% of the rentable square footage in 17 Battery Place was leased (including space for leases that were executed as of December 31, 1998). The office space was 86% leased and the retail space was 55% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT
1998	85%	$20.69
1997	79	20.52
1996	80	18.27

As of December 31, 1998, 17 Battery Place was leased to 33 tenants operating in various industries, including security, not-for-profit and sales training, two of whom occupied 10% or more of the rentable square footage at the Property. New York City agencies occupied approximately 292,000 square feet (approximately 36% of the Property) under leases expiring on December 31, 2007, that provide for an aggregate annualized base rent as of December 31, 1998 of approximately $5.6 million (approximately $19.22 per square foot). The tenant has the right pursuant to these leases to cancel the term upon 270 days prior notice and payment of a cancellation penalty in the amount of the unamortized initial leasing costs. In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

In addition, a not-for-profit organization occupied approximately 132,000 square feet (approximately 16% of the Property) under a lease expiring on December 31, 2002 that provides for annualized base rent as of December 31, 1998 of approximately $2.7 million (approximately $20.50 per square foot). The tenant has the right pursuant to the lease to cancel up 99,755 rentable square feet of the tenancy on six months' prior notice, upon payment of a cancellation penalty in the amount of the unamortized initial leasing costs for the cancelled space. In addition to annualized base rent, this tenant pays real estate tax escalations and operating escalations in excess of a base year amount.

The following table sets out a schedule of the annual lease expirations at 17 Battery Place with respect to leases executed as of December 31, 1998 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1999...........................	10	82,257	10.1%	$ 1,889,166	$22.97
2000...........................	6	16,308	2.0%	401,668	24.63
2001...........................	4	38,505	4.7%	571,531	14.84
2002...........................	3	112,633	13.9%	2,997,786	26.62
2003...........................	7	14,762	1.8%	421,636	28.56
2004...........................	4	30,535	3.8%	680,351	22.28
2005...........................	3	53,643	6.6%	827,967	15.43
2006...........................	2	31,740	3.9%	612,369	19.29
2007...........................	1	269,631	33.3%	5,015,225	18.60
2008...........................	4	36,480	4.5%	758,450	20.79
2009 & thereafter.............	1	2,700	0.3	84,000	31.11
Subtotal/Weighted Average......	45	689,194	84.9%	$14,260,149	$20.69

The aggregate undepreciated tax basis of depreciable real property at 17 Battery Place for Federal income tax purposes was $65.5 million as of December 31, 1998. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.236 per $100 of assessed value. The total annual tax including applicable BID taxes for 17 Battery Place at this rate for the 1998-99 tax year is $2.5 million (at an assessed value of $22.5 million), of which the Company is responsible for approximately $1.7 million pursuant to its co-tenancy interest in the Property.

420 LEXINGTON AVENUE (THE GRAYBAR BUILDING)

The Company purchased the operating sublease at the Graybar Building, a.k.a. 420 Lexington Avenue in March 1998. This 31-story office property sits at the foot of Grand Central Terminal in the Grand Central North sub-market of the midtown Manhattan office market. The Property was designed by Sloan and Robertson and completed in 1927. The building takes its name from its original owner, the Graybar Electric Company. The Property contains approximately 1.2 million rentable square feet (including approximately 1,150,000 square feet of office space, 12,260 square feet of mezzanine space and 27,463 square feet of retail space), with floor plates ranging from 17,000 square feet to 50,000 square feet. The Company anticipates restoring the grandeur of this building through the implementation of an $11.9 million capital improvement program geared toward certain cosmetic upgrades including steam cleaning the facade, new entrance and storefronts, new lobby, elevator cabs, and elevator lobbies and corridors.

The Graybar Building offers unsurpassed convenience to transportation. This Property enjoys excellent accessibility to a wide variety of transportation options with a direct passageway to Grand Central Station. Grand Central Station is the major transportation destination for commutation from southern Connecticut and Westchester County. Major bus and subway lines serve this Property, as well. The Property is ideally located to take advantage of the renaissance of Grand Central Terminal, which is being redeveloped into a major retail/transportation hub containing restaurants such as Michael Jordan's Steakhouse and retailers such as Banana Republic and Kenneth Cole.

The Graybar Building consists of the building at 420 Lexington Avenue and fee title to a portion of the land above the railroad tracks and associated structures which form a portion of the Grand Central Terminal complex in midtown Manhattan. The Company interest consists of a tenant's interest in a controlling sublease, as described below. The ownership structure of the Graybar Building is as follows.

Fee title to the building and the land parcel is owned by an unaffiliated third party, who also owns landlord's interest under a lease (the "Ground Lease") the term of which expires December 31, 2008 subject to renewal by the tenant through December 31, 2029. The Company controls the exercise of this renewal option through the terms of the subordinate leases described below.

The tenant under the Ground Lease is the holder of the landlord's interest under a lease (the "Ground Sublease") which is coterminous (except that it ends on December 30, 2029) and has a complementary renewal option term structure and control to the Ground Lease. The tenant's interest under the Ground Sublease is held by an unaffiliated third party. The tenant under the Ground Sublease is the holder of the landlord's interest under a lease (the "Operating Lease") which is coterminous (except that it ends on December 28, 2029) and has a complementary renewal option term structure and control to the Ground Lease. The tenant's interest under the Operating Lease is held by an unaffiliated third party. The tenant under the Operating Lease is the holder of the landlord's interest under a lease (the "Operating Sublease") which is coterminous and has a complementary renewal option term structure and control to the Ground Lease. The tenant's interest under the Operating Sublease is held by the Company.

As of December 31, 1998, approximately 98% of the rentable square footage in the Graybar Building was leased. The office space was 98% leased, the mezzanine space was 98% leased and the retail space was 97% leased. The following table sets forth certain information with respect to the Property:

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT
1998........................	98	$25.30
1997........................	86	26.80
1996........................	88	27.26
1995........................	91	28.97

As of December 31, 1998, the Graybar Building was leased to 277 tenants operating in various industries, including legal services, financial services and advertising, none of whom occupied 10% or more of the rentable square footage at the Property.

The following table sets out a schedule of the annual lease expirations at the Graybar Building for leases executed as of December 31, 1998 with respect to each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1999..............................	52	179,956	15.1%	$ 4,161,408	$23.12
2000..............................	65	145,151	12.2%	3,496,576	24.09
2001..............................	40	149,738	12.6%	3,712,362	24.79
2002..............................	37	146,962	12.4%	3,610,698	24.57
2003..............................	36	85,081	7.2%	2,244,672	26.38
2004..............................	15	57,413	4.8%	1,538,669	26.80
2005..............................	12	50,605	4.3%	1,339,284	26.47
2006..............................	9	72,742	6.1%	1,932,241	26.56
2007..............................	13	35,243	3.0	1,041,610	29.56
2008..............................	7	168,601	14.2%	4,446,838	26.37
2009 and thereafter...............	8	72,581	6.1%	1,928,067	26.56
Subtotal/Weighted average.........	294	1,164,073	98.0%	$29,452,425	$25.30

The aggregate undepreciated tax basis of depreciable real property at the Graybar Building for Federal income tax purposes was $84.1 million as of December 31, 1998. Depreciation and amortization are computed for Federal income tax purposes on the straight-line method over lives which range up to 39 years.

The current real estate tax rate for all Manhattan office properties is $10.236 per $100 of assessed value. The total annual tax for the Graybar Building at this rate including the applicable BID tax for the 1998-99 tax year is $6.5 million (at a taxable assessed value of $63 million).

1412 BROADWAY

1412 Broadway is a 25-story, 389,000 square foot office building located on Broadway between 39th and 40th Street in the submarket, two blocks from Times Square. The building was constructed in 1927 and has undergone substantial renovation within the last five years. These renovations include lobby upgrades, installation of a new entryway, new video security, and elevator modernization, at an aggregate cost of approximately $5 million. The Company owns a 100% fee simple interest in the property. The property contains approximately 374,000 square feet of office space and 15,000 square feet of retail space.

As of December 31, 1998, approximately 89% of the rentable square footage in 1412 was leased. The office space was 88% leased and the retail space was 100% leased. The following table sets forth certain information with respect to the property:

YEAR END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT
1998............................	98%	$28.06

As of December 31, 1998, the property was leased to 110 tenants operating primarily in the fashion industry. The three largest tenants in the fashion industry occupy more than 10% of the property. The largest tenant occupies approximately 61,000 rentable square feet of office/showroom space (at an annualized rent of $28.39 per square foot) and the lease expires in August 2008. The second largest tenant occupies approximately 49,000 rentable square feet of office space (at an annualized rent of $33.42 per square foot) and the lease expires in August 2006. The third largest tenant occupies approximately 40,000 rentable square feet of office space (at an annualized rent of $25.78 per square foot) and the lease expires in March 2008.

The following table sets out a schedule of the property's annual lease expirations with respect to leases executed as of December 31, 1998 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

YEAR OF LEASE EXPIRATION	NUMBER OF EXPIRING LEASES	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FOOTAGE	ANNUALIZED RENT OF EXPIRING LEASES	ANNUALIZED RENT PER LEASED SQUARE FOOT OF EXPIRING LEASES
1999	43	18,845	4.8%	$ 782,705	$ 41.53
2000	20	37,862	9.7%	1,100,808	29.07
2001	16	28,276	7.3%	707,530	25.02
2002	11	18,587	4.8%	612,682	32.96
2003	18	42,429	10.9%	941,386	22.19
2004	2	6,800	1.7%	141,837	20.86
2005	2	10,617	2.7%	140,152	13.20
2006	4	56,762	14.6%	1,932,875	34.05
2007	1	2,910	0.7%	178,200	61.24
2008	4	114,996	29.6%	2,892,482	25.15
2009 and thereafter	2	8,126	2.1%	284,000	34.95
Subtotal/Weighted Average	123	346,210	88.9%	$ 9,714,657	$ 28.06

The aggregate undepreciated tax basis of depreciable real property at 1412 Broadway for Federal income tax purposes was $65.1 million as of December 31, 1998. Depreciation and amortization are computed on the straight-line method over 39 years.

The current real estate tax rate for all Manhattan office properties is $10.236 per $100 of assessed value. The total annual tax for 1412 Broadway at this rate for the 1998-99 tax year is $1.7 million (at an assessed value of $16.8 million).

ENVIRONMENTAL MATTERS

The Company engaged independent environmental consulting firms to perform Phase I environmental site assessments on the Properties, in order to assess existing environmental conditions. All of the Phase I assessments have been conducted since March 1997, except for the Bar Building, where a Phase I assessment was conducted in September 1996. All of the Phase I assessments met the ASTM Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, an historical record review, a review of regulatory agency data bases and records, interviews, and a report, with the purpose of identifying potential environmental concerns associated with real estate. The Phase I assessments conducted at the Properties also addressed certain issues that are not covered by the ASTM Standard, including asbestos, radon, lead-based paint and lead in drinking water. These environmental site assessments did not reveal any known environmental liability that the Company believes will have a material adverse effect on the Company's financial condition or results of operations or would represent a material environmental cost.

The following summarizes certain environmental issues described in the Phase I environmental site assessment reports:

The asbestos surveys conducted as part of the Phase I site assessments identified immaterial amounts of damaged, friable asbestos-containing material ("ACM") in isolated locations in three properties owned as of the IPO (470 Park Avenue South, 29 West 35th Street and the Bar Building) and in the Acquisition Properties (1140 Avenue of the Americas and 1372 Broadway). At each of these Properties, the environmental consultant recommended abatement of the damaged, friable ACM and this was completed by the Company at each of these properties. At all of the Properties except 50 West 23rd Street, non-friable ACM, in good condition, was identified. For each of these Properties, the consultant recommended preparation and implementation of an asbestos Operations and Maintenance ("O & M") program, to monitor the condition of ACM and to ensure that any ACM that becomes friable and damaged is properly addressed and as of this date the Company has implemented such an Operations and Maintenance program.

The Phase I environmental site assessments identified minor releases of petroleum products at the Bar Building and at 70 West 36th Street. The consultant recommended implementation of certain measures to further investigate, and to clean up, these releases. The Company does not believe that any actions that may be required as a result of these releases will have a material adverse effect on the Company's business.

GENERAL TERMS OF LEASES IN THE MIDTOWN MARKETS

Leases entered into for space in the Midtown Markets typically contain terms which may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in excess of 10,000 square feet in the midtown Markets generally is ten to 15 years. The tenant often will negotiate an option to extend the term of the lease for one to two renewal periods of five years each. The base rent during the initial term often will provide for agreed upon increases periodically over the term of the lease. Base rent for renewal terms, and base rent for the final years of a long-term lease (in those leases which do not provide an agreed upon rent during such final years), often is based upon a percentage of the fair market rental value of the premises (determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value) but not less than the base rent payable at the end of the prior period. Leases typically do not provide for increases in rent based upon increases in the consumer price index.

In addition to base rent, the tenant also generally will pay the tenant's pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in real estate taxes and building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year.

Electricity is most often supplied by the landlord either on a submetered basis or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) typically are provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided other than during normal business hours.

In a typical lease for a new tenant, the landlord, at its expense, will deliver the premises with all existing improvements demolished and any asbestos abated. The landlord also typically will provide a tenant improvement allowance, which is a fixed sum which the landlord will make available to the tenant to reimburse the tenant for all or a portion of the tenant's initial construction of its premises. Such sum typically is payable as work progresses, upon submission of invoices for the cost of construction. However, in certain leases, (most often for relatively small amounts of space), the landlord will construct the premises for the tenant.

MORTGAGE INDEBTEDNESS

The Company has outstanding approximately $138.4 million of indebtedness secured by nine of the Properties.

The mortgage notes payable collateralized by the respective properties and assignment of leases at December 31, 1999 are as follows:

Property Locations	Mortgage Notes	1998
		(In 000's)
50 West 23rd Street	Note paybale to GMAC with interest at 7.33% due December 2007	$21,000
29 West 35th Street	First mortgage note with interest payable at 8.464%, due February 1, 2001	2,903
673 First Avenue	First mortgage note with interest payable at 9.0%, due December 13, 2003	16,452
470 Park Avenue South	First mortgage note with interest payable at 8.25% payable at 8.25%, due April 1, 2004	10,507
1412 Broadway and 633 Third Avenue	Loan with Prudential Securities with interest based on LIBOR plus 2% (7.58% at December 31, 1998) due December 30, 1999	51,500
36 West 44th Street, 1414 Avenue of the Americas and 70 West 36th Street	Loan with Lehman Brothers with interest based on LIBOR plus 2.758 (8.29% at December 31, 1998) due December 15, 1999	36,000
	Total mprtgage notes payable	$138,362

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 1998 the Company is not presently involved in any material litigation nor, to management's knowledge, is any material litigation threatened against them or their properties other than routine litigation arising in the ordinary course of business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report, no matter was submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company began trading on the New York Stock Exchange ("NYSE") on August 15, 1997 under the symbol "SLG". On March 15, 1999, the reported closing sale price per share of Common Stock on the NYSE was $17.8125 and there were approximately 58 holders of record of the Company's Common Stock. The table below sets forth the quarterly high and low closing sales prices of the Common Stock on the NYSE and the distributions paid by the Company with respect to the periods indicated.

	HIGH	LOW	DISTRIBUTIONS
Period August 21, 1997 (inception) to September 30, 1997	$25 7/8	$23 1/16	$0.16 (a)
Quarter ended December 31, 1997	$26 15/16	$23 11/16	$0.35
Quarter ended March 31, 1998	$27 7/8	$24	$0.35
Quarter ended June 30, 1998	$261/2	$21 15/16	$0.35
Quarter ended September 30, 1998	$24 3/8	$17 7/8	$0.35
Quarter ended December 31, 1998	$213/4	$171/2	$0.35

(a) On November 5, 1997, the Company's Board of Directors declared a $0.16 per share distribution to stockholders of record on November 17, 1997, and the distribution was paid November 19, 1997. The distribution was for the period August 21, 1997 (closing date of the IPO) through September 30, 1997, which is approximately equivalent to a full quarterly distribution of $0.35 per share of Common Stock and annual distribution of $1.40 per common share.

Dividends are declared during each quarter and the dividend is paid during the subsequent quarter.

UNITS

At December 31, 1998 the Company had 2,428,056 Operating Partnership Units outstanding. These units received distributions per unit in the same manner as dividends were distributed per share to common shareholders.

SALE OF UNREGISTERED SECURITIES

The Company's issuance of securities in the transactions referenced below were not registered under the Securities Act of 1933, pursuant to the exemption contemplated by Section 4(2) thereof for transactions not involving a public offering.

The Company issued 159,515 shares of its Common Stock in July 1998 for deferred stock-based compensation in connection with employment contracts.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the Company, and on an historical combined basis for the SL Green Predecessor (as defined below), and should be read in conjunction with the Company's Financial Statements and notes thereto included in Item 8 on this form 10-K and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations". The balance sheet information as of December 31, 1998 and 1997 represented the consolidated balance sheet of the Company and the statement of income for the year ended December 31, 1998 and the period August 21, 1997 to December 31, 1997 represents consolidated results of the Company since the IPO. The combined balance sheet information as of December 31, 1996, 1995 and 1994 and statements of income for the period January 1, 1997 to August 20, 1997 and for the years ended December 31, 1996, 1995, and 1994 of the SL Green Predecessor have been derived from the historical combined financial statements.

The "SL Green Predecessor" consists of the assets, liabilities, and owners' deficits and results of operations of two properties, 1414 Avenue of the Americas and 70 West 36th Street, equity interests in four other properties, 673 First Avenue, 470 Park Avenue South, 29 West 35th Street and the Bar Building (which interests are accounted for under the equity method) and of the net assets and results of operations of the Company's affiliated Service Corporations.

THE COMPANY AND THE SL GREEN PREDECESSOR (HISTORICAL)
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

	THE COMPANY		SL GREEN PREDECESSOR			
	YEAR ENDED DECEMBER 31, 1998	AUGUST 21 - DECEMBER 31, 1997	JANUARY 1 - AUGUST 20, 1997	YEAR ENDED DECEMBER 31, 1996	1995	1994
Operating Data:						
Total revenue	$ 136,972	$ 23,207	$ 9,724	$ 10,182	$ 6,564	$ 6,600
Property operating expenses	47,627	7,077	2,722	3,197	2,505	2,009
Real estate taxes	21,224	3,498	705	703	496	543
Interest	13,086	2,135	1,062	1,357	1,212	1,555
Depreciation and amortization	15,404	2,815	811	975	775	931
Loss on terminated project	1,065	--	--	--	--	--
Loss on hedge transaction	176	--	--	--	--	--
Marketing, general and administration	5,760	948	2,189	3,250	3,052	2,351
Total expenses	104,342	16,473	7,489	9,482	8,040	7,389
Operating income (loss)	32,630	6,734	2,235	700	(1,476)	(789)
Equity in net income (loss) from Service Corporations	387	(101)	--	--	--	--
Equity in net loss of uncombined joint ventures	--	--	(770)	(1,408)	(1,914)	(1,423)
Income (loss) before extraordinary items and minority interest	33,017	6,633	1,465	(708)	(3,390)	(2,212)
Minority interest	(3,043)	(1,074)	--	--	--	--
Income (loss) before extraordinary items	29,974	5,559	1,465	(708)	(3,390)	(2,212)
Extraordinary items (net of minority interest)	(522)	(1,874)	22,087	8,961	--	--
Net income (loss)	29,452	$ 3,685	$ 23,552	$ 8,253	$(3,390)	$(2,212)
Mandatory preferred dividends and accretion	(5,970)					
Income available to common shareholders	$ 23,482					
Income per common share before extraordinary item (basic and diluted) (2)	$ 1.22	$ 0.45				
Net income per common share (basic and diluted) (2)	$ 1.19	$ 0.30				
Cash dividends declared per common share	$ 1.40	$ 0.51				
Basic weighted average common shares outstanding	19,675	12,292				
Diluted weighted average common share and common share equivalents outstanding	19,739	12,404				

	THE COMPANY		SL GREEN PREDECESSOR		
	DECEMBER 31,				
	1998	1997	1996	1995	1994
Balance Sheet Data:					
Commercial real estate, before accumulated depreciation	$697,061	$338,818	$ 26,284	$ 15,559	$ 15,761
Total assets	777,796	382,775	30,072	16,084	15,098
Mortgages and notes payable	162,162	128,820	16,610	12,700	12,699
Accrued interest payable ...	494	552	90	2,894	2,032
Minority interest	41,491	33,906	--	--	--
Stockholders' equity/owners' (deficit)	404,826	176,208	(8,405)	(18,848)	(15,521)

	THE COMPANY		SL GREEN PREDECESSOR			
	YEAR ENDED DECEMBER 31, 1998	AUGUST 21 - DECEMBER 31, 1997	JANUARY 1 - AUGUST 20, 1997	YEAR ENDED DECEMBER 31, 1996	1995	1994
Other Data:						
Funds from operations (1)..	$ 42,858	$ 9,355	$ --	$ --	$ ---	$ --
Net cash provided by (used in) operating activities	22,665	5,713	2,838	272	(234)	939
Net cash provided by financing activities....	347,382	224,234	2,782	11,960	63	178
Net cash (used in) investing activities....	(376,593)	(217,165)	(5,559)	(12,375)	(432)	(567)

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(1) The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in March 1995 defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties and significant non-recurring events that materially distort the comparative measurement of the Company's'performance over time, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. For a reconciliation of net income and Funds from Operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Funds from Operations."

(2) The earnings per share amounts are presented to comply with statement of Financial Accounting Standards No. 128, Earnings Per Share. For further discussion of earnings per share and the impact of statement No. 128, see

the notes to the consolidated financial statement in Item 8 beginning on page 39.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), expansion and other development trends of the real estate industry, business strategies, expansion and growth of the Company's operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Any such statements are not guarantees of future performance and actual results or developments may differ materially from those anticipated in the forward-looking statements.

The following discussion related to the consolidated financial statements of the Company and the combined financial statements of SL Green Predecessor should be read in conjunction with the financial statements appearing in Item 8. In connection with the Formation Transactions as described in Note 1 to the financial statements there were significant changes in the financial condition and results of operations of the Company which are outlined below. Consequently, the comparison of the historical periods provides only limited information regarding the operations of the Company. Therefore, in addition to the historical comparison, the Company has provided a comparison of the results of operations on a pro forma basis.

FINANCIAL CONDITION

Commercial real estate properties before accumulated depreciation increased approximately $358 million from December 31, 1997 to December 31, 1998 primarily as a result of the purchase of the leasehold operating positions in 420 Lexington Avenue and 711 Third Avenue (including a 50% fee interest), and the property purchases of 1466 Broadway, 321 West 44th Street, 440 Ninth Avenue and 1412 Broadway. These acquisitions were funded through a short-term loan facility (the "Acquisition Facility"), cash on hand and funds available under the Company's revolving credit facility (the "Credit Facility"). The Acquisition Facility also repaid $93 million that was outstanding on the Company's Credit Facility. The Company completed two public equity offerings on May 12, 1998, which included the issuance of 11.5 million shares of common stock and 4.6 million shares of 8% Preferred Income Equity Redeemable Shares with a mandatory liquidation preference of $25.00 per share. These offerings raised net proceeds to the Company of $353 million, after underwriters discount (the "1998 Offerings"). Proceeds from the offerings were used to repay the Acquisition Facility ($240 million), acquire 440 Ninth Avenue ($32 million) and the outstanding mortgage and 50% fee interest in 711 Third Avenue ($64.6 million) with the remainder used for working capital purposes. The Company acquired 1412 Broadway ($82 million) during August 1998 and funded this acquisition with proceeds from borrowings on the Company's Credit Facility. During December 1998, the Company closed two short-term bridge financings totaling $87.5 million. The proceeds were initially used to partially repay the Company's Credit Facility ($23.8 million at December 31, 1998).

RESULTS OF OPERATIONS
(IN THOUSANDS EXCEPT PERCENTAGE DATA)

COMPARISON OF YEAR ENDED DECEMBER 31, 1998 TO YEAR ENDED DECEMBER 31, 1997

For discussion purposes, the results of operations from the year ended December 31, 1998 represent the operations of SL Green Realty Corp. and the results of operations for the year ended December 31, 1997 represent (i) the operating results of the SL Green Realty Predecessor (represented by 70 West 36th Street, 1414 Avenue of the Americas and 36 West 44th Street (since acquisition date in July 1997) for the period January 1, 1997 to August 20, 1997 and (ii) the results of the Company from August 21, 1997 to December 31, 1997. The following transactions have occurred that have had a material impact on the comparison of the 1998 and 1997 results: (i) the Formation Transactions resulted in three buildings previously accounted for under the equity method (673 Third Avenue, 470 Park Avenue South and 29 West 35th Street) which are now reported as property results, three acquired buildings (50 West 23rd Street, 1140 Avenue of the Americas and 1372 Broadway) collectively the "IPO Acquisitions" being included in the 1998 results which were included in the 1997 results of the Company as of August 21, 1997; (ii) the results of 110 East 42nd Street (acquired September 1997) 17 Battery Place (acquired December 1997) and 633 Third Avenue (acquired December 1997) "the 1997 Acquisitions" are included in the consolidated results for 1998 and were included for only a portion of the 1997 results (iii) the results of 420 Lexington Avenue (acquired March 1998), 1466 Broadway (acquired March 1998), 321 West 44th Street (acquired March 1998), 711 Third Avenue (acquired May 1998), 440 Ninth Avenue (acquired June 1998) and 1412 Broadway (acquired August 1998) (the "1998 Acquisitions") which are included for a portion of the 1998 results, and were not included in the 1997 results.

Rental revenue for the year ended December 31, 1998 totaled $117.3 million representing an increase of $93.2 million compared to $24.1 million for the year ended December 31, 1997. The increase is primarily attributable to the revenue associated with the following: (i) the IPO Acquisitions which increased rental revenue $28.1 million (ii) the 1997 Acquisitions which increased rental revenue by $17.8 million, (iii) the 1998 Acquisitions which increased rental revenue by $46.9 million and (iv) $0.4 million due to increased rental revenue in the SL Green Predecessor buildings.

Escalation and reimbursement revenue for the year ended December 31, 1998 totaled $15.9 million representing an increase of $12.9 million compared to $3.0 million for the year ended December 31, 1997. The increase is primarily attributable to the revenue associated with the following: (i) the IPO Acquisitions which increased revenue by $3.3 million, (ii) the 1997 Acquisitions which increased revenue by $1.6 million, (iii) the 1998 Acquisitions which increased revenue by $8.0 million.

Investment income totaled $3.3 million for the year ended December 31, 1998 representing an increase of $2.8 million compared to $0.5 million for the year ended December 31, 1997. This amount primarily represents interest income from the 17 Battery Park mortgage ($1.9 million), interest on other mortgage notes ($0.4 million) and interest from excess cash on hand ($0.5 million).

As of the IPO date, third party management, leasing and construction revenues and related expenses are incurred by the Service Corporations, which are 95% owned subsidiaries of the Company, which are accounted for on the equity method. This change in recognition of income and expense from third party business activities was made in order to be consistent with the REIT qualifying income test, as defined by the IRS. Consequently, in 1998, management fees, leasing commissions and construction fees, were recorded on these operating subsidiaries, compared to the 1997 third party revenue, which was recorded on the SL Green Predecessor.

Operating expenses for the year ended December 31, 1998 totaled $36.5 million representing an increase of $28.3 million compared to $8.2 million for the year ended December 31, 1997. The increase was primarily attributable to: (i) the IPO Acquisitions which increased operating expenses by $6.3 million (ii) the 1997 Acquisitions which increased operating expenses by $6.7 million and (iii) the 1998 Acquisition properties with operating expenses of $15.3 million.

Ground rent for the year ended December 31, 1998 totaled $11.1 million representing an increase of $9.5 million compared to $1.6 million for the year ended December 31, 1997. This increase primarily results from newly acquired properties having ground and sub-lease lease arrangements at 420 Lexington Avenue ($6.0 million), and 711 Third Avenue ($0.8 million) and increased ground rent at 673 First Avenue ($2.5 million) and 1140 Avenue of the Americas ($0.2 million).

Interest expense for the year ended December 31, 1998 totaled $13.1 million representing an increase of $9.9 million compared to $3.2 million for the year ended December 31, 1997. This increase is primarily attributable to (i) interest incurred on the Company's Credit Facility, and Acquisition Facility ($7.0 million) principally used to acquire new properties (ii) interest from the December 1998 bridge financings ($0.3 million) and (iii) additional secured mortgage debt, including interest on the Company's capital lease obligation on 673 First Avenue which was previously accounted for under the equity method, ($2.6 million).

Depreciation and amortization for the year ended December 31, 1998 totaled $15.4 million representing an increase of $11.8 million compared to $3.6 million for the year ended December 31, 1997. The increase is primarily attributable to: (i) the IPO Acquisitions which increased depreciation by $4.2 milllion (ii) the 1997 Acquisitions which increased depreciation by $2.0 million (iii) the 1998 Acquisitions which increased depreciation by $4.6 million, (iv) and an increase in the amortization of deferred finance costs totaling $1.0 million associated with fees incurred on the Company's Credit Facility and Acquisition Facility.

Real estate taxes for the year ended December 31, 1998 totaled $21.2 million representing an increase of $17.0 million compared to $4.2 million for the year ended December 31, 1997. The increase is primarily attributable to (i) the IPO Acquisitions which increased real estate taxes by $4.2 million (ii) the 1997 Acquisitions which increased real estate taxes by $3.2 million and (iii) the 1998 Acquisitions which increased real estate taxes by $9.6 million.

Marketing, general and administrative expense for the year ended December 31, 1998 totaled $5.8 million representing an increase of $2.7 million compared to $3.1 million for the year ended December 31, 1997. The increase is due to increased personnel costs associated with the Company's recent growth ($2.1 million) and increased public entity and technology costs ($0.6 million). This increase was partially off-set by third party costs included in the 1997 expense which were reclassified to the Service Corporations in 1998 to correspond with the reclassification of third party revenue which has been included in equity in net loss from Service Corporations since August 21, 1997.

COMPARISON OF YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

For discussion purposes and to provide comparable periods for analysis, the following discussion of the results of operations (as presented in Item 8 beginning on page 30) for the year ended December 31, 1997, combines the operating results of SL Green Predecessor for the period January 1, 1997 to August 20, 1997 and the operating results of the Company for the period August 21, 1997 to December 31, 1997. Management believes that this provides for more meaningful analysis of the financial statements to be made. The results of operations for the year ended December 31, 1996 represent solely the operating results of the SL Green Predecessor.

Rental revenue and escalation and reimbursement revenue for the year ended December 31, 1997 were $27.1 million, representing an increase of 411% compared to $5.3 million for the year ended December 31, 1996. The increase is primarily attributable to (i) the Formation Transactions in which three buildings accounted for on the equity method are consolidated in the financial statements of the Company for the period August 21, 1997 to December 31, 1997 and three buildings (50 West 23rd Street, 1140 Avenue of the Americas and 1372 Broadway) were acquired (ii) the inclusion of revenue from 1414 Avenue of the Americas for the full year during 1997 as compared to six months (purchased in July 1996) during 1996, and (iii) the results of 110 East 42nd Street (acquired September 15, 1997) 17 Battery Place (acquired December 19, 1997) and 633 Third Avenue (acquired December 30, 1997) (collectively the "1997 Acquisitions") are included in the consolidated financial statements for a portion of the period August 21, 1997 to December 31, 1997 and not included during any portion of 1996.

Management fee income decreased $1.1 million for the year ended December 31, 1997 compared to the year ended December 31, 1996 due to (i) lower management fee revenue being earned in the aggregate $0.6 million and (ii) $0.5 million in management fee income which was recorded in the Equity Income (loss) from Service Corp's for the period August 21, 1997 to December 31, 1997. As of the IPO date, all third party management income and related expense are incurred on the books of SL Green Management Corp., a 95% owned subsidiary of the Company. This change in the recognition of income and expense from third party management business activity was made in order to maintain management fee revenue in a manner which is consistent with the REIT qualifying income test, as defined by the IRS.

During the reported periods for the SL Green Predecessor, management revenues were earned from affiliated properties in which the SL Green Predecessor had an interest and were not eliminated. The amounts related to these properties are:

1997 (Pre-IPO)	$0.5 million
1996	$0.4 million
1995	$0.4 million

Leasing commission revenues increased $1.6 million for year ended December 31, 1997 compared to the year ended December 31, 1996 due to strong 1997 leasing activity.

Investment income increased $0.5 million for the year ended December 31, 1997 compared to the year ended December 31, 1996 due to interest income earned on cash on hand. The cash on hand primarily represents excess proceeds from the Company's Offering on August 21, 1997.

Other income decreased by $0.1 million or 87% to $0.02 million during the year ended December 31, 1997 compared to $0.1 million during the year ended December 31, 1996, primarily due to a one-time consulting engagement in 1996.

Prior to the IPO, third party revenues and income were derived from various management, leasing and construction activities. As part of the Formation Transactions, to the extent the Company continues to pursue such business, it will be conducted through separate subsidiaries. The equity income (loss) from Service Corporations represents the Company's 95% interest in the net income or loss derived from these activities. From the period August 21, 1997 to December 31, 1997 the Company recognized $0.1 million as its share of the loss by these subsidiaries.

Operating expenses, depreciation and amortization, and real estate taxes increased $6.6 million, $2.7 million and $3.5 million, respectively, as compared to the year ended December 31, 1996. The increase in these expenses are primarily attributable to (i) the Formation Transactions in which three buildings (50 West 23rd Street, 1140 Avenue of the Americas and 1372 Broadway) were acquired and three buildings accounted for on the equity method are consolidated in the financial statements of the Company for the period August 21, 1997 to December 31, 1997, (ii) the inclusion of expenses from 1414 Avenue of the Americas for the full year during 1997 as compared to six months (purchased July 1996) during 1996, and (iii) the results of the 1997 Acquisitions included in a portion of 1997 and not included during any portion of 1996.

Interest expense increased $1.9 million for the year ended December 31, 1997 as compared to the year ended December 31, 1996. The increase is primarily due to (i) interest expense related to the capitalized lease acquired with a building previously accounted for under the equity method, (ii) increase of $0.02 million in mortgage debt acquired in August 1997 ($0.01 million) and December 1997 ($0.01 million) and (iii) the borrowing of $0.1 million on December 19, 1997 under the Credit Facility to finance the acquisition of 17 Battery Place.

PRO FORMA RESULTS OF OPERATIONS

(IN THOUSANDS)

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1998 TO THE YEAR ENDED DECEMBER 31, 1997. The pro forma statement of operations for the year ended December 31, 1997, is presented as if the Company's IPO and the Formation Transactions occurred on January 1, 1997 and the effect thereof was carried forward through December 31, 1997. In addition to the IPO and Formation Transactions, the following transactions also affect the 1998 and 1997 comparable results: (i) the results of 110 East 42nd Street (acquired September 1997), 17 Battery Place (acquired December 1997) and 633 Third Avenue (acquired December 1997) the "1997 Acquisitions" are included in the consolidated results for the full year ended December 31, 1998 and included only for a portion of the 1997 results and (ii) the results of 420 Lexington Avenue (acquired March 1998), 1466 Broadway (acquired March 1998), 321 West 44th Street (acquired March 1998) 711 Third Avenue (acquired May 1998), 440 Ninth Avenue (acquired June 1998) and 1412 Broadway (acquired August 1998) the "1998 Acquisitions" are included in a portion of the 1998 results and not included in the 1997 results. During May 1998, the Company completed two public offerings for 11.5 million shares of common stock and 4.6 million of preferred shares resulting in net proceeds of $353 million, net of underwriting costs.

The pro forma results of operations do not purport to represent what the Company's results would have been assuming the completion of the Formation Transactions and the Company's IPO at the beginning of the period indicated, nor do they purport to project the Company's financial results of operations at any future date or for any future period. The pro forma statements of operations should be read in conjunction with the combined financial statements of SL Green Predecessor included in the Company's registration statements on Form S-11 dated May 12, 1998 and August 14, 1997 and the consolidated financial statements of the Company, included elsewhere herein.

Year ended December 31, 1998 compared to year ended December 31, 1997
(in thousands except percentage data)
(Unaudited)

	1998 (Historical)	1997 (Pro forma) (Unaudited)	Dollar Change
REVENUE			
Rental revenue	$117,304	$49,472	$ 67,832
Escalation & reimbursement revenues	15,923	5,500	10,423
Investment income	3,267	485	2,782
Leasing commissions	--	2,251	(2,251)
Other income	478	1,676	(1,198)
Total revenues	136,972	59,384	77,588
Equity in net income from Service Corporations	387	168	219
EXPENSES			
Operating expenses	36,545	13,165	23,380
Ground rent	11,082	4,297	6,785
Interest	13,086	5,509	7,577
Depreciation and amortization	15,404	7,413	7,991
Real estate taxes	21,224	8,658	12,566
Loss on terminated contract	1,065	--	1,065
Loss on hedge transaction	176	--	176
Marketing, general and administrative	5,760	2,578	3,182
Total expenses	104,342	41,620	62,722
Income before minority interest, preferred stock dividends and extraordinary items	$ 33,017	$17,932	$ 15,085

Rental revenue for the year ended December 31, 1998 totaled $117.3 million representing an increase of $67.8 million compared to $49.5 million for the year ended December 31, 1997. The increase is primarily attributable to the revenue associated with the following properties not previously owned or acquired at the IPO date: (i) the 1997 acquisitions which increased rental revenue by $17.8 million, (ii) the 1998 acquisitions which increased rental revenue by $46.9 million and (iii) increased occupancy and additional rollover rental income in the other portfolio buildings which increased $3.1 million.

Escalation and reimbursement revenue for the year ended December 31, 1998 totaled $15.9 million an increase of $10.4 million compared to $5.5 million during the year ended December 31, 1997. The increase is attributable to the revenue associated with: (i) the 1997 Acquisitions which increased revenue by $1.6 million, (ii) the 1998 Acquisitions which increased revenue by $8.0 million and (iii) the properties owned or acquired at the IPO date where revenue increased by $0.8 million.

Investment income for the year ended December 31, 1998 totaled $3.3 million, which represents an increase of $2.8 million as compared to $0.5 million for the year ended December 31, 1997. The increase in interest income is primarily due to the 17 Battery Place mortgage ($1.9 million), other mortgage notes receivable ($0.4 million) and the balance ($0.5 million) earned from excess cash on hand.

Leasing commission income decreased $2.3 million. Leasing commission income as reported in the 1997 pro forma financial statements represents Tenant-Rep income through September 30, 1997 and is subsequently being recorded by the Service Corporations for the remainder of 1997 and the comparable 1998 period. Tenant-rep revenue totaled $2.6 million for the year ended December 31, 1998 representing a decrease of $0.3 million. This decrease reflects the strong results in the 1997 period.

Other income for the year ended December 31, 1998 totaled $0.5 million representing a decrease of $1.2 million as compared to December 31, 1997. The decrease is the result of 1997 lease termination income exceeding 1998 primarily due to a large tenant buy-out at 1372 Broadway.

Operating expenses for the year ended December 31, 1998 totaled $36.5 million representing an increase of $23.4 million compared to $13.1 million for the year ended December 31, 1997. The increase was primarily attributable to properties not previously owned or acquired at the IPO date: (i) the 1997 Acquisitions which increased operating expenses by $6.7 million and (ii) the 1998 Acquisitions which increased operating expenses by $15.3 million (iii) $1.4 million of increased costs from properties owned or acquired at the IPO date primarily due to the provision for tenant straight-line credit loss which increased $0.6 million.

Ground rent for the year ended December 31, 1998 totaled $11.1 million representing an increase of $6.8 million compared to $4.3 million for the year ended December 31, 1997. The increase is primarily attributable to the ground and sub-lease rent on new acquisitions at 420 Lexington Avenue ($6.0 million) and 711 Third Avenue ($0.8 million).

Interest expense for the year ended December 31, 1998 totaled $13.1 million representing an increase of $7.6 million compared to $5.5 million for the year ended December 31, 1997. The increase is primarily attributable to interest incurred on the Company's Credit Facility and Acquisition Facility ($7.0 million) and additional mortgage loans ($0.6 million).

Depreciation and amortization for the year ended December 31, 1998 totaled $15.4 million representing an increase of $8.0 million compared to $7.4 million for the year ended December 31, 1997. The increase is primarily attributable to properties not previously owned or acquired at the IPO date: (i) the 1997 Acquisitions which increased depreciation by $2.0 million (ii) the 1998 Acquisitions which increased depreciation by $4.6 million, (iii) amortization of financing costs increased $0.9 million primarily due to fees recognized on the Company's revolving line of credit and acquisition facility and (iv) the properties owned or acquired at the IPO date which increased $0.5 million primarily due to increased tenant improvement amortization.

Real estate taxes for the year ended December 31, 1998 totaled $21.2 million representing an increase of $12.5 million compared to $8.7 million for the year ended December 31, 1997. The increase is primarily attributable to properties not previously owned or acquired at the IPO date (i) the 1997 Acquisitions which increased real estate taxes by $3.2 million and (ii) the 1998 Acquisitions which increased real estate taxes by $9.6 million. These increases were partially off-set by a $0.3 million reduction in taxes related to the core and IPO properties primarily from lower tax rates and management's effort to obtain reductions in assessed values.

Marketing, general and administrative expense for the year ended December 31, 1998 totaled $5.8 million representing an increase of $3.2 million compared to $2.6 million for the year ended December 31, 1997. The increase is due to additional staffing, and incremental absorption of lost third party management related costs ($2.6 million), costs associated with management information systems and year 2000 compliance and higher public entity costs ($0.6 million).

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1997 TO THE YEAR ENDED DECEMBER 31, 1996 . The pro forma statements of operations for the years ended December 31, 1997 and 1996, respectively, are presented as if the Offering and Formation Transactions (see Item-1 General) occurred on January 1, 1996 and the effect thereof was carried forward through December 31, 1997.

The pro forma results of operations do not purport to represent what the Company's results would have been assuming the completion of the Formation Transactions and the Offering at the beginning of the period indicated, nor do they purport to project the Company's financial results of operations at any future date or for any future period. The pro forma statements of operations should be read in conjunction with the pro forma financial statements of the Company included in the Company's registration statement on Form S-11 dated August 14, 1997 and the consolidated financial statements of the Company included elsewhere herein.

Year ended December 31, 1997 compared to year ended December 31, 1996
(in thousands except percentage data)

	Year ended December 31, (Unaudited) 1997	1996	Dollar Change
Revenue			
Rental revenue	$49,472	$ 44,338	$ 5,134
Escalation & reimbursement revenues	5,500	6,629	(1,129)
Leasing commissions	2,251	1,257	994
Investment income	485	20	465
Other income	1,676	945	731
Total revenues	59,384	53,189	6,195
Equity in net income (loss) of Service Corporations	168	(504)	672
Expenses			
Operating expenses	13,165	12,299	866
Ground rent	4,297	3,925	372
Interest	5,509	5,858	(349)
Depreciation and amortization	7,413	6,979	434
Real estate taxes	8,658	8,248	410
Marketing, general and administrative	2,578	2,643	(65)
Total expenses	41,620	39,952	1,668
Income before minority interest, preferred stock dividends and extraordinary item	$17,932	$ 12,733	$ 5,199

Rental revenue increased by $5.1 million to $49.5 million during the year ended December 31, 1997 as compared to $44.3 million for the year ended December 31, 1996. The increase is primarily due to (i) the inclusion of $1.6 million in additional rental income from 1414 Avenue of the Americas (acquired June 1996) for the full year 1997 compared to six months during the full year 1996, (ii) the recent 1997 acquisitions of 110 East 42nd Street, 17 Battery Place and 633 Third Avenue (the "1997 Acquisitions") increased revenue $1.3 million and (iii) the remaining increase is due to re-tenanting and new tenant income generated in 1997.

Escalation and reimbursement revenue decreased $1.1 million to $5.5 million during the year ended December 31, 1997 as compared to $6.6 million for the year ended December 31, 1996. The decrease is primarily due to the reduction of escalations revenue in old leases and the reduction of real estate taxes in 1997 compared to 1996 at certain properties due to the Company's overall program to reduce real estate tax assessments at the property level.

Leasing commission revenues increased by $0.9 million to $2.3 million during the year ended December 31, 1997 compared to $1.3 million for the year ended December 31, 1996. The increase is primarily due to the maturation of the Company's tenant-rep business and the generally stronger leasing market during 1997.

Investment income increased to $0.5 million during the year ended December 31, 1997 compared to $0.02 million for the year ended December 31, 1996. The increase was due to interest income earned on cash on hand which consists primarily of net proceeds remaining from the Offering.

Other income increase by $0.7 million to $1.7 million during the year ended December 31, 1997 compared to $0.9 million for the year ended December 31, 1996. The increase is due primarily to a large, non-recurring, tenant lease cancellation income at 1372 Broadway compared to the prior year.

Operating expenses, depreciation and amortization and real estate taxes increased by $0.9 million, $0.4 million and $0.4 million, respectively, during the year ended December 31, 1997 as compared to the year ended December 31, 1996. The increases are primarily due to the full year expense in 1997 for 1414 Avenue of the Americas (acquired July 1996) and the expense incurred from the 1997 Acquisitions.

The increase in ground rent is primarily due to a reclassification in 1997 between ground rent and interest expense (which had a corresponding decrease).

LIQUIDITY AND CAPITAL RESOURCES

During 1998, the Company financed its 1998 acquisitions primarily with proceeds from common and preferred stock offerings. Property level mortgage debt totaled $50.9 million with interest rates ranging from 7.33% to 9%.

During December 1998, the Company closed two short-term bridge financings. The first financing was a $51.5 million bridge loan with Prudential Securities at an interest rate (7.58% at December 31, 1998) equal to 200 basis points over the current one-month London Interbank Offered Rate ("LIBOR") . The loan matures on December 30, 1999 and is secured by the properties located at 1412 Broadway and 633 Third Avenue. The second financing was a $36 million bridge loan with Lehman Brothers at an interest rate (8.29% at December 31, 1998) equal to 275 basis points over the current one-month LIBOR . The loan matures on December 15, 1999 and is secured by the properties located at 70 West 36th Street, 1414 Avenue of the Americas and The Bar Building.

On December 19, 1997 the Company entered into a $140 million three year senior unsecured revolving credit facility (the "Credit Facility") due December 2000. Availability under the Credit Facility may be limited to an amount less than the $140 million which is calculated by several factors including recent acquisition activity and the most recent quarterly operating performance of certain unencumbered properties. Outstanding loans under the Credit Facility bear interest on a graduated rate per annum equal to the LIBOR applicable to each interest period plus 130 basis points to 145 basis points per annum. The Credit Facility requires the Company to comply with certain covenants, including but not limited to, maintenance of certain financial ratios.

In March 1998 the Company requested the Credit Facility banking group to temporarily relieve the Company from its obligations under the financial covenants of the Credit Facility, in order to close an additional financing necessary to acquire the Helmsley Properties (the "Acquisition Facility"). This Acquisition Facility closed on March 18, 1998 financed the Helmsley Properties acquisition, paid-off the outstanding balance on the Company's Credit Facility and provided on-going liquidity for future acquisition and corporate needs. The term of the Acquisition Facility was one year. The interest rate was determined by a schedule of the percent of the loan commitment outstanding and the duration of the loan commitment outstanding ranging from 170 basis points to 300 basis points over LIBOR. The Acquisition Facility was paid off on May 18, 1998 through proceeds from the 1998 Offerings. The Company's Credit Facility was restored during May 1998; at year end $23.8 million of borrowings were outstanding with remaining availability of $110 million. Availability was reduced by the issuance of $6.2 million of letters of credit. The effective borrowing rate at December 31, 1998 was 6.6%.

At December 31, 1998 the mortgage loans, secured bridge facilities and Credit Facility borrowings represented 19.1% of the Company's market capitalization based on a total market capitalization (debt and equity including preferred stock), assuming conversion of all operating partnership units of $848 million (based on a common stock price of $21.63 per share, the closing price of the Company's common stock on the New York Stock Exchange on December 31, 1998). The Company's principal debt maturities are scheduled to be $ 2.2 million and $27.3 million for the years ending December 31, 1999 and 2000, respectively. The 1999 debt maturities exclude the secured bridge facilities being refinanced in 1999.

The Company expects to make distributions to its stockholders primarily based on its distributions received from the Operating Partnership primarily from property revenues or, if necessary, from working capital or borrowings.

The Company estimates that for the years ending December 31, 1999 and 2000, it will incur approximately $27.3 million and $5.9 million, respectively, of capital expenditures on properties currently owned. In 1999 and 2000, $25.3 million and $3.8 million, respectively, of the capital investments are associated with properties acquired at or after the Company's IPO. The Company expects to fund these capital expenditures with the Credit Facility, operating cash flow and cash on hand. Future property acquisitions may require substantial capital investments in such properties for refurbishment and leasing costs. The Company expects that these financing requirements will be provided primarily from the Credit Facility, from additional borrowings secured by the properties and from future issuances of equity and debt. The

Company believes that it will have sufficient capital resources to satisfy its obligations during the next 12 month period. Thereafter, the Company expects that capital needs will be met through net cash provided by operations or additional borrowings.

In anticipation of financing properties, the Company executed a forward treasury rate lock on September 2, 1998 for $100 million of future financing. The underlying rate for that position was 5.13%. On December 3, 1997 this rate lock expired and was not renewed. The negative value of this hedge at expiration was $3.2 million. In connection with the hedge, during April 1999 the Company has mortgage commitments to complete five long-term permanent mortgage financings totaling $103 million on properties located at 70 West 36th Street, 36 West 44th Street, 1414 Avenue of the Americas, 633 Third Avenue and 1412 Broadway. The hedge cost represents a deferred financing cost which will be amortized over the life of these financings, except for $0.2 million which related to a mismatch in terms resulting in a charge to 1998 earnings.

During January 1999, the Company completed acquisitions totaling $65.4 million which it funded on the Company's Credit Facility.

Reckson Associates Realty Corp. Properties

On March 12, 1999, the Company entered into an agreement with Reckson Associates Realty Corp. to purchase four office properties totaling 675,000 square feet for approximately $84.5 million. The acquisition will be financed through a mortgage on the acquired properties ($53 million) and a mortgage on the Graybar Building ($65 million). The excess funds will be used to reduce the balance outstanding on the Company's Credit Facility.

CASH FLOWS
(IN THOUSANDS)

COMPARISON OF YEAR ENDED DECEMBER 31, 1998 TO YEAR ENDED DECEMBER 31, 1997.

Net cash provided by operating activities increased $14.1 million to $22.7 million for the year ended December 31, 1998 as compared to $8.6 million for the year ended December 31, 1997. The increase was due primarily to the operating cash flow generated by the IPO Acquisitions, 1997 Acquisitions and 1998 Acquisitions and an increase in investment income. Net cash used in investing activities increased $153.9 million to $376.6 million for the year ended December 31, 1998 compared to $222.7 million for the year ended December 31, 1997. The increase was due primarily to the increased amount of property acquisitions in 1998 ($339 million) as compared to the amount of property acquisitions in 1997 ($224.4 million). Net cash provided by financing activities increased $120.4 million to $347.4 million for the year ended December 31, 1998 compared to $227.0 million cash provided by financing activities for the year ended December 31, 1997. The increase was primarily due to net proceeds from the Company's 1998 public offerings of common stock ($243.1 million) and preferred stock ($110.4 million) which were used to pay-off the Company's Acquisition Facility ($240 million) and purchase certain 1998 acquisitions. The increase was partially off-set by the $32.1 million common stock and OP Unit dividend distribution payments and $1.2 million in deferred loan cost payments.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

Net cash provided by operating activities increased $8.3 million during the year ended December 31, 1997 to $8.6 million from $0.3 million for the year ended December 31, 1996. The increase was due primarily to the inclusion of properties encompassed in the Offering and Formation Transactions (the acquisition of 50 West 23rd Street, 1140 Avenue of the Americas and 1372 Broadway) as of August 21, 1997, the acquisition of 1414 Avenue of the Americas (acquired July 1996) 110 East 42nd Street (acquired September 1997) and 17 Battery Place (acquired December 1997) and an increase in leasing commission and investment income. Net cash used in investing activity increased $210.3 million during the year ended December 31, 1997 to $222.7 million as compared to $12.4 million for the year ended December 31, 1996. The increase is primarily due to the acquisition of certain properties at the date of the Offering, the purchase of 110 East 42nd Street in September 1997 and the purchase of an interest in 17 Battery Place and 633 Third Avenue in December 1997. Net cash provided by financing activities increased by $215.0 million during the year ended December 31, 1997 to $227.0 million as compared to $12.0 million during the year ended December 31, 1996. The primary reason for the increase is (i) net proceeds from the Offering (ii) net proceeds from mortgage notes payable and (iii) proceeds from the Credit Facility. These proceeds were used to purchase the properties described above.

FUNDS FROM OPERATIONS

The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties and significant non-recurring events that materially distort the comparative measurement of the Company's performance over time, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes Funds from Operations in accordance with standards established by NAREIT which may not be comparable to Funds from Operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. Funds from Operations does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.

On a pro forma basis after giving effect to the Offering, Funds from Operations for the year ended December 31, 1997 and for the year ended December 31, 1998, on a historical basis, are as follows:

	Year ended December 31,	
	1998	1997
	(Historical)	(Pro forma)
Income before minority interest and extraordinary item	$ 33,017	$ 17,932
Add:		
Depreciation and amortization	15,404	7,413
Loss on hedge transaction	176	--
Loss on terminated transaction	1,065	--
Less:		
Dividends on preferred shares	(5,720)	--
Amortization of deferred financing costs and depreciation of non-rental real estate assets	(1,084)	(186)
Funds From Operations	$ 42,858	$ 25,159

In compliance with the White Paper issued by NAREIT the Company has excluded a loss from a hedge transaction ($176,000) and a loss on a terminated transaction ($1.1 million) from the calculation of Funds from Operations. The Company believes these transactions are non-recurring based on the Company's operating history of not entering into these types of transactions and, therefore, are non-recurring and would materially distort the Company's performance if included in the calculation of Funds from Operations.

INFLATION

Substantially all of the office leases provide for separate real estate tax and operating expense escalations over a base amount. In addition, many of the leases provide for fixed base rent increases or indexed escalations. The Company believes that inflationary increases may be at least partially offset by the contractual rent increases described above.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 1999. The Statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt the new Statement effective January 1, 2000. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through the income statement. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

YEAR 2000 COMPLIANCE

The Company is providing the following disclosure pursuant to the Securities and Exchange Commission's interpretation titled "Disclosure of Year 2000 Issues and Consequences by Public Companies, Investment Advisers Investment Companies, and Municipal Securities Issuers" effective August 4, 1998.

STATE OF READINESS

The Company has identified three areas of focus for Year 2000 Compliance: internal information technology, property operating equipment, and third party service suppliers.

INFORMATION TECHNOLOGY: In 1997, the Company began a project to update its information technology resources by installing new hardware and software throughout the Company. The Company completed the implementation of the systems during 1998. All hardware components and software were acquired from major U.S. manufacturers. The manufacturer of the new financial systems has supplied the Company with documentation of Year 2000 testing to demonstrate that their software meets and exceeds Year 2000 compliance requirements. The company plans to internally test the financial systems, although there is no assurance this test will confirm Year 2000 compliance. The Company is currently contacting other software and hardware providers for confirmation of Year 2000 compliance with regard to its network and operating systems.

PROPERTY OPERATING EQUIPMENT: The Company inquired regarding compliance status from all vendors providing systems identified as having potential Year 2000 compliance problems. The Company then tested each system with these vendors. The Company believes that it has all identified building operating systems (primarily elevators and fire safety systems) that contain embedded chips or use software that require Year 2000 testing. The Company received confirmation from these vendors and manufacturers that the equipment and related systems are Year 2000 compliant. In addition, the Company has since tested approximately 95% of these identified systems. During the course of this testing, the fire command station at one of the Company's properties failed due to a CPU chip which was subsequently replaced at no cost. The system was retested and found to be fully functional. Further testing is scheduled to be completed by March 31, 1999.

THIRD PARTY SERVICE SUPPLIERS: At present, the Company has no automated interfaces from third party service providers into the Company's financial systems. However, the Company does rely on information from two types of third parties service providers: financial institutions and a payroll and benefits processing company. The company has begun the process of confirming with the third parties that systems that relate to the Company are Year 2000 compliant. The Company will not be able to test the systems of these service providers and will have to rely on these confirmation responses. However, the Company cannot represent that these responses are accurate and may result in lost services if these vendors are not Year 2000 compliant.

	Assessment	Remediation	Direct Testing	Indirect Testing	Implementation
Information Technology	100% complete	75% complete Expected completion 6/30/99	0% complete Expected completion 9/30/99	75% complete based on representations received from third party vendor	75% complete Expected completion 6/30/99
Property Operating Equipment	90% complete	95% complete	95% complete	Not applicable	70% complete

	Assessment	Remediation	Direct Testing	Indirect Testing	Implementation
Third Party Service Providers	100% complete	Not yet fully assessed	Not applicable	25% complete based on representations received from third party vendors	50% complete Expected completion 9/30/99

COSTS

The Company does not expect the direct costs related to Year 2000 to be material. These direct costs exclude the costs to replace the hardware and software systems, as the decision to replace these systems was not accelerated by the Year 2000 issues.

RISKS

The Company believes that it has an effective program in place to identify and resolve Year 2000 issues in a timely manner. As noted above, the Company has not yet completed all necessary phases of the Year 2000 program. In the event that the Company does not complete any additional phases, the Company may be unable to collect rents, process Company payroll, and disburse funds. The Company also does not have any plan, and cannot make any assurances regarding any loss of governmental, utility services or financial market functionality that may be lost as a result of Year 2000. The Company cannot make any assurances that its tenants will be able to disburse funds to pay rental invoices due to Year 2000 compliance deficiencies.

CONTINGENCIES

The Company expects to complete all phases of its Year 2000 program by the end of the third quarter 1999 and currently has no contingency plan in place. The Company plans to evaluate the status of completion in June 1999 and determine whether such a plan is necessary.

ITEM 7A MARKET RISK AND RISK MANAGEMENT POLICIES

The Company is exposed to changes in interest rates primarily from its floating rate debt arrangements. The Company currently does not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move (increase) in interest rates along the entire interest rate curve would adversely affect the Company's annual interest cost by approximately $1.1 million annually. Based on the acquisition activity during January 1999, and a mortgage commitment that will fix the rate on $52 million of debt by April 1999, the additional interest cost on a 100 basis point increase in interest rates would result in a $1.7 million annual increase in interest costs.

INTEREST RATE HEDGE TRANSACTIONS

The Company may enter into derivative financial instruments such as interest rate swaps and interest rate collars in order to mitigate its interest rate risk on a related financial instrument. The Company may designate these derivative financial instruments as hedges and applies deferral accounting. Gains and losses related to the termination of such derivative financial instruments are deferred and amortized to interest expense over the term of the debt instrument. Payments to or from counterparties are recorded as adjustments to interest expense.

The Company may also utilize interest rate contracts to hedge interest rate risk on anticipated debt offerings. These anticipatory hedges are designated, as effective hedges for identified debt issuances which have a high probability of occurring. Gains and losses resulting from changes in the market value of these contracts are deferred and amortized into interest expense over the life of the related debt instrument. Hedges determined to be ineffective and hedges not correlated to financings are charged to operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
SL Green Realty Corp.

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. as of December 31, 1998 and 1997 and the related consolidated statements of income, stockholders' equity and cash flows for the year ended December 31, 1998 and for the period August 21, 1997 (date of commencement of operations) to December 31, 1997. We have also audited the financial statement schedule listed in the index as Item 14(a). These financial statements and financial statement schedule are the responsibility of SL Green Realty Corp.'s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly in all material respects, the consolidated financial position of SL Green Realty Corp. at December 31, 1998 and 1997 and the consolidated results of its operations and its cash flows for the year ended December 31, 1998 and for the period August 21, 1997 (date of commencement of operations) to December 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

New York, New York
February 10, 1999 except
for the last paragraph in
Note 16, as to which the
date is March 12, 1999

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
SL Green Realty Corp.

We have audited the accompanying combined balance sheet of SL Green Predecessor as of December 31, 1996 (not presented herein) and the related combined statements of income, owners' deficit and cash flows for the period from January 1, 1997 to August 20, 1997 and for the year ended December 31, 1996. We have also audited the financial statement schedule listed in the index as Item 14(a). These financial statements and financial statement schedule are the responsibility of SL Green Predecessor's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the combined financial position of SL Green Predecessor at December 31, 1996 and the combined results of its operations and its cash flows for the period from January 1, 1997 to August 20, 1997 and for the year ended December 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

New York, New York
February 10, 1998

SL GREEN REALTY CORP.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	December 31, 1998	December 31, 1997
ASSETS		
Commercial real estate properties, at cost:		
Land and land interests	$ 112,123	$ 53,834
Buildings and improvements	492,568	272,776
Building leasehold	80,162	--
Property under capital lease	12,208	12,208
	697,061	338,818
Less accumulated depreciation	(37,355)	(23,800)
	659,706	315,018
Cash and cash equivalents	6,236	12,782
Restricted cash	18,635	10,310
Receivables	3,951	738
Related party receivables	245	725
Deferred rents receivable, net of reserve for tenant credit loss of $2,369 and $399 in 1998 and 1997, respectively	20,891	11,563
Investment in and advances to Service Corporations	10,694	2,726
Mortgage loans receivable	26,401	15,500
Deferred costs, net	15,282	6,099
Other assets	15,755	7,314
Total assets	$ 777,796	$ 382,775

The accompanying notes are an integral part to these financial statements.

SL GREEN REALTY CORP.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	December 31, 1998	December 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage notes payable	$ 50,862	$ 52,820
Secured bridge facilities	87,500	--
Revolving credit facility	23,800	76,000
Accrued interest payable	494	552
Accounts payable and accrued expenses	5,588	3,340
Accounts payable to related parties	63	367
Capitalized lease obligations	14,741	14,490
Deferred land lease payable	9,947	8,481
Dividend and distributions payable	11,585	5,136
Security deposits	16,949	11,475
Total liabilities	221,529	172,661
Minority interest in operating partnership	41,491	33,906
Commitments and Contingencies		
8%Preferred Income Equity Redeemable SharesSM $0.01 par value $25.00 mandatory liquidation preference, 25,000 authorized and 4,600 outstanding at December 31, 1998	109,950	--
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value 100,000 shares authorized, 23,952 and 12,292 issued and outstanding at December 31, 1998 and 1997, respectively	240	123
Additional paid - in capital	416,939	178,669
Deferred compensation plan	(3,266)	--
Officers' loans	(528)	--
Distributions in excess of earnings	(8,559)	(2,584)
Total stockholders' equity	404,826	176,208
Total liabilities and stockholders' equity	$ 777,796	$ 382,775

The accompanying notes are an integral part to these financial statements.

SL GREEN REALTY CORP.
STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	SL GREEN REALTY CORP (Consolidated)		SL GREEN PREDECESSOR (Combined)	
	Year ended December 31, 1998	August 21 to December 31, 1997	January 1 to August 20, 1997	Year ended December 31 1996
REVENUES				
Rental revenue	$ 117,304	$ 20,033	$ 4,107	$ 4,199
Escalation and reimbursement revenues	15,923	2,205	792	1,051
Management revenues, including $458 (1997), and $447 (1996), from affiliates	--	--	1,268	2,336
Leasing commissions	--	484	3,464	2,372
Construction revenues, net, including $6 (1997), and $35 (1996), from affiliates	--	--	77	101
Investment income	3,267	485	--	--
Other income	478	--	16	123
Total revenues	136,972	23,207	9,724	10,182
Equity in net income/(loss) from Service Corporations	387	(101)	--	--
Equity in net (loss) of uncombined joint ventures	--	--	(770)	(1,408)
EXPENSES				
Operating expenses including $2,118 (1998), $282 (1997) and $93 (1996) to affiliates	36,545	5,517	2,709	3,197
Ground rent	11,082	1,560	13	--
Interest	13,086	2,135	1,062	1,357
Depreciation and amortization	15,404	2,815	811	975
Real estate taxes	21,224	3,498	705	703
Loss on terminated project	1,065	--	--	--
Loss on hedge transaction	176	--	--	--
Marketing, general and administrative	5,760	948	2,189	3,250
Total expenses	104,342	16,473	7,489	9,482
Income (loss) before minority interest and extraordinary item	33,017	6,633	1,465	(708)
Minority interest in operating partnership	(3,043)	(1,074)	--	--
Extraordinary item, net of minority interest of $52 and $362 in 1998 and 1997, respectively	(522)	(1,874)	22,087	8,961
Net income	29,452	$ 3,685	$ 23,552	$ 8,253
Preferred stock dividends	(5,720)			
Preferred stock accretion	(250)			
Net income available to common shareholders	$ 23,482			
Per share data:				
Income per common share before extraordinary item	$ 1.22	$ 0.45		
Extraordinary item per common share	(0.03)	(0.15)		
Net income per common share - basic and diluted	$ 1.19	$ 0.30		
Basic weighted average common shares outstanding	19,675	12,292		
Diluted weighted average common shares and common share equivalents outstanding	19,739	12,404		

The accompanying notes are an integral part to these financial statements.

SL GREEN REALTY CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS)

	Distributions in Excess of Earnings	Common Stock	Officers' Loans	Additional Paid-In Capital	Deferred Compensation Plan	Total
Balance at August 20, 1997 (inception)						
Net proceeds from Initial Public Offering of common stock	--	$123	--	$ 223,366	--	$ 223,489
Net income	$ 3,685	--	--	--	--	3,685
Cash distributions declared ($0.51 per common share of which none represented a return of capital for federal income tax purposes)	(6,269)	--	--	--	--	(6,269)
Contribution of the net assets of SL Green Predecessor in exchange for Units of the Operating Partnership and other Formation Transactions	--	--	--	(44,697)	--	(44,697)
Balance at December 31, 1997	(2,584)	123	--	178,669	--	176,208
Net income	29,452	--	--	--	--	29,452
Preferred dividend and accretion requirement	(5,970)	--	--	--	--	(5,970)
Issuance of common stock net offering cost ($1,615) and revaluation increase in minority interest ($6,934)	--	115	--	234,709	--	234,824
Deferred compensation plan	--	2	--	3,561	$(3,563)	--
Amortization of deferred compensation plan	--	--	--	--	297	297
Cash distributions declared ($1.40 per common share of which none represented a return of capital for federal income tax purposes)	(29,457)	--	--	--	--	(29,457)
Officers' loan, net	--	--	$(528)	--	--	(528)
Balance at December 31, 1998	$ (8,559)	$240	$(528)	$ 416,939	$(3,266)	$ 404,826

The accompanying notes are an integral part to these financial statements.

SL GREEN REALTY CORP.
COMBINED STATEMENTS OF OWNERS' EQUITY (DEFICIT)
(DOLLARS IN THOUSANDS)

	SL Green Predecessor
Balance at December 31, 1995	$(18,848)
Distributions	(552)
Contributions	2,742
Net income for the year ended December 31, 1996	8,253
Balance at December 31, 1996	(8,405)
Distributions	(4,024)
Contributions	25
Net income for the period ended August 20, 1997	23,552
Balance at August 20, 1997	$ 11,148

The accompanying notes are an integral part to these financial statements.

SL GREEN REALTY CORP.
STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	SL Green Realty Corp (Consolidated) Year ended December 31, 1998	SL Green Realty Corp (Consolidated) August 21, to December 31, 1997	SL Green Predecessor (Combined) January 1, to August 20, 1997	SL Green Predecessor (Combined) Year ended December 31, 1996
OPERATING ACTIVITIES				
Net income	$ 29,452	$ 3,685	$ 23,552	$ 8,253
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	15,404	2,815	811	975
Equity in net (income) loss from Service Corporations	(387)	101	--	--
Minority interest in operating partnership	2,991	712	--	--
Share of net (income) loss from uncombined joint ventures	--	--	(21,072)	1,763
Deferred rents receivable	(11,748)	(946)	(102)	(362)
Provision for straight-line credit loss	2,420	--	--	--
Provision for bad debts	374	--	--	--
Amortization for officer loans and deferred compensation	747	--	--	--
Extraordinary items - non cash portion, net of minority interest in 1998 and 1997	574	803	--	(8,961)
Changes in operating assets and liabilities:				
Restricted cash	(6,147)	(223)	--	(563)
Receivables	(3,587)	(614)	(190)	(531)
Related party receivables	619	(1,633)	(365)	(170)
Deferred costs	(5,810)	(707)	(279)	(1,108)
Other assets	(8,441)	(3,101)	656	(287)
Accounts payable, accrued expenses and other liabilities	4,738	4,524	(173)	1,263
Deferred land lease payable	1,466	297	--	--
Net cash provided by operating activities	22,665	5,713	2,838	272
INVESTING ACTIVITIES				
Additions to land, buildings and improvements	(357,243)	(217,165)	(7,411)	(10,725)
Contributions to partnership investments	--	--	(25)	(1,650)
Investment in and advances to Service Corporations	(8,449)	--	--	--
Mortgage loan receivable	(10,901)	--	--	--
Distributions from partnership investments	--	--	1,877	--
Net cash used in investing activities	(376,593)	(217,165)	(5,559)	(12,375)

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

SL GREEN REALTY CORP.
STATEMENTS OF CASH FLOWS (CONTINUED)
(DOLLARS IN THOUSANDS)

	SL Green Realty Corp. (Consolidated)		SL Green Predecessor (Combined)	
	Year ended December 31, 1998	August 21, to December 31, 1997	January 1, to August 20, 1997	Year ended December 31, 1996
FINANCING ACTIVITIES				
Proceeds from mortgage notes payable	--	21,000	7,000	16,680
Payments of mortgage notes payable	(1,958)	(76,822)	(219)	(6,910)
Repayments of senior revolving credit facility	(207,450)	--	--	--
Proceeds from bridge financings	327,460	--	--	--
Repayments of bridge financings	(239,960)	--	--	--
Proceeds from senior revolving credit facility	155,250	76,000	--	--
Capitalized lease obligation	251	58	--	--
Mortgage loan receivable	--	(15,500)	--	--
Net proceeds from sale of 8% mandatory preferred stock	109,700	--	--	--
Cash distributions to owners	--	--	(4,024)	(552)
Cash contributions from owners	--	--	25	2,742
Dividends and distributions paid	(32,144)	(2,348)	--	--
Deferred loan costs	(5,822)	(1,643)	--	--
Net proceeds from sale of common stock	242,055	228,704	--	--
Formation expenses	--	(5,215)	--	--
Net cash provided by financing activities	347,382	224,234	2,782	11,960
Net (decrease) increase in cash and cash equivalents	(6,546)	12,782	61	(143)
Cash and cash equivalents at beginning of period	12,782	--	476	619
Cash and cash equivalents at end of period	$ 6,236	$ 12,782	$ 537	$ 476
Supplemental cash flow disclosures				
Interest paid	$ 13,144	$ 1,583	$ 1,085	$ 1,059
Supplemental disclosure of non-cash investing and financing activities				
Investing and Financing Activities:				
Land interest acquired for operating partnership units	$ 1,000			
Formation transaction activity:				
Assets acquired				
Commercial real estate, net		$ 91,123		
Other assets		$ 16,751		
Liabilities assumed				
Mortgage notes payable		$ 73,073		
Capitalized lease obligation		$ 14,431		
Deferred land lease		$ 8,184		
Security deposits payable		$ 4,262		

In December 1998 and 1997 the Company declared distributions per unit of $0.35 and these distributions were paid in 1999 and 1998, respectively.

The accompanying notes are an integral part to these financial statements.

(DOLLARS IN THOUSANDS)

1. ORGANIZATION AND BASIS OF PRESENTATION

INITIAL PUBLIC OFFERING AND FORMATION TRANSACTIONS

SL Green Realty Corp. (the "Company"), a Maryland corporation, and SL Green Operating Partnership, L.P., (the "Operating Partnership"), were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities ("SL Green Predecessor"). The Operating Partnership received a contribution of interest in the real estate properties as well as 95% of the economic interest in the management, leasing and construction companies (the "Service Corporations"). The Company believes it qualifies as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended; and operates as a fully integrated, self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to shareholders, is permitted to reduce or avoid the payment of federal income taxes at the corporate level.

The authorized capital stock of the Company consists of 200 million shares, $.01 par value, of which the Company has authorized the issuance of up to 100 million shares of Common Stock, $.01 par value per share, 75 million shares of Excess Stock, at $.01 par value per share, and 25 million shares of Preferred Stock, par value $.01 per share. On August 20, 1997, the Company issued 11.615 million shares of its Common Stock (including the underwriters' over-allotment option of 1.52 million shares) through a public offering (the "Offering"). Concurrently with the consummation of the Offering, the Company issued 38,095 shares of restricted common stock pursuant to officer stock loans and 85,600 shares of restricted common stock to a financial advisor. In addition, the Company previously issued to its executive officers approximately 553,616 shares, as founders' shares. As of December 31, 1998, no shares of Excess Stock are issued and outstanding.

Concurrent with the consummation of the Offering in 1997, the Company and the Operating Partnership, together with the partners and members of the affiliated partnerships of the SL Green Predecessor and other parties which held ownership interests in the properties contributed to the Operating Partnership (collectively, the "Participants"), engaged in certain Formation Transactions (the "Formation Transactions").

The net cash proceeds received by the Company from the Offering in 1997 (after deducting underwriting discounts) was $228.7 million. The Company utilized $42.6 million of the Offering proceeds to repay mortgage indebtedness encumbering the properties, including $1.5 million for prepayment penalties and other financing fees and expenses, approximately $6.6 million to purchase the direct or indirect interests of certain participants in the properties, approximately $95.5 million to acquire properties (50 West 23rd Street, 1140 Avenue of the Americas, and 1372 Broadway) approximately $3.4 million to pay certain expenses incurred in the Formation Transactions, $35.6 million to repay a loan from Lehman Brothers Holdings, Inc. ("LBHI") (which included $20 million to repay a loan that was made to a company indirectly owned by Stephen L. Green), $1.8 million to fund a Lehman Brothers, Inc. advisory fee and $41.7 million to fund capital expenditures, general working capital needs and future acquisitions (see note 3).

Substantially all of the Company's assets are held by, and it conducts its operations through, the Operating Partnership, a Delaware limited partnership. The Company is the sole managing general partner of the Operating Partnership.

MAY 1998 PUBLIC OFFERINGS

On May 12, 1998 the Company completed the sale of 11.5 million shares of common stock and 4.6 million shares of 8% Preferred Income Equity Redeemable Shares with a mandatory liquidation preference of $25.00 per share (the "PIERS"). Gross proceeds from these equity offerings ($353 million, net of underwriter's discount) were used principally to repay the Acquisition Facility (see note 13) and acquire additional properties. These offerings resulted in the reduction of continuing investor's interest in the Operating Partnership from 16.2% to 9.2%.

(DOLLARS IN THOUSANDS)

PRINCIPLES OF COMBINATION - SL GREEN PREDECESSOR

The SL Green Predecessor was not a legal entity but rather a combination of real estate properties and affiliated real estate management, construction and leasing entities under common control and management of Stephen L. Green; and interests owned by Stephen L. Green in entities accounted for on the equity method (see note 2) that were organized as partnerships and a limited liability company. The entities included in this financial statement have been combined for only the periods that they were under common control and management. All significant intercompany transactions and balances have been eliminated in combination. Capital contributions, distributions and profits and losses are allocated in accordance with the terms of the applicable agreements.

The accompanying combined financial statements prior to August 21, 1997 include partnerships and corporations which are under common control as follows:

ENTITY	PROPERTY/SERVICE	STEPHEN L. GREEN PERCENTAGE OWNERSHIP	OWNERSHIP TYPE
Office Property Entities			
64-36 Realty Associates	70 West 36th Street	95%	General partner
1414 Management Associates, LP	1414 Avenue of the Americas	100%	General partner
Service Corporations			
SL Green Management, Corp.	Management	100%	Sole shareholder
SL Green Leasing, Inc.	Management and leasing	100%	Sole shareholder
Emerald City Construction Corp.	Construction	100%	Sole shareholder

On June 30, 1997, the majority owner of SL Green Predecessor purchased the remaining 90% interest in Praedium Bar Associates LLC, which was funded by a loan from Lehman Brothers Holdings Inc. which as of that date is included in the combined financial statements (see note 2).

For the entities accounted for on the equity method, SL Green Predecessor records its investments in partnerships and limited liability company at cost and adjusts the investment accounts for its share of the entities' income or loss and for cash distributions and contributions.

MANAGEMENT

In order to maintain the Company's qualification as a REIT while realizing income from management leasing and construction contracts from third parties, all of the management operations with respect to properties in which the Company will not own 100% of the interest are conducted through the Service Corporations. In so doing, the Company should not incur a risk of this revenue exceeding the 5% REIT Qualifying Income Test. The Company, through the Operating Partnership, owns 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporations. Through dividends on its equity interest, the Operating Partnership will receive substantially all of the cash flow (if any) from the Service Corporations' operations. All of the voting common stock of the Service Corporations (representing 5% of the total equity) is held by an SL Green affiliate. This controlling interest gives the SL Green affiliate the power to elect all directors of the Service Corporations. The Company accounts for its investment in the Service Corporations on the equity basis of accounting on the basis that it has significant influence with respect to management and operations.

(DOLLARS IN THOUSANDS)

All of the management and leasing with respect to the properties contributed and acquired by the Company are conducted through the management LLC. The Operating Partnership owns 100% interest in the management LLC.

PARTNERSHIP AGREEMENT

In accordance with the partnership agreement of the Operating Partnership (the "Operating Partnership Agreement"), all allocations of distributions and profits and losses are to be made in proportion to the percentage ownership interests of their respective partners. As the managing general partner of the Operating Partnership, the Company will be required to take such reasonable efforts, as determined by it in its sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient distributions by the Company (95% of taxable income) to avoid any federal income or excise tax at the Company level. Under the Operating Partnership agreement each limited partner will have the right to redeem limited partnership interest for cash, or if the Company so elects shares of common stock. In accordance with the Operating Partnership Agreement, the Company is prohibited from selling 673 First Avenue and 470 Park Avenue South through August 2009. Pursuant to the terms of the Operating Partnership's partnership agreement, the Units issued to the Company's management and continuing investors at the IPO may not, for up to two years from the IPO date, transfer any of their rights or redeem their Units as a limited partner without the consent of the Company.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned or majority-owned. All significant intercompany balances and transactions have been eliminated.

MARKETABLE SECURITIES

Marketable securities held by the preferred stock subsidiaries are classified as available for sale. The cost of these securities approximates their fair value at December 31, 1998.

USE OF ESTIMATES

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

DEPRECIATION OF REAL ESTATE PROPERTIES

Depreciation and amortization is computed on the straight-line method as follows.

Category	Term
Building (fee ownership)	40 years
Building improvements	remaining life of the building
Building (leasehold interest)	lesser of 40 years or remaining life of the lease
Property under capital lease	49 years (lease term)
Furniture and fixtures	four to seven years
Tenant improvements	remaining life of the lease

Depreciation expense (including amortization of the capital lease asset) amounted to $13,555 for the year ended December 31, 1998, $2,526 for the period August 21, 1997 to December 31, 1997 and $591 for the period January 1, 1997 to August 20, 1997, $788 for the year ended December 31, 1996.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(DOLLARS IN THOUSANDS)

RESTRICTED CASH

Restricted cash primarily consists of security deposits held on behalf of tenants.

REVENUE RECOGNITION

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

RENT EXPENSE

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

DEFERRED LEASE COSTS

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over an estimated average lease term of seven years.

DEFERRED FINANCING COSTS

Deferred financing costs represent commitment fees, legal and other third party costs associated with obtaining commitments for financing which result in a closing of such financing. These costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is refinanced before maturity. Costs incurred in seeking financial transactions which do not close are expensed in the period incurred. Deferred costs associated with the Company's forward treasury lock (see note 5) are classified as deferred financing costs and are to be amortized over the term of the committed April 1999 mortgage financings.

INTEREST RATE HEDGE TRANSACTIONS

The Company may enter into derivative financial instruments such as interest rate swaps and interest rate collars in order to mitigate its interest rate risk on a related financial instrument. The Company may designate these derivative financial instruments as hedges and applies deferral accounting. Gains and losses related to the termination of such derivative financial instruments are deferred and amortized to interest expense over the term of the debt instrument. Payments to or from counterparties are recorded as adjustments to interest expense.

The Company may also utilize interest rate contracts to hedge interest rate risk on anticipated debt offerings. These anticipatory hedges are designated, and effective, as hedges of identified debt issuances which have a high probability of occurring. Gains and losses resulting form changes in the market value of these contracts are deferred and amortized into interest expense over the life of the related debt instrument. Hedges determined to be ineffective and hedges not correlated to financings are charged to operations.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash investments and accounts receivable. The Company places its cash investments with high quality institutions. Management of the Company performs ongoing credit evaluation of its tenants and requires certain tenants to provide security deposits. Though these security deposits are insufficient to meet the terminal value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with retenanting the space. Although the SL Green Predecessors' buildings and new acquisitions are all located in Manhattan, the tenants located in these buildings operate in various industries and no single tenant represents a dominant share of the Company's revenue and no tenant represents 10% of the Company's revenue. Approximately 19% of the Company's revenue for the period August 21, 1997 to

December 31, 1997 was derived from 673 First Avenue. Approximately 19% and 11% of the Company's revenue was derived from 420 Lexington Avenue and 17 Battery Place, respectively, for the year ended December 31, 1998

The Company currently has 74% of its workforce covered by three collective bargaining agreements which service all of the Company's properties.

STOCK-BASED COMPENSATION

The Company accounts for its stock compensation arrangements under the provisions of APB opinion No. 25, "Accounting for Stock Issued to Employees". Since the stock options are granted by the Company at the fair value of the shares at the date of grant, no compensation expense is recognized in the financial statements. Awards of stock, restricted stock or employee loans to purchase stock which may be forgiven over a period of time are expensed as compensation expense on a current basis over the benefit period.

INCOME TAXES

The Company is taxed as a REIT under Section 856(c) of the Internal Revenue Code of 1986, as amended, commencing with the period August 21, 1997 to December 31, 1997. As a REIT, the Company generally is not subject to federal income tax. To maintain qualification as a REIT, the Company must distribute at least 95% of its REIT taxable income to its stockholders and meet certain other requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate rates. The Company may also be subject to certain state and local taxes on its income and property. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income. At December 31, 1998, the Company believes it is in compliance with all REIT requirements and was not subject to federal income taxes.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 1999. The Statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt the new Statement effective January 1, 2000. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

2. INVESTMENT IN UNCOMBINED JOINT VENTURES

The SL Green Predecessor's investments in three partnerships and a limited liability company had been accounted for under the equity method since control was shared with other parties. The investment in partnerships and limited liability company were as follows:

(DOLLARS IN THOUSANDS)

Partnerships/Limited Liability Company	Property	Green Group Ownership	Ownership Type
673 First Realty Company	673 First Avenue	67%	Co-general partner
470 Park South Associates, LP	470 Park Avenue South	65%	Co-general partner
29/35 Realty Associates, LP	29 West 35th Street	21.5%	Co-general partner
Praedium Bar Associates, LLC ("Praedium Bar)	36 West 44th Street	10%(A)	Has veto rights relating to sale and financing

- ----------

(A) Praedium Bar acquired the first mortgage related to the property in October, 1996 which provides for substantially all the economic interest in the property and has the sole right to purchase the fee interest, (the property deed is in escrow), for a nominal cost; accordingly SL Green Predecessor has accounted for Praedium Bar investment as a ownership interest in the property. On June 30, 1997, the majority owner of SL Green Predecessor purchased the remaining 90% interest in Praedium Bar Associates, LLC for $6.3 million. The owners of the fee interest, in 36 West 44th Street and the leasehold interest in 35 West 43rd Street transferred their interests, in this property to the Company on April 14, 1998.

Condensed combined statements of operations of the partnerships and the limited liability company, are as follows:

	JANUARY 1, TO AUGUST 20, 1997	YEAR ENDED DECEMBER 31, 1996
CONDENSED STATEMENTS OF OPERATIONS		
Rental revenue and escalations	$ 13,463	$ 18,874
Other revenue	89	28
Total revenues	13,552	18,902
Interest	5,320	7,743
Depreciation and amortization	2,510	3,580
Operating and other expenses	7,142	10,036
Total expenses	14,972	21,359
Operating loss before outside partner's interest	(1,420)	(2,457)
Elimination of inter-company management fees	240	355
Extraordinary gain on forgiveness of debt	33,418	--
Other partner share of the (income) loss	(10,921)	694
Income (loss) allocated to the SL Green Predecessor	$ 21,317	$ (1,408)

(DOLLARS IN THOUSANDS)

There were several business relationships with related parties which involved management, leasing and construction fee revenues and maintenance expense. Transactions relative to the aforementioned combined statements of operations and balance sheet for the equity investees include the following before elimination of intercompany transactions:

	JANUARY 1, TO AUGUST 20, 1997	YEAR ENDED DECEMBER 31, 1996
Management fee expenses	$ 448	$622
Leasing commission expenses..	295	218
Construction fees	1,796	185
Maintenance expenses	186	227

3. PROPERTY ACQUISITIONS

On August 14, 1998 the Company purchased the property located at 1412 Broadway - The Fashion Gallery Building - for $72 million, plus approximately $5 million for reimbursement of loan prepayment charges and $5 million related to capital expenditures, commissions and other closing costs. The property is a 25-story office building totaling 389,000 square feet and had an occupancy rate at the date of acquisition, including pending leases, of 89.5%.

On August 6, 1998 the Company closed the acquisition of an existing first mortgage secured by the property located at 636 11th Avenue, which is a 469,000 square foot industrial and warehouse block front property located between 46th and 47th Streets for $10.9 million. The mortgage bears interest at 8.875% at December 31, 1998. The Company had contracted to buy this mortgage on June 11, 1998 and simultaneously entered into an agreement to purchase the property during January 1999. This property is currently in Chapter 11 bankruptcy proceedings. During January 1999 the Company terminated this purchase agreement. The unrecoverable project costs and settlement costs resulted in a $1.1 million charge to 1998 earnings.

On June 1, 1998 the Company acquired the property located at 440 Ninth Avenue for approximately $32 million in cash. The 18-story, 340,000 square foot building was 76% occupied at the date of acquisition. In connection with this purchase, the Company obtained a $6.2 million mortgage note receivable secured by the property located at 38 East 30th Street. The note's interest rate was 8% and was paid back during September 1998.

On May 21, 1998 the Company acquired the outstanding mortgage of the property located at 711 Third Avenue for approximately $44.6 million in cash. The 20-story, 524,000 square foot building was 79% occupied at the date of acquisition. The Company's outstanding mortgage position provides for the Company to receive 100% of the economic benefit from the property, and accordingly for the period owned, the Company has recorded the operating results of the property in the statement of operations. On July 2, 1998 the Company acquired 50% of the fee interest in 711 Third Avenue for $20 million and 44,772 Operating Partnership Units.

On April 14, 1998, the Company converted its mortgage interest in 36 West 44th Street into a fee interest and its mortgage interest in 36 West 43rd Street into a leasehold interest (collectively known as the Bar Building) for an additional cost of approximately $1.0 million.

During March 1998, the Company purchased the operating leasehold interest in the property located at 420 Lexington Avenue (the "Graybar Building") and the fee interest in the property located at 1466 Broadway from the Helmsley organization for $142 million. The Graybar Building is located adjacent to Grand Central Station and encompasses approximately 1.2 million square feet and the property at 1466 Broadway is located at 42nd Street and Broadway encompassing approximately 290,000 square feet.

During March 1998 the Company purchased the property located at 321 West 44th Street for approximately $17 million, comprised of approximately 209,000 square feet.

(DOLLARS IN THOUSANDS)

On January 8, 1998, the Company acquired fee title to its property located at 1372 Broadway. Prior to this date the Company held a mortgagee's interest in this property with a right to acquire the fee.

In connection with the Formation Transaction (see note 1), the Company acquired the first mortgage related to 1372 Broadway on August 21, 1997 which provides for substantially all of the economic interest in the property and has the sole right to purchase the fee interest; accordingly, the Company has accounted for the 1372 Broadway investment as ownership interest in the property. The Company purchased the fee interest in January 1998 for approximately $1 million.

On September 15, 1997, the Operating Partnership acquired the land and building at 110 East 42nd Street for $30 million. The acquisition was funded by proceeds of an LBHI loan and the Offering.

On December 19, 1997, the Operating Partnership exercised the Company's option to acquire an interest in 17 Battery Place for approximately $59 million. In connection with this acquisition, the Company also loaned $15.5 million to the co-tenant at 17 Battery Place. The mortgage receivable bears interest at 12% and is due March 31, 1999 and is secured by a first mortgage on the mortgagor's condominium interest in the property. The cash required to purchase the property and fund the loan were financed through borrowings under the Company's senior unsecured revolving credit facility.

On December 30, 1997 the Operating Partnership acquired a condominium ownership interest at 633 Third Avenue for $10.5 million and a capital reserve of $1 million (subsequently returned in 1998). The acquisition was funded by proceeds from a mortgage loan on 50 West 23rd Street and cash on hand.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the years ended December 31, 1998 and 1997 as though each acquisition described above and each acquisition included in the Offering and Formation Transactions was made on January 1, 1997.

	1998	1997
Revenues	$ 160,110	$ 150,785
Pro forma net income	$ 28,607	$ 25,798
Pro forma basic earnings per common share	$ 1.20	$ 1.08
Pro forma diluted earnings per common share	$ 1.20	$ 1.08
Common and common equivalent share - basic	23,952	23,792
Common and common equivalent share - diluted	23,993	23,863

4. DEFERRED COSTS

	1998	1997
Deferred costs consist of the following:	$ 8,342	$ 3,147
Deferred financing	13,010	7,201
Deferred lease	21,352	10,348
Less accumulated amortization	(6,070)	(4,249)
	$ 15,282	$ 6,099

(DOLLARS IN THOUSANDS)

5. MORTGAGE NOTES PAYABLE AND REVOLVING CREDIT FACILITY

The mortgage notes payable collateralized by the respective properties and assignment of leases at December 31, 1998 and 1997 are as follows:

PROPERTY	MORTGAGE NOTES	1998	1997
50 West 23rd Street	Note payable to Lehman Brothers Holdings, Inc. with interest based on LIBOR plus 1.75% (7.6875% at December 31, 1997) due December, 2007	--	$ 7,000
50 West 23rd Street	Note payable to Lehman Brothers Holdings Inc., with interest at 7.47% due August, 2007	--	14,000
50 West 23rd Street	Note payable to GMAC with interest at 7.33% due December 2007	$21,000	--
29 West 35th Street	First mortgage note with interest payable at 8.464%, due February 1, 2001	2,903	$ 2,974
673 First Avenue	First mortgage note with interest payable at 9.0%, due December 13, 2003	16,452	18,013
470 Park Avenue South	First mortgage note with interest payable at 8.25%, due April 1, 2004	10,507	10,833
	Total mortgage notes payable	$50,862	$52,820

As of December 31, 1998, the carrying values of 50 West 23rd Street, 29 West 35th Street, 673 Third Avenue and 470 Park Avenue South were $35.6 million, $5.6 million, $33.7 million and $27.0 million, respectively.

During December 1998, the Company closed two short-term bridge financings. The first financing was a $51.5 million bridge loan with Prudential Securities at an interest rate equal to 200 basis points over the current one-month LIBOR (7.58% at December 31, 1998 weighted average interest rate). The loan matures on December 30, 1999 and is secured by the properties located at 1412 Broadway and 633 Third Avenue. The second financing was a $36 million bridge loan with Lehman Brothers at an interest rate equal to 275 basis points over the current one-month LIBOR (8.29% at December 31, 1998 weighted average interest rate). The loan matures on December 15, 1999 and is secured by the properties located at 70 West 36th Street, 1414 Avenue of the Americas and The Bar Building.

During March 1998, the Company converted the notes payable that were collateralized by 50 West 23rd Street into fixed rate obligations at an interest rate of 7.33%.

On December 19, 1997 the Company entered into a $140 million three year senior unsecured revolving credit facility (the "Credit Facility") due December 2000. Availability under the Credit Facility may be limited to an amount less than the $140 million which is calculated by several factors including recent acquisition activity and most recent quarterly property performance. Outstanding loans under the Credit Facility bear interest on a graduated rate per annum equal to the London Interbank Offered Rate ("LIBOR") applicable to each interest period plus 130 basis points to 145 basis points per annum. The Credit Facility requires the Company to comply with certain covenants, including but not limited to, maintenance of certain financial ratios. At December 31, 1998 the outstanding amount of indebtedness under the Credit Facility was $23.8 million, and the interest rate on such indebtedness was 6.86% per annum. At December 31, 1998 the Company's borrowing availability was $110 million. Availability under the Credit Facility was reduced further by letters of credit in the amount of $6.2 million for acquisition deposits.

(DOLLARS IN THOUSANDS)

In anticipation of financing properties, the Company executed a forward treasury rate lock on September 2, 1998 for $100 million of future financing. The underlying rate for that position was 5.13%. On December 3rd this rate lock expired and was not renewed. The negative value of this hedge at expiration was $3.2 million. In connection with the hedge, during April 1999 the Company has commitments to complete five permanent mortgage financings totaling $103 million on properties located at 70 West 36th Street, 36 West 44th Street, 1414 Avenue of the Americas, 633 Third Avenue and 1412 Broadway. The hedge cost represents a deferred financing cost which will be amortized over the life of these financings, except for $0.2 million which related to a mismatch in terms resulting in a charge to 1998 earnings.

PRINCIPAL MATURITIES

Combined aggregate principal maturities of mortgages and notes payable as of December 31, 1998 are as follows:

1999..............................	$ 89,726
2000..............................	27,309
2001..............................	6,487
2002..............................	3,932
2003..............................	5,400
Thereafter........................	29,308
	$162,162

MORTGAGE RECORDING TAX - HYPOTHECATED LOAN

The Operating Partnership mortgage tax credit loans totaled approximately $134 million from LBHI at December 31, 1998. These loans are collateralized by the mortgages encumbering the Operating Partnership's interests in 711 Third Avenue. The loans are also collateralized by an equivalent amount of the Company's cash which is held by LBHI and invested in US Treasury securities. Interest earned on the cash collateral is applied by LBHI to service the loans which interest rate commensurate with that of the portfolio of six month US Treasury securities, which mature on May 18, 1999. The Operating Partnership and LBHI each have the right of offset and therefore the loans and the cash collateral have been presented on a net basis in the consolidated balance sheet at December 31, 1998. The purpose of these loans is to temporarily preserve mortgage recording tax credits for future potential acquisitions of real property which the Company may make, the financing of which may include property based debt, for which these credits would be applicable and provide a financial savings.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(DOLLARS IN THOUSANDS)

Cash equivalents, mortgage receivables, variable and fixed rate debt are carried at amounts which reasonably approximate their fair values.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1998. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

7. RENTAL INCOME

The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from 1999 to 2013. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for leases in effect at December 31, 1998 are as follows:

1999	$131,925
2000	121,522
2001	111,744
2002	101,244
2003	88,765
Thereafter	345,766
	$900,966

(DOLLARS IN THOUSANDS)

8. RELATED PARTY TRANSACTIONS

There are several business relationships with related parties, entities owned by Stephen L. Green or relatives of Stephen L. Green exclusive of the uncombined joint ventures (see note 2) which involve management, leasing, and construction fee revenues, rental income and maintenance expenses in the ordinary course of business. These transactions for the years ended December 31, include the following:

	SL GREEN REALTY CORP.		SL GREEN PREDECESSOR	
		AUGUST 21 TO DECEMBER 31,	JANUARY 1 TO AUGUST 20,	
	1998	1997	1997	1996
Management revenues	$ 178	$ 78	$172	$180
Leasing commission revenues	181	8	29	37
Construction fees	--	14	37	25
Rental income	--	--	43	33
Maintenance expense	2,118	119	163	93

Amounts due from related parties at December 31, consist of:

	1998	1997
17 Battery Condominium Association	$245	--
Officers	528	$725
	$773	$725

Amounts due to related parties at December 31, consist of:

	1998	1997
29 West 35th Street Predecessor Partnership	$ --	$ 45
36 West 44th Street Predecessor Partnership	12	56
70 West 36th Street Predecessor Partnership	12	67
1414 Avenue of the Americas Predecessor Partnership	25	88
470 Park Avenue South Predecessor Partnership	6	72
673 First Avenue Predecessor Partnership	8	39
	$ 63	$367

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

9. STOCKHOLDERS' EQUITY

During August 1997, the Company instituted the 1997 Stock Option and Incentive Plan (The "Stock Option Plan"). The Stock Option Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code ("ISOs"), (ii) the grant of stock options that do not so qualify ("NQSOs"), (iii) the grant of stock options in lieu of cash Directors' fees and employee bonuses, (iv) grants of shares of Common Stock, in lieu of compensation and (v) the making of loans to acquire shares of Common Stock, in lieu of compensation. The exercise price of stock options will be determined by the Compensation Committee, but may not be less than 100% of the fair market value of the shares of Common Stock on the date of grant in the case of ISOs; provided that, in the case of grants of NQSOs granted in lieu of cash Director's fees and employee bonuses, the exercise price may not be less than 50% of the fair market value of the shares of Common Stock on the date of grant. At December 31, 1998, 1.1 million shares of Common Stock are reserved for exercise of warrants and stock options.

Options granted under the 1997 qualified stock option plan are exercisable at the fair market value on the date of grant and, subject to termination of employment, expire ten years form the date of grant, are not transferable other than on death, and are exercisable in three equal annual installments commencing one year from the date of grant (with the exception of 10,000 options which have a vesting period of one year).

Information on stock options is shown in the following table:

	SHARES OUTSTANDING	EXERCISABLE	PRICE RANGE
Balances at August 21, 1997 .	--	--	--
Granted	670,000	--	$21.00 - $26.19
Became Exercisable	--	--	--
Canceled	(10,000)	--	$ 21.00
Balances at December 31, 1997	660,000	--	$21.00 - $26.19
Granted	1,306,000	--	$18.375 - $27.00
Vested	--	188,666	$21.00 - $26.19
Cancelled	(168,000)	--	$18.375 - $27.00
Balances at December 31, 1998	1,798,000	188,666	

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for stock-based employee compensation arrangements whereby no compensation cost related to stock options is deducted in determining net income. Had compensation cost for the Company's stock option plans been determined pursuant to Financial Accounting Standards Board Statement No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," the Company's pro forma net income and earnings per share would have differed. The Black-Scholes option pricing model estimates fair value of options using subjective assumptions which can materially effect fair value estimates and, therefore, do not necessarily provide a single measure of fair value of options. Using the Black-Scholes option pricing model for all options granted on or after August 20, 1997 and a risk-free interest rate of 5.00%, dividend yield on common stock of 5%, a volatility factor for the market price of the Company's Common Stock of .3695 and a weighted-average expected life of options of approximately four years, the Company's pro forma net income, basic pro forma earnings per common share and diluted pro forma earnings per common share would have been and would have been $20.9 million, $1.06 and $1.06, respectively, for the year ended December 31, 1998 and $3.4 million, $0.28 and $0.28, respectively, for the period August 20, 1997 to December 31, 1997. For purposes of these pro forma disclosures, the estimated fair value of options is amortized over the options' vesting period. Since the number of options granted and their fair value may vary significantly from year to year, the pro forma compensation expense in future years may be materially different. The estimated fair market value of the Company's options issued 1998 and 1997 were $6.2 million and $2.7 million, respectively.

EARNINGS PER SHARE

The basic and diluted earnings per common share for the year ended December 31, 1998 have been computed based upon weighted average equivalent shares outstanding of 19,675 and 19,739 respectively. Basic and diluted earnings per common share for the period ended December 31, 1997 have been computed based upon weighted average equivalent shares outstanding of 12,292 and 12,404 respectively. The differences in the weighted average shares outstanding represents the inclusion of common share equivalents from options issued and outstanding at December 31, 1998 and 1997 in the calculation of diluted earnings per share which is not included in basic earnings per share. The conversion of the PIERS which are currently anti-dilutive using the "if converted" method may result in the dilution of future earnings per share calculations.

PREFERRED STOCK

The Company's 8% Preferred Income Equity Redeemable Shares (the "PIERS") are non-voting and are convertible at any time at the option of the holder into the Company's common stock at a conversion price of $24.475 per share. The conversion of all PIERS would result in the issuance of 4,699,000 of the Company's common stock which has been reserved for issuance. The PIERS receive annual dividends of $2.00 per shares paid on a quarterly basis and dividends are cumulative. On or after July 15, 2003 the PIERS may be redeemed at the option of Company at a redemption price of $25.889 and thereafter at prices declining to the par value of $25.00 on or after July 15, 2007 with a mandatory redemption on April 15, 2008 at a price of $25.00 per share. The PIERS were recorded net of underwriters discount and issuance costs. These costs are being accreted over the expected term of the PIERS using the interest mtehod.

10. BENEFIT PLANS

The building employees of the individual partnerships are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to $366, $35, $44, and $30 during the year ended December 31, 1998, the periods August 21, 1997 to December 31, 1997, January 1, 1997 to August 20, 1997 and the year ended December 31, 1996, respectively. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

Effective January 1, 1999 the Company implemented a deferred compensation plan (the "Deferred Plan") covering certain executives of the Company. In connection with the Deferred Plan the Company issued 240,000 restricted shares. The shares issued under the Deferred Plan were granted to certain executives and vesting will occur annually upon the Company meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached.

401(K) PLAN

During August 1997, the Company implemented a 401(k) Savings/ Retirement Plan (the "401(k) Plan") to cover eligible employees of the Company and any designated affiliate. The 401(k) Plan permits eligible employees of the Company to defer up to 15% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) Plan. The Company did not make any contributions to the 401(k) Plan during 1998 and 1997.

(DOLLARS IN THOUSANDS)

11. COMMITMENTS AND CONTINGENCIES

The Company and the Operating Partnership are not presently involved in any material litigation nor, to their knowledge, is any material litigation threatened against them or their properties, other than routine litigation arising in the ordinary course of business. Management believes the costs, if any, incurred by the Company and the Operating Partnership related to this litigation will not materially affect the financial position, operating results or liquidity of the Company and the Operating Partnership.

During July 1998, the Company issued 150,000 shares in connection with an employment contract. These shares vest annually at rates of 15% to 35% and were recorded at fair value.

The Company has entered into employment agreements with certain executives. Nine executives have employment agreements which expire between July 2000 and July 2003. The cash based compensation associated with these employment agreements totals approximately $1.8 million annually.

During March 1998, the Company acquired an operating sub-leasehold position at 420 Lexington Avenue. The operating sub-leasehold position requires annual ground lease payments totaling $6 million and sub-leasehold position payments totaling $1.1 million (excluding an operating sub-lease position purchased January 1999 - see note 16). The ground lease and sub-leasehold positions expire 2008. The Company may extend the positions through 2029 and the extension has no additional cost.

In April 1988, the SL Green Predecessor entered into a lease agreement for property at 673 First Avenue in New York City, which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the fair market. value of the property. The portion of the lease attributed to land is classified as an operating lease and the remainder as a capital lease. The initial lease term is 49 years with an option for an additional 26 years. Beginning in lease year 11 and 25, the lessor is entitled to additional rent as defined by the lease agreement.

The property located at 1140 Avenue of the Americas operates under a net ground lease ($348 annually) with a term expiration date of 2016 with an option to renew for an additional 50 years.

The property located at 711 Third Avenue operates under an operating sub-lease which expires in 2083. Under the sub-lease, the Company is responsible for ground rent payments of $1.6 million annually increasing to $3.1 million in July 2001 for ten years. The ground rent is reset after year ten based on the estimated fair market value of the property.

The Company continues to lease the 673 First Avenue property which has been classified as a capital lease with a cost basis of $12,208 and cumulative amortization of $2,533 and $2,284 at December 31, 1998 and 1997, respectively. The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of December 31, 1998:

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

December 31,	Capital Leases	Noncancellable Operating Leases
1999	$ 1,140	$ 11,725
2000	1,177	11,792
2001	1,290	12,850
2002	1,290	13,625
2003	1,290	13,625
Thereafter	61,600	363,028
Total minimum lease Payments	67,787	$426,645
Less amount representing interest	(53,046)	
Present value of net minimum lease payments	$ 14,741	

12. ENVIRONMENTAL MATTERS

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

13. EXTRAORDINARY ITEMS

In March 1998 the Company requested the Credit Facility banking group to temporarily relieve the Company from its obligations under the financial covenants of the Credit Facility, in order to close an additional financing necessary to acquire the Helmsley Properties (the "Acquisition Facility"). This Acquisition Facility closed on March 18, 1998 financed the Helmsley Properties acquisition, paid-off the outstanding balance on the Company's Credit Facility and provides on-going liquidity for future acquisition and corporate needs. The term of the Acquisition Facility was one year. The interest rate was determined by a schedule of the percent of the loan commitment outstanding and the duration of the loan commitment outstanding ranging from 170 basis points to 300 basis points over LIBOR. As a result of the Company's May 1998 Public Equity Offerings, on May 18, 1998 the Company repaid the Acquisition Facility prior to its scheduled maturity date of March 18, 1999. The Company's early extinguishment of the Acquisition Facility resulted in the write-off of unamortized deferred financing costs totaling approximately $574 which were classified as an extraordinary loss during the quarter ended June 30, 1998.

Forgiveness of subordinated property mortgage debt totaling $22,087 (net of other partners' share of $11,332 for the period January 1, 1997 to August 20, 1997) is reflected in the accompanying SL Green Predecessor financial statements as an extraordinary gain.

Prepayment penalties of $1,071 (net of minority interest of $207) and unamortized deferred charges of $803 (net of minority interest of $155) related to mortgages paid in connection with the Formation Transactions were expensed and are reflected in the Company's financial statements as an extraordinary loss. This debt was foregiven in connection with the Formation Transactions.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA))

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following summary represents the Company's results of operations for the quarters ended September 30, 1997 (August 21, 1997 to September 30, 1997) through December 31, 1998 (in thousands, except share amounts)

	Quarter ended December 31, 1997	Quarter ended September 30, 1997
Total revenues	$ 16,058	$ 7,149
Income net of minority interest and before extraordinary item	$ 3,533	$ 2,056
Extraordinary item	--	(1,874)
Net income per common share	$ 3,503	$ 182
Income per share before extraordinary item	$ 0.29	$ 0.17
Net income per common share - basic	$ 0.29	$ 0.01
Net income per common share - diluted	$ 0.28	$ 0.01

The 1997 quarter's earnings per share amounts have been restated to comply with SFAS No. 128.

	Quarter ended December 31, 1998	Quarter ended September 30, 1998	Quarter ended June 30, 1998	Quarter ended March 31, 1998
Total revenues	$ 40,063	$ 40,460	$ 34,252	$22,197
Income net of minority interest and before extraordinary item	$ 9,256	$ 10,256	$ 6,372	$ 4,089
Extraordinary Item	--	--	(522)	--
Net income	9,256	10,256	5,850	4,089
Preferred dividends and accretion .	(2,346)	(2,433)	(1,191)	--
Income available to common shareholders	$ 6,910	$ 7,823	$ 4,659	$ 4,089
Income per common share before extraordinary item	$ 0.29	$ 0.33	$ 0.28	$ 0.33
Net income per common share - basic and diluted	$ 0.29	$ 0.33	$ 0.25	$ 0.33

15. SEGMENT INFORMATION

The Company is a REIT engaged in owning, managing, leasing and repositioning class B office properties Manhattan, New York and has one reportable segment, office real estate. The Company evaluates real estate performance and allocates resources based on net income.

The Company's real estate portfolio is located in one geographical market of Manhattan. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses primarily consist of security, maintenance, utility costs and ground rent expense (at certain applicable properties). The single office real estate business segment meets the quantitative threshold for determining reportable segments. The Company has no tenant with rental revenue greater than 10% of the Company's revenue.

16. SUBSEQUENT EVENTS

Graybar Building Sublease

During January 1999, the Company purchased a sub-leasehold interest in 420 Lexington Avenue for $27.3 million. The sub-leasehold expires on December 30, 2008 with one 21-year renewal term expiring on December 30, 2029.

BMW Building

During January 1999, the Company acquired a 65% interest in the property located at 555 West 57th Street (The BMW Building) for approximately $66.7 million (including an acquired 65% interest in existing mortgage debt totaling $44 million). The 941,000 square foot property was approximately 100% leased as of the acquisition date.

The Company funded these acquisitions through its Credit Facility.

On March 12, 1999, the Company entered into an agreement with Reckson Associates Realty Corp. to purchase four office properties totaling 675,000 square feet for approximately $84.5 million and expects to finance the acquisitions through two mortgages (including $65 million on 420 Lexington Avenue) totaling approximately $118 million.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
SL Green Realty Corp.

We have audited the accompanying combined balance sheet of the uncombined joint ventures of SL Green Predecessor as of December 31, 1996 (not presented herein) and the related combined statements of operations, owners' deficit and cash flows for the period from January 1, 1997 to August 20, 1997 and for the year ended December 31, 1996. These financial statements are the responsibility of SL Green Predecessor's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the combined financial position of the uncombined joint ventures of SL Green Predecessor at December 31, 1996 and the combined results of its operations and its cash flows for the period from January 1, 1997 to August 20, 1997 and for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
February 10, 1998

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR
COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	January 1, to August 21 1997	Year ended December 31, 1996
Revenues:		
Rental revenue	$ 12,604	$ 17,386
Escalation and reimbursement revenues	859	1,488
Other income	89	28
Total revenues	13,552	18,902
Expenses:		
Operating expenses:		
Other	2,342	3,115
Related parties	634	849
Real estate taxes	1,741	2,316
Rent expense	2,425	3,756
Interest	5,320	7,743
Depreciation and amortization	2,510	3,580
Total expenses	14,972	21,359
Loss before extraordinary gain	(1,420)	(2,457)
Extraordinary gain	33,418	--
Net income (loss)	$ 31,998	$ (2,457)

The accompanying notes are an integral part to these financial statements.

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR
COMBINED STATEMENTS OF OWNERS' DEFICIT

(DOLLARS IN THOUSANDS)

	SL Green & Related Entities	All other Partners	Total
Balance at December 31, 1995	$(15,457)	$ (8,315)	$(23,772)
Distributions	--	(1,150)	(1,150)
Contributions	1,650	4,100	5,750
Net loss for the year ended December 31, 1996 ..	(1,763)	(694)	(2,457)
Balance at December 31, 1996	(15,570)	(6,059)	(21,629)
Distributions	(1,702)	(1,345)	(3,047)
Other-reclassification of joint venture to combined property	(880)	(4,463)	(5,343)
Contributions	450	385	835
Net income for the period ending August 20, 1997	21,101	10,897	31,999
Balance at August 20, 1997	$ 3,399	$ (585)	$ 2,815

The accompanying notes are an integral part to these financial statements..

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR

COMBINED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	January 1, to August 20 1997	Year ended December 31 1996
OPERATING ACTIVITIES		
Net Income (loss)	$ 31,998	$ (2,457)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Extraordinary item	(33,418)	--
Depreciation and amortization	2,510	3,580
Deferred rents receivable	(293)	(524)
Other	93	--
Changes in operating assets and liabilities:		
Restricted cash	(135)	(383)
Deferred costs	(639)	(705)
Other assets	1,552	(1,033)
Accounts payable and accrued expenses	(616)	768
Accounts payable to related parties	(85)	(91)
Security deposits	133	409
Accrued interest on mortgage notes payable	1,144	969
Net cash provided by operating activities	2,244	533
INVESTING ACTIVITIES		
Additions to land, buildings and improvements	(1,232)	(4,583)
Net cash used in investing activities	(1,232)	(4,583)
FINANCING ACTIVITIES		
Payments of mortgage notes payable	(1,211)	(1,674)
Cash distributions to owners	(3,047)	(1,150)
Cash contributions from owners	835	5,750
Capitalized lease obligations	824	1,277
Net cash provided by (used in) financing activities	(2,599)	4,203
Net increase (decrease) in cash and cash equivalents	(1,587)	153
Cash transfer related to Praedium Bar Associates, LLC presented as a combined entity	(185)	--
Cash and cash equivalents at beginning of period	2,223	2,070
Cash and cash equivalents at end of period	$ 451	$ 2,223
Supplemental cash flow disclosures		
Interest paid	$ 4,176	$ 6,774
Supplemental schedule of non cash investing and financing activities:		
Assumption of mortgage in connection with property acquisition	--	$ 10,200

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR
COMBINED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

On June 30, 1997 the remaining interest of Praedium Bar Associates, LLC ("Praedium Bar") was purchased by an affiliate of Stephen L. Green. In connection with the purchase as of June 30, 1997, the assets and liabilities of Praedium Bar have been excluded from the financial statements of the uncombined joint ventures of SL Green Predecessor and have been presented in the combined financial statements of SL Green Predecessor. The assets, liabilities and owners' equity of Praedium Bar as of June 30, 1997 were as follows:

Commercial real estate property, net	$14,383
Total assets	16,174
Mortgage notes payable	10,200
Total liabilities	10,831
Owners' equity	5,343

See accompanying notes.

UNCOMBINED JOINT VENTURES OF
SL GREEN PREDECESSOR
DECEMBER 31, 1996

NOTES TO COMBINED STATEMENTS

(DOLLARS IN THOUSANDS)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The uncombined joint ventures of SL Green Predecessor are engaged in the business of owning, managing and leasing, and repositioning Class B office properties in Manhattan, New York.

FORMATION TRANSACTIONS

Concurrently with the consummation of the initial public offering of SL Green Realty Corp. (the "REIT") Common Stock (the "Offering"), which was completed on August 20, 1997 the REIT and a newly formed limited partnership, SL Green Operating Partnership, L.P. (the "Operating Partnership"), together with the partners and members of the affiliated partnerships of the SL Green Predecessor and other parties which hold ownership interests in the properties (collectively, the "Participants"), engaged in certain formation transactions (the "Formation Transactions"). The Formation Transactions were designed to (i) enable the REIT to raise the necessary capital to acquire the remaining interests in the uncombined joint ventures of the SL Green Predecessor and repay certain mortgage debt relating thereto and pay other indebtedness, (ii) enable the REIT to acquire properties, (iii) fund costs, capital expenditures, and working capital, (iv) provide a vehicle for future acquisitions, (v) enable the REIT to comply with certain requirements under the Federal income tax laws and regulations relating to real estate investment trusts, and (vi) preserve certain tax advantages for certain Participants.

The REIT is the sole general partner in the Operating Partnership. The Operating Partnership received a contribution of interests in the real estate properties in exchange for units of limited partnership interests in the Operating Partnership and/or cash. The REIT is a fully integrated self-administered and self-managed.

(DOLLARS IN THOUSANDS)

PRINCIPLES OF COMBINATION

The uncombined joint ventures of the SL Green Predecessor is not a legal entity but rather a combination of real estate properties (collectively, the "Properties") and interests in entities that are organized as partnerships and a limited liability company. The operations of the properties are included in the financial statements of the SL Green Predecessor from the date of acquisition and management. All significant intercompany transactions and balances have been eliminated in combination.

Capital contributions, distributions and profits and losses are allocated to the owners in accordance with the terms of the applicable agreements.

The joint ventures, included in the accompanying combined financial statements include partnerships and a limited liability company which are managed but not controlled by the SL Green Predecessor, are as follows:

PARTNERSHIPS/LIMITED LIABILITY COMPANY	PROPERTY	SL GREEN PREDECESSOR PERCENTAGE OWNERSHIP	OWNERSHIP TYPE
673 First Realty Company	673 First Avenue	67.0%	Co-general partner
29/35 Realty Associates, LP	29 West 35th Street	21.5%	Co-general partner
470 Park South Associates, LP	470 Park Avenue South	65.0%	Co-general partner
Praedium Bar Associates, LLC ("Praedium Bar")	36 West 44th Street	10.0%(A)	Has veto rights relating to sale and financing

(A) Praedium Bar acquired the first mortgage related to the property in October, 1996 which provides for substantially all the economic interest in the property and has the sole right to purchase the fee interest, (the property deed is in escrow), for a nominal cost; accordingly SL Green Predecessor has accounted for Praedium Bar investment as an ownership in the property. On June 30, 1997, the majority owner of SL Green Predecessor purchased the remaining 90% interest in Praedium Bar Associates, LLC for $6.3 million.

USE OF ESTIMATES

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

DEPRECIATION OF REAL ESTATE PROPERTIES

Depreciation and amortization is computed on the straight-line method as follows:

CATEGORY	TERM
Building....................................	40 years
Property under capital lease................	49 years
Building improvements.......................	remaining life of the building
Tenant improvements.........................	remaining life of the lease

Depreciation expense including the amortization of the capital lease asset amounted to $2,917, in 1996 . For the period ended August 20, 1997 depreciation expense amounted to $1,859.

CASH AND CASH EQUIVALENTS

The SL Green Predecessor considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED CASH

Restricted cash consists of security deposits.

REVENUE RECOGNITION

Rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying combined balance sheet. Contractually due but unpaid rents are included in other assets on the accompanying combined balance sheet. Certain lease agreements provide for reimbursement of real estate taxes, insurance and certain common area maintenance costs and rental increases tied to increases in certain economic indexes.

DEFERRED LEASE COSTS

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases, and are amortized on a straight-line basis over the initial lease term or renewal period as appropriate.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is retired before maturity.

CAPITALIZED INTEREST

Interest for borrowings used to fund development and construction is capitalized to individual property costs.

RENT EXPENSE

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

INCOME TAXES

The properties are not taxpaying entities for Federal income tax purposes, and, accordingly, no provision or credit has been made in the accompanying financial statements for Federal income taxes. Owners' allocable shares of taxable income or loss are reportable on their income tax returns.

CONCENTRATION OF REVENUE AND CREDIT RISK

Approximately 60% of the properties revenue for the two years ended December 31, 1996 were derived from 673 First Avenue. Approximately 50% of the properties revenue for the period January 1, 1997 to August 20, 1997 were derived from 673 First Avenue. The loss or a material decrease in revenues from this building for any reason may have a material adverse effect on the properties. In addition approximately 30% of the properties revenue for the two years ended December 31, 1996 and the period January 1, 1997 to August 20, 1997 were derived from three tenants, (Society of NY Hospital, Kallir, Phillips, Ross, Inc. and UNICEF), which lease space in the 673 First Avenue building.

Management of the SL Green Predecessor performs on going credit evaluations of its tenants and requires certain tenants to provide security deposits.

2. EXTRAORDINARY ITEM

Forgiveness of subordinated mortgage debt totaling $33,418 is reflected in the 1997 Combined Statement of Operation as in extraordinary gain.

3. LEASE AGREEMENTS

CAPITAL LEASE

In April 1988, the SL Green Predecessor entered into a lease agreement for property at 673 First Avenue in New York City, which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the fair market value of the property. The portion of the lease attributed to land is classified as an operating lease and the remainder as a capital lease. The initial lease term is 49 years with an option for an additional 26 years. Beginning in lease year 11 and 25, the lessor is entitled to additional rent as defined by the lease agreement.

Rent expense amounted to approximately $3,756 for each year ended December 31, 1996. For the period January 1, 1997 to August 20, 1997 rent expense amounted to approximately $2,425.

(DOLLARS IN THOUSANDS)

4. RELATED PARTY TRANSACTIONS

There are several business relationships with related parties which involve management, leasing, and construction fee revenues and maintenance expenses in the ordinary course of business. Transactions include the following:

	JANUARY 1, TO AUGUST 20, 1997	YEAR ENDED DECEMBER 31, 1996
Management expenses	$ 448	$622
Leasing commission expenses..	295	218
Construction fees	1,796	185
Maintenance expenses	186	227

5. BENEFIT PLAN

The building employees of the individual partnerships are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. Contributions to these plans amounted to $42 in 1996 and $38 for the period January 1 to August 20, 1997. Separate actuarial information regarding such plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit.

6. CONTINGENCIES

SL Green Predecessor is party to a variety of legal proceedings relating to the ownership of the Properties arising in the ordinary course of business. SL Green Predecessor management believes that substantially all of these liabilities are covered by insurance. All of these matters, taken together, are not expected to have a material adverse impact on the uncombined joint venture of SL Green Predecessor's, financial position, results of operations or cash flows.

7. ENVIRONMENTAL MATTERS

The management of SL Green Predecessor believes that the properties are in compliance in all material respects with applicable federal, state and local ordinances and regulations regarding environmental issues. Management is not aware of any environmental liability that management believes would have a material adverse impact on the uncombined joint venture of SL Green Predecessor's financial position, results of operations or cash flows. Management is unaware of any instances in which it would incur significant environmental cost if any of the properties were sold.

SL GREEN REALTY CORP.
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	
		INITIAL COST		COST CAPITALIZED SUBSEQUENT TO ACQUISITION	
DESCRIPTION (1)	ENCUMBRANCE	LAND	BUILDING AND IMPROVEMENTS	LAND	BUILDING AND IMPROVEMENTS
70 West 36th St. (2)	--	$1,517	$7,700	$13	$7,499
1414 Avenue of the Americas (2)	--	2,948	6,790	60	1,382
673 First Avenue	$16,452 (1 mortgage)	0	43,618	--	85
29 West 35th Street	2,903 (1 mortgage)	339	5,682	--	366
470 Park Avenue South	10,507 (1 mortgage)	3,750	30,718	1	762
36 West 44th Street (2)	--	3,259	13,330	1,028	1,466
1372 Broadway	--	10,478	41,912	66	3,407
1140 Avenue of the Americas	--	4,207	16,828	54	836
50 West 23rd Street	21,000 (1 mortgage)	7,217	28,866	43	461
17 Battery Place	--	11,686	46,744	20	7,392
110 East 42nd Street	--	6,000	24,070	26	1,271
633 Third Avenue (3)	--	2,171	8,682	(200)	(1)
1466 Broadway	--	11,643	53,608	--	348
420 Lexington Ave	--	--	83,272	--	1,152
321 West 44th Street	--	3,404	14,355	--	254
440 Ninth Avenue	--	6,326	25,172	--	476
711 Third Avenue	--	19,843	40,342	--	959
1412 Broadway (3)	--	16,221	64,886	3	248
	$50,862	$111,009	$556,575	$1,114	$28,363

COLUMN A	COLUMN E			COLUMN F	COLUMN G
	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD				
DESCRIPTION (1)	LAND	BUILDING AND IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION
70 West 36th St. (2)	$1,530	$15,199	$16,729	$6,716	
1414 Avenue of the Americas (2)	3,008	8,172	11,180	608	
673 First Avenue	--	43,703	43,703	9,989	
29 West 35th Street	339	6,048	6,387	756	
470 Park Avenue South	3,751	31,480	35,231	8,367	
36 West 44th Street (2)	4,287	14,796	19,083	889	
1372 Broadway	10,544	45,319	55,863	1,616	
1140 Avenue of the Americas	4,261	17,664	21,925	597	
50 West 23rd Street	7,260	29,327	36,587	1,000	
17 Battery Place	11,706	54,136	65,842	1,215	
110 East 42nd Street	6,026	25,341	31,367	857	
633 Third Avenue (3)	1,971	8,681	10,652	207	
1466 Broadway	11,643	53,956	65,599	1,056	
420 Lexington Ave	--	84,424	84,424	1,624	
321 West 44th Street	3,404	14,609	18,013	270	
440 Ninth Avenue	6,326	25,648	31,974	374	
711 Third Avenue	19,843	41,301	61,144	601	
1412 Broadway (3)	16,224	65,134	81,358	611	
	$112,123	$584,938	$697,061	$37,353	

COLUMN A	COLUMN H	COLUMN I

DESCRIPTION (1)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IS COMPUTED
70 West 36th St. (2)	12/19/84	Various
1414 Avenue of the Americas (2)	6/18/96	Various
673 First Avenue	8/20/97	Various
29 West 35th Street	8/20/97	Various
470 Park Avenue South	8/20/97	Various
36 West 44th Street (2)	8/20/97	Various
1372 Broadway	8/20/97	Various
1140 Avenue of the Americas	8/20/97	Various
50 West 23rd Street	8/20/97	Various
17 Battery Place	12/19/97	Various
110 East 42nd Street	9/15/97	Various
633 Third Avenue (3)	12/30/97	Various
1466 Broadway	3/18/98	Various
420 Lexington Ave	3/18/98	Various
321 West 44th Street	3/31/98	Various
440 Ninth Avenue	6/1/98	Various
711 Third Avenue	5/20/98	Various
1412 Broadway (3)	8/14/98	Various

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(1) All properties located in New York, New York

(2) Mortgage loan totaling $36 million encumbers 1414 Avenue of Americas, 36 West 44th Street and 70 West 36th Street

(3) Mortgage loan totaling $51.5 million encumbers 1412 Broadway and 633 Third Avenue

The changes in real estate for the three years ended December 31, 1998 are as follows:

	1998	1997	1996
Balance at beginning of year	$338,818	$ 26,284	$15,559
Property Acquisitions and Formation Transactions	339,072	306,752	--
Improvements	19,171	5,782	10,725
Balance at end of year	$697,061	$338,818	$26,284

The aggregate cost of land, buildings and improvements for Federal income tax purposes at December 31, 1998 was approximately $650,493.

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, and furniture and fixtures, for the three years ended December 31, 1998 are as follows:

	1998	1997	1996
Balance at beginning of year	$23,800	$ 5,721	$5,025
Formation Transactions	--	14,073	--
Depreciation for year	13,555	4,006	696
Balance at end of year	$37,355	$23,800	$5,721

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the captions "Election of Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities and exchange Act of 1934, as amended, prior to April 30, 1999 (the "1999 Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE AND DIRECTOR COMPENSATION

EXECUTIVE COMPENSATION

The Company was organized as a Maryland corporation in June 1997. The following table sets forth information regarding the base compensation awarded to the Company's Chief Executive Officer and each of the Company's other five most highly compensated executive officers of the Company (collectively, the "Named Executive Officers") whose base salary (other than the Chief Executive Officer) on an annualized basis exceeded $100,000 during the fiscal year ended December 31, 1998.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION				
NAME AND PRINCIPAL POSITION	YEAR	SALARY($)	BONUSES($)	LONG TERM OPTIONS(1)	ALL OTHER ($)
Stephen L. Green, Chairman of the.........	1998	$250,000	-0-	$125,000	-0-
Board, Chief Executive Officer	1997	$250,000	-0-	-0-	-0-
David J. Nettina, President and...........	1998	$200,000	$100,000	$175,000	$307,000
Chief Operating Officer	1997	$200,000	-0-	$75,000	-0-
Steven H. Klein, Executive Vice...........	1998	$175,000	$75,000	$125,000	$100,000
President-Acquisitions	1997	$175,000	-0-	$50,000	-0-
Gerard Nocera, Executive Vice.............	1998	$175,000	$75,000	$125,000	-0-
President-Leasing	1997	$175,000	-0-	$50,000	-0-
Nancy A. Peck, Executive Vice					
President-Development..................	1998	$150,000	$50,000	100,000	-0-
and Operations	1997	$150,000	-0-	$50,000	-0-
Benjamin P. Feldman, Executive Vice	1998	$150,000	$50,000	100,000	-0-
President and General Counsel	1997	$150,000	-0-	$50,000	-0-
Marc Holliday, Chief Investment					
Officer (2)............................	1998	$126,923	$50,000	300,000	-0-
Ann Isely, Chief Financial Officer (2) ...	1998	$100,961	$50,000	50,000	$40,055

(1) As of December 31, 1998, options to purchase a total of 1,698,000 shares of Common Stock have been granted to directors and employees of the Company, including options to purchase 1,100,000 shares of Common Stock granted to the Named Executive Officers. Excludes 100,000 options returned to the Company by David J. Nettina during 1999.

(2) Not employed During 1997.

The following table sets forth the options granted with respect to the fiscal year ended December 31, 1998 to the Company's Named Executive Officers.

OPTION GRANTS IN FISCAL YEAR 1998

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE OF COMMON STOCK(3)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF SHARE PRICE APPRECIATION FOR OPTION TERM (2)	
					5%(4)	10%(5)
Stephen L. Green.......................	125,000	10.4%	$18.4375	10/05/08	$1,637,100	$ 4,270,855
David J. Nettina.......................	100,000	8.3%	$18.4375	10/05/08	1,309,608	3,416,684
Nancy A. Peck..........................	50,000	4.1%	$18.4375	10/05/08	654,844	1,708,342
Benjamin P. Feldman....................	50,000	4.1%	$18.4375	10/05/08	654,844	1,708,342
Steven H. Klein........................	75,000	6.2%	$18.4375	10/05/08	982,266	2,562,513
Gerard Nocera..........................	75,000	6.2%	$18.4375	10/05/08	982,266	2,562,513
Marc Holliday..........................	300,000	24.9%	$23.75	07/17/08	5,061,168	13,203,457
Ann Iseley.............................	50,000	4.1%	$22.50	0513/08	799,132	2,084,756

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(1) All options are granted at the fair market value of the common stock at the date of grant. These options will vest in three equal annual installments (rounded to the nearest whole share) over three years. . Excludes 100,000 options returned to the Company by David J. Nettina during 1999.

(2) In accordance with the rules of the Commission, these amounts are the hypothetical gains or "option spreads" that would exist for the respective options based on assumed rates of annual compound share price appreciation of 5% and 10% from the date the options were granted over the full option term. No gain to the optionee is possible without an increase in the price of the Common Stock, which would benefit all stockholders.

(3) The exercise price for the options are was based on the current market price of the Common Stock on the date of issuance.

(4) An annual compound share price appreciation of 5% from the issuance price of the Common Stock yields a price of $35.26 per share of Common Stock.

(5) An annual compound share price appreciation of 10% from the issuance price of the Common Stock yields a price of $58.82 per share of Common Stock.

No options were exercised in 1998. The following table sets forth the value of options held at the end of 1998 by the Company's Named Executive Officers.

AGGREGATED FISCAL YEAR-END 1998 OPTION VALUES

NAME	NUMBER OF SHARES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END($)(1) EXERCISABLE/UNEXERCISABLE
Stephen L. Green	0/125,000	$0/$398,438
David J. Nettina	25,000/150,000	$15,625/$350,000
Nancy A. Peck	16,666/83,334	$10,416/$180,209
Benjamin P. Feldman	16,666/83,334	$10,416/$180,209
Steven H. Klein	16,666/108,334	$10,416/$259,896
Gerard Nocera	16,666/108,334	$10,416/$259,896
Marc Holliday	0/300,000	$0/$0
Ann Iseley	0/50,000	$0/$0

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(1) The value of unexercised in-the-money options at fiscal year-end based on the fair market value for Common Stock, $21-5/8 share, as of December 31, 1998.

REPORT ON EXECUTIVE COMPENSATION

The following is a report by the Company's Compensation Committee regarding the Company's executive compensation objectives, executive compensation program and the compensation of the Company's chief executive officer.

EXECUTIVE COMPENSATION OBJECTIVES. The objective of the Company's executive compensation program is to attract, retain and motivate talented executives that will maximize stockholder value. In order to achieve this objective, in addition to annual base salaries, the executive compensation program utilizes a combination of long-term incentives through equity-based compensation and annual incentives through cash bonuses. The program is intended to align the interests of executives with those of the Company's stockholders by linking a portion of executive compensation directly to increases in stockholder value. The Company seeks to provide total compensation to its executive officers which is competitive with total compensation paid by REITs similar to the Company.

PROCEEDINGS OF THE COMPENSATION COMMITTEE. The Compensation Committee determines compensation for the Company's executive officers and is comprised of three nonemployee directors, John H. Alschuler, Jr., Edwin Thomas Burton, III and John S. Levy. Final compensation determinations for each fiscal year generally are made after the end of the fiscal year and after audited financial statements for such year become available. At that time, base salaries for the following fiscal year are set to the extent not already dictated by the terms of existing employment agreements, cash bonuses, if any, will be determined for the past year's performance, and option grants, if any, will generally be made.

The Compensation Committee exercises independent discretion in respect of executive compensation matters. With respect to the compensation of the Named Executive Officers other than Mr. Stephen L. Green, the Compensation Committee reviews the recommendations of Mr. Stephen L. Green.

The following is a discussion of each element of the Company's executive compensation:

ANNUAL BASE SALARY. Base salaries for each of the Named Executive Officers are the subject of the employment agreement between the Company and each such executive as indicated above.

ANNUAL INCENTIVES. Annual incentives are provided in the form of cash bonuses to be paid if certain performance objectives are achieved. The Compensation Committee may in the future award cash bonuses based primarily upon the Company's level of Funds from Operations. Cash bonuses will also be subject to adjustment based upon the Compensation Committee's evaluation of an executive's personal performance. Mr. Nettina's employment and noncompetition agreement provides for a minimum annual cash bonus (commencing on the first anniversary of the date of the agreement) of $100,000.

LONG-TERM INCENTIVES. Long-term incentives are provided through the grant of stock options. The grant of stock options are intended to align the executive's long-term objectives with those of the Company's stockholders. The Amended 1997 Stock Option and Incentive Plan is administered by the Compensation Committee, which has the discretion to determine those individuals to whom options will be granted, the number of shares subject to options and other terms and conditions of the options.

1998 CHIEF EXECUTIVE OFFICER COMPENSATION. As indicated above, Stephen L. Green's salary was determined prior to the IPO and prior to the formation of the Compensation Committee. Accordingly, the Compensation Committee took no action with respect to such determination. As indicated above, the Committee determined to forgo awards of cash bonuses to executive officers during the Company's first fiscal year of operations. During 1998 cash bonus awards were awarded to all the executive officers except for Stephen L. Green who requested that he forego a 1998 cash bonus award. A long-term award of stock options was granted to Mr. Green during 1998. The grant was for 10-year options to purchase 125,000 shares of the Company's common stock at $18.4375 per share.

TAX DEDUCTIBILITY OF EXECUTIVE COMPENSATION. Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility on the Company's tax return of compensation over $1 million to any of the named executive officers of the Company unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary and has been approved by the Company's stockholders. The Compensation Committee's policy with respect to Section 162(m) is to make every reasonable effort to ensure that compensation is deductible to the extent permitted while simultaneously providing Company executives with appropriate compensation for their performance. The Company did not pay any compensation during 1997 that would be subject to the limitations set forth in Section 162(m).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 1999 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Relationships and Related Transactions" in the 1998 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULE, AND REPORTS ON FORM 8-K

(a)(1) Consolidated Financial Statements

SL GREEN REALTY CORP

THE SL GREEN PREDECESSOR

UNCOMBINED JOINT VENTURES - COMBINED FINANCIAL STATEMENTS

(a)(2) Financial Statement Schedule

Schedules other than those listed are omitted as they are not applicable or the required or equivalent information has been included in the financial statements or notes thereto.

INDEX TO EXHIBITS

(a)

EXHIBITS		PAGE
3.1	Articles of Incorporation of the Company*	
3.2	Bylaws of the Company*	
4.1	Specimen Share certificate*	
10.1	Form of Agreement of Limited Partnership of the Operating Partnership*	
10.2	Form of Articles of Incorporation and Bylaws of the Management Corporation*	
10.3	Form of Articles of Incorporation and Bylaws of the Leasing Corporation*	
10.4	Form of Articles of Incorporation and Bylaws of the Construction Corporation*	
10.5	Form of Employment and Noncompetition Agreement among the Executive Officers and the Company*	
10.6	Employment and Noncompetition Agreement between David J. Nettina and the Company*	
10.7	Form of Registration Rights Agreement between the Company and the persons named therein*	
10.8	Amended 1997 Stock Option and Incentive Plan	
10.9	Option to Purchase 110 East 42nd Street* 10.10 Assignment and Assumption of Contract**	
10.11	Contract of Sale between 110 East 42nd Street Associates Limited Partnership and Green 110 East 42nd Street Realty LLC**	
10.12	Option to Purchase 17 Battery Place*	
10.13	Amended and Restricted Agreement of Sale relating to 17 Battery Place***	
10.14	Assignment and Assumption of Contract relating to 17 Battery Place***	
10.15	Assignment and Assumption of Agreement relating to 17 Battery Place***	
10.16	Tenancy in Common Agreement relating to 17 Battery Place***	
10.17	Amended and Restricted Substitute Mortgage Note No. 1 relating to 17 Battery Place***	
10.18	Senior Unsecured Credit Facility documentation between the Company and LBHI***	
12.1	Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	
21.1	Subsidiaries of the Registrant*	
27.1	Financial Data Schedule	

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*   Incorporated by reference to the Company's Registration Statement on Form S-11 (333-29329).

**   Incorporated by reference to the Company's Form 8-K filed on September 24, 1997.

*** Incorporated by reference to the Company's Form 8-K filed on January 2, 1998.

(b) Report on Form 8-K

The following reports on Form 8-K were filed during the quarter ended December 31, 1998.

1. Form 8-K/A dated August 14, 1998, Items 2 and 7
2. Form 8-K dated November 11, 1998, Item 5

SIGNATURES

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

SL GREEN REALTY CORP.

Dated: September 24, 1999

By:

Thomas E. Wirth
Chief Financial Officer

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

Signatures	Title	Date
------------------------- Stephen L. Green	Chairman of the Board of Directors Chief Executive Officer	March 15, 1999
------------------------- David J. Nettina	President and Chief Operating Officer (Principal Executive Officer)	March 15, 1999
------------------------- Thomas E. Wirth	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 15, 1999
------------------------ Benjamin P. Feldman	Executive Vice President, General Counsel, Secretary and Director	March 15, 1999
------------------------ John H. Alschuler, Jr.	Director	March 15, 1999
------------------------- Edwin Thomas Burton, III	Director	March 15, 1999
------------------------- John S. Levy	Director	March 15, 1999

EXHIBIT 12.1

	SL GREEN REALTY CORP. (CONSOLIDATED)			SL GREEN COMPANY PREDECESSOR (COMBINED)		
	YEAR ENDED DECEMBER 31,	AUGUST 21, 1997 TO DECEMBER 31,	JANUARY 1, 1997 TO AUGUST 20,	YEARS ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995	1994
EARNINGS:						
Income (loss) from continuing operations	$23,482	$6,633	$ (100)	$(3,470)	$(6,923)	$(5,040)
Interest	11,699	1,637	4,874	7,252	7,338	7,639
Portion of rent expense representative of interest	9,903	497	867	1,344	1,323	1,295
Amoritzation of loan costs	1,084	110	143	192	200	266
Total earnings	$46,168	$8,877	$5,784	$ 5,318	$ 1,938	$ 4,160
FIXED CHARGES AND: PREFERRED STOCK DIVIDENDS(1)						
Interest	$11,699	$1,637	$4,874	$ 7,252	$ 7,388	$ 7,639
Preferred stock dividends	5,720	--	--	--	--	--
Interest capitalized	--	--	--	--	--	--
Portion of rent expense representative of interest	9,903	497	867	1,344	1,323	1,295
Amoritazation of loan costs expensed	1,084	110	143	192	200	266
Amoritazation of loan costs capitalized	--	--	--	--	--	--
Total fixed charges and preferred stock dividends	$28,406	$2,244	$5,884	$ 8,788	$ 8,861	$ 9,200
Ratio of earnings to combined fixed charges and preferred stock dividends	1.63x	3.96x	(2)	(2)	(2)	(2)

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1) Prior to May 16, 1998, no preferred stock had been issued or was oustanding.

2) For the period January 1, 1997 to August 20, 1997 and the years ended December 31, 1996, 1995 and 1994, SL Green Predecessor's fixed charge ratios are deficits of $100, $3,470, $6,923 and $5,040, respectively.