SL GREEN REALTY CORP.

January 29, 2016

Rating Action: S&P upgrades SL Green Realty Corp. Upgraded To 'BBB-'; Outlook Stable

NEW YORK--(BUSINESS WIRE)-- Standard & Poor's Ratings Services (S&P) raised its corporate credit rating on SL Green Realty Corp. to 'BBB-' from 'BB+'. The outlook is stable.

At the same time, S&P affirmed its 'BBB-' unsecured issue-level ratings and withdrew the '2' recovery rating.

"The upgrade reflects S&P's expectation that SL Green will use proceeds from asset sales to repay debt and continue to benefit from modest demand and disciplined supply growth in the Manhattan office market," said credit analyst Anita Ogbara. "Over the next two years, S&P expects debt to EBITDA to decline into the 8.5x to 9.0x area and fixed-charge coverage (FCC) will remain in the 2.0x to 2.5x range. S&P does not anticipate any significant shifts in financial policy and believes the company will manage future acquisitions and development with a combination of debt and equity."

The stable outlook reflects S&P's expectation that SL Green will continue to use asset sale proceeds to reduce debt. In S&P's view, the company's competitively positioned, high quality N.Y. office portfolio is supported by strong occupancy levels, good quality tenants, and still favorable supply/demand dynamics, which will support improving financial leverage and FCC over the next 12 to 18 months. The stable outlook incorporates S&P's expectation that SL Green will continue to grow its unencumbered asset base.

S&P would lower ratings if operating performance deteriorates perhaps because of considerable weakness among tenants in the financial and legal sectors or if leverage does not improve with debt to EBITDA remaining above 9.5x or FCC declining to 2.1x on a sustained basis. S&P could also lower ratings if the company were to further encumber its portfolio with additional debt from acquisitions.

Although less likely, S&P could raise the rating if the company significantly reduces debt, and continues to outperform similarly sized peers as evidenced by occupancy and rental rate growth resulting in fixed-charge coverage measures in the high 2x area and debt to EBITDA of less than 7.5x on a sustained basis.

- On Jan. 27, 2016, New York based REIT, SL Green Realty Corp. reported a 4.6% increase in 2015 same-property net operating income (NOI) and occupancy levels improved to 97.1% in its core Manhattan office portfolio.
- The company also announced that Citigroup, Inc. exercised its option to purchase 388-390 Greenwich Street for $2 billion, which is expected to close in December 2017.
- S&P is raising its corporate credit rating on SL Green to 'BBB-' from 'BB+'. At the same time, S&P affirmed its 'BBB-' unsecured issue-level ratings.
- The stable outlook reflects S&P's expectation that SL Green will continue to use asset sale proceeds to reduce debt. In S&P's view, the company's competitively positioned, high quality N.Y. office portfolio is supported by strong occupancy levels and good quality tenants, which will support improving financial leverage and FCC over the next 12 to 18 months.

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Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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