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SL Green Realty Corp. (SLG)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you, everybody, for joining us, and welcome to the SL Green Realty Corp's Fourth Quarter 2025 Earnings Results conference call. This conference call is being recorded.

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

During today's conference call, the company may discuss non-GAAP financial measures, as defined by Regulation G under the Securities Act. The GAAP financial measure most directly comparable to each non-GAAP financial measure discussed, and the reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measures can be found on both the company's website at www.slgreen.com by selecting the press release regarding the company's fourth quarter 2025 earnings and in our supplemental information included in our current report on Form 8-K relating to our fourth quarter 2025 earnings.

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

I will now turn the call over to Marc Holliday. Please go ahead, Marc.

Marc Holliday

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

Okay. Thank you for joining us this afternoon as we kick off the year. It's been just weeks since our Investor Conference, but we've already hit the ground running on our business plan for 2026. We are about a month into the Mamdani administration, and know there's a lot of pressure and focus on the Mayor coming out of the gate. But it's going to take some time for the Mayor Mamdani to put an imprint on how he'll govern. He's still putting his team together, and they're at the very early stages of getting their arms around the city. We did see an early test this week with a major snowstorm here in New York, about a foot of snow in Manhattan on Sunday, and the administration did a great job getting the city back to normal quickly, with the Mayor being very visible and communicating effectively.

At the same time, there's a lot of political maneuvering going on as we enter budget season in Albany. This is the time of year when the city makes its case to get the biggest chunk of the state budget as possible for the coming fiscal year, reflecting the city's enormous contribution to the state economy. This is especially true with the new administration eager to invest in the initiatives and promises made on the campaign trail.

I know there's been a lot of talk recently about potential city budget deficits, \$2 billion this coming fiscal year, and up to \$10 billion the following. My own view is that the city starts off every budgetary period with a gap that needs to be plugged, and this year is no different. It's not just about expenditures on the revenue side. There's a lot of good news, with tax collections up 8.5% in 2025, a big portion of which came from growth in personal income.

One thing that's certain is that the business economy in New York City had an incredible year in 2025. And I believe that when the new revenue forecast come out in the next few weeks, we'll see that the city will be projecting significant additional revenue increases that will help defray the current deficit. Remember, the city's budget is required by law to be balanced at the beginning of every fiscal year, and we continue to remain confident in the city's fiscal stability and strength. Let's not forget that New York City's credit rating is AA, and was reaffirmed by S&P as recently as October, which noted that the city has the budgetary reserves needed to navigate any near-term risks.

At our Investor Conference in December, I made the case for what I believe was shaping up to be a stellar 2026. As we sit here on January 29, I feel the same. In short, I think 2026 is setting up to be quite an amazing year for the commercial office sector in terms of occupancy gains, rental achievement, and business growth. Given the lens I look through today, the fundamentals are strong. Businesses are still leasing space and expanding, growing their businesses, and making lots of money.

The big five banks just reported increases to earnings year-over-year, with profits in the fourth quarter up 6.7%, and investment banking revenues up 12.6%. And we're expecting when Wall Street member firms finally report fourth quarter profits, they will come close to meeting or exceeding the current all-time high of \$61 billion as the number stood at \$48 billion through the first nine months. Between Wall Street, the big five banks reporting, and what we see going on in our own portfolio, it all reaffirms our view at Investor Conference that New York City is differentiating itself from other US cities in significant ways, and will continue to be the central focus of investors looking to deploy capital in debt and equity this year and beyond.

Case in point, I led a contingency from SL Green that just finished a 10-day swing through Asia, where we collectively held two dozen meetings with debt and equity capital sources, investors, buyers, sellers, asset managers, and sovereigns. I can tell you that the appetite to invest in New York was as strong as I have ever seen. As we continue our travels around the world, we expect to see a similar theme play out. I expect that transaction volume for 2026 will be even higher than last year, which was \$23 billion, an amount that was roughly equivalent to that of 2019, and it'll only facilitate the company's execution on our \$7 billion refinance plan, and our \$2.5 billion disposition plan.

We set lofty goals for ourselves in December, as we always do, and know you all will be monitoring our progress every step of the way, as you should. We like that pressure, and we've never been more motivated to meet or exceed those goals in this year. What emboldens me is that the private markets completely get it. One point I highlighted at Investor Conference, Paramount trading at under \$4 a share, and then selling for nearly \$7 was not lost on anyone. The private markets see economic growth in real terms, the coalescing of young and highly educated talent, and strong business demand right here in New York City.

So, we're going back to work on what we can control, and keep putting numbers on the board until we see it reflected in the stock price, which I know we will because the disconnect now is simply too big to ignore between the value of our premier assets in this company and our share price. And to be clear, one of those premier assets is our human capital, the people of SL Green, who will generate more than \$100 million in fee revenue from institutional investors who look to us to develop, manage, and monetize investments on their behalf. I hope everyone out there appreciates our efforts and the enormity of the plan we have for 2026, and thank you for continuing to support our company.

Now, I'd like to turn it over to our Chief Investment Officer, Harry Sitomer, who will add some color on how we're progressing on our business plan.

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

Thank you, Marc.

On the capital markets front, 2026 is off to a busy start. First, in the credit markets, we have seen a continued tightening of senior loans, as demonstrated by our recent financing of Park Avenue Tower, which priced a spread of 1.58% at our full proceeds ask. Most notably, we saw AAAs representing over 50% of the transaction, saw as tight as 112 basis points over the treasury rate. While this rate is a compelling borrowing rate, I will remind everyone that in 2018 and 2019, we saw similar classes trading in the 60-basis-point range over treasuries. So, there's still a substantial amount of room for further rate tightening across the capital stack and, of course, in the index. We will continue to benefit from this momentum as we execute on our \$7 billion financing strategy this year, highlighted by the refinancings of One Madison Avenue, 245 Park Avenue, and our corporate credit facility, which total approximately \$5 billion of the \$7 billion plan. We are in various stages of executing on each of these financings, and you should expect to see us roll out a series of announcements through the balance of the year as we enjoy a tightening senior borrowing market for quality assets and sponsors.

In the equity markets, we are seeing a wide array of new entrants rejoin this market as a result of improving sentiment, and investors realizing the relative value of New York City commercial office properties versus alternative investment opportunities in economic climate where hard assets are otherwise trading at premiums. We had a busy New Year's Eve closing out our partnership with Rockpoint at 100 Park, where we quickly realized on a substantial premium from the acquisition 11 months prior. With the building now 100% leased, us and Rockpoint together will fund the necessary costs to complete the capitalization of the project. We welcome Rockpoint to our blue-chip roster of reliable partners. They are a great firm, and we expect to do more together. This was Rockpoint's first major office deal in six years, a testament to the recovery in New York City.

We're in negotiations on contracts and term sheets on four additional transactions in our \$2.5 billion plan, and look forward to sharing updates as we further our JV and counterparty roster. On that note, and to reiterate Marc's earlier color, I will add what a difference a few years makes in the private markets. After our Investor Conference, my phone and inbox was flooded with inbounds looking to explore participating in our capital markets plan for the year. And Marc talked about Asia, but the interest is really across the globe. I'm seeing it domestically in Canada, Europe, and the Middle East as well. I haven't seen this widespread of demand since pre-2020, and New York is clearly defining itself as far and away the city to invest capital in today.

On the fund side, while we have seen stability in the senior lending markets where we are borrowers, we still are seeing inefficiencies and imbalance in the subordinate credit space where our fund is focused. We are tracking for \$150 million to \$175 million of deployment per quarter, and the team is hard at work deploying that capital for our customers. We're also pleased to announce that we will be launching fundraising for our next fund focused on senior credit lending as we continue to bulk up our fund business. More on this to come over the next few months.

Finally, last but not least, a shout-out to Green Loan Services, which is now the largest active special servicer of SASB loans in the country, now servicing 5 of the top 10 largest specialty serviced loans.

With that exciting news, I will pass it over to Matt.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Thanks, Harry. Clearly out of the gate strong here in January, no matter how many snow days people in the market seem to want to take recently.

As excited as we are for what's ahead, I want to take a minute to highlight the results we posted for the fourth quarter, where many of our operating metrics exceeded the expectations we just laid out in early December at our Investor Conference. From an earnings perspective, we printed an FFO beat of \$0.02 a share, driven by higher NOI due to lower expenses, net of reimbursements, which came through both in the earnings beat and in same-store cash NOI that was better than we expected for the quarter.

There was also an improved contribution from our hospitality business, which saw a solid fourth quarter of activity and lower G&A, which, as I highlighted back in December, is already low based on our AUM and relative to the comparable peer set. These positives were partially offset by lower operating profit from SUMMIT, which is affected by the later-than-expected opening of the Ascent premium experience in mid-November and some additional maintenance costs we incurred related to it.

And finally, for those who like to refer to FAD, hopefully you took note that we actually beat the initial guidance we gave back in December of 2024 by \$65 million, almost \$20 million of which happened in the fourth quarter alone. On the leasing front, we closed out another banner year, congrats to Steve and his team, with almost 800,000 square feet of Manhattan office leasing in the quarter, bringing the annual total to 2.6 million square feet, and our three-year total to almost 8 million square feet. And the strong leasing in December specifically allowed us to ultimately exceed our mark-to-market expectations for both the fourth quarter and the full year.

Our same-store leased occupancy objective was also met, albeit a couple of weeks later than we expected. We ended the year at 93%, which is sector-leading, and reflects an increase of almost 400 basis points since the lows at the end of the first quarter of 2024. Yes, we did say we would end the year at 93.2%. However, some tenants in our pipeline that we expected to sign in December decided they wanted to enjoy the holidays with friends and family versus answering Steve's phone calls and signing leases, so they waited until January. Including the same-store leases that were signed after January 1 in our December occupancy, we would have been at 93.2%. So, it was simply a matter of timing, nothing more.

More importantly, with 142,000 square feet signed so far in January and a pipeline of more than 1 million square feet behind that, we are well on our way to achieving our 2026 leasing goals, including our same-store occupancy objective of 94.8%, by the end of the year. All-in-all, a very solid fourth quarter puts us on great footing to achieve the objectives we laid out for 2026, and for earnings growth in the years beyond.

With that, I turn it back over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question will come from the line of Alexander Goldfarb from Piper Sandler. Your line is open.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Great. Hey. Good afternoon. Thank you. Steve, maybe just hitting AI up front, we've now had AI out there for quite a while, and the market seems to be shaking out. But you see, like law firms, for example, they're bidding aggressively for associates. You see the demand that you guys and others are showing for office, and at the same time, other industries are talking about downsizing from AI. So, can you just give an update how your tenants and the tenants who are driving the market, how they are incorporating AI, and are they truly downsizing any people, or this is just all, like, part of the mix, and therefore AI is part of their business, but it's not affecting their hiring plans or how their – or how much space they need to take?

Steven M. Durels

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

A

Well, that's a lot of asks to get to, that insightful into exactly why our tenants are using AI, but I'll give you what we're seeing from a leasing perspective, which is I've not heard of a single instance of the deals that we've done where tenants have downsized as a result of AI, just the opposite. Many of the deals that we're working on, I would say, quite frankly, the vast majority of the deals we're working on have some element of growth, whether that's growth because AI is making them more efficient and more profitable and delivering more opportunities to develop their business. One can only speculate.

But maybe pivoting a little bit more onto the AI demand side of the equation, AI tenants leased 1 million square feet last year. There's currently 80 tech tenants in the market right now with active searches for over 8 million square feet. Of that, there're 13 known AI requirements for over 1,200,000 square feet. So, to the extent that there's any space savings on other businesses, it's clearly being offset by an exploding growth of AI demand in the marketplace.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Okay. And then, Marc, on your Asian adventure, sounds like some productive meetings over there. Are there any areas of interest where the overseas investors want that surprised you, or how are they talking to you about the money in terms of, are you giving them the ideas of, hey, we can invest here and there, or they're saying, hey, here are the areas that we want to focus on, and this is where we'll give you more money? I'm trying to figure out which way the horse race is being driven, and if it's conjuring up some new opportunities or maybe just reaffirming your existing game plan.

Marc Holliday

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

A

Well, I think the way I would characterize it is the way – I've seen it in the past, but really only several years out of three decades where the money inflows into these institutions seems to be so great and real estate has to sort of maintain its certain percentage of total AUM for these different investors. And many of these country investors have kind of maxed out their investments in their local economies, and they really can't invest more. So they, a,

are almost forced, if you will, to look outside their borders, and when they do that, it was quite evident to me that there's really only a couple of areas that they feel comfortable investing in worldwide, and certainly in the US. And the constant theme of New York City, Midtown Manhattan real estate being sort of the real estate equivalent of US Treasuries I think really resonated in terms of risk-adjusted downside safety, and a path towards real returns where you can still earn double-digit returns on good core real estate assets because interest rates in the US are still relatively high and cap rates are still relatively high, and that translates well for a lot of these investors.

So, there was a lot of our counterparties telling us that they are looking to us to help them deploy capital in various different ways: debt and equity, development and core assets. SUMMIT is more opportunistic. In some cases, people have interest in the SUMMIT platform and sponsoring growth in the SUMMIT platform in various markets, et cetera. So, it was just great meetings. Our franchise in those markets is very well-known and highly regarded. There seems to be a lot of capital to deploy in 2026, and notwithstanding some of the geopolitical events with – particularly with tariffs, both ways, US tariffs of foreign goods and foreign tariffs of American goods, it seems that there's still a desire to convert money to dollars and put it to work in New York City and, in many cases, with us. So, it was a very good trip all around.

Alexander Goldfarb

Analyst, Piper Sandler & Co.

Q

Thank you.

Operator: [Operator Instructions] Our next question will come from the line of John Kim from BMO Capital Markets. Your line is open.

John P. Kim

Analyst, BMO Capital Markets Corp.

Q

Thank you. On the new disclosure that's provided on page 31, Matt, on – so difference between the physical and economic occupancy, I guess it would suggest that there's another \$78 million of rental revenue coming to SL Green from leases that have already commenced. So, I'm wondering when – as far as timing, when you will recognize that on both a GAAP and cash basis.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

That's about the most specific question I've got in a while. Look, we gave economic occupancy as a new stat we would be referring to back in December, so. And we guided to where it was going to end 2026, property by property. Obviously, you need a starting point for that, so we threw it into December. How the growth from the December number, December 2025 to December 2026 number plays out, we don't give quarterly guidance. So, I'm not going to layer it in, first quarter, second, third, and fourth. But we gave you a full-year NOI guidance. It translates into significant same-store NOI growth, 3.5% to 4.5% over the course of the year.

So, you say it's coming in over the course of the year. How it bleeds in, somewhat out of our control because the tenants control when they finish their space and can move in, and that's what triggers revenue recognition. So, for that, among other reasons, we give it on an annual basis and can't give you how it bleeds in over the course of the year.

John P. Kim

Analyst, BMO Capital Markets Corp.

Q

But can you give us like a rough estimate, like would half of it come this year and half the following year?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

I cannot.

A

John P. Kim

Analyst, BMO Capital Markets Corp.

Okay. My second question for you is the FAD outperformance that you mentioned, \$20 million this quarter, what drove that? Is any of this timing-related, and how does that impact your views on the dividend?

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

How does it impact the view? What was – you...

A

John P. Kim

Analyst, BMO Capital Markets Corp.

On maintaining the dividend.

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

So, FAD and dividend are unrelated topics, so I'll start with that. As it relates to FAD outperformance, I think part of that is our being very vigilant about capital spend. And also gives evidence to the unpredictability of FAD, which is why office companies like us don't guide to it because it's largely out of our control when it comes to the tenants' capital spend. If they elect to build that space and call capital that – we have to fund that. If they defer or just spend slower, we can't control that.

A

So, I think the combination of those things, plus just FFO outperformance, pure earnings outperformance, all drove the overall FAD beat. As it relates to dividend, FAD is not the governor of dividend. FAD is a stat, just like FFO is. And so, the dividend is an accumulation of taxable income items, and that's what will drive our dividend on a go-forward basis.

John P. Kim

Analyst, BMO Capital Markets Corp.

Great. Thank you.

Q

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Nicholas Yulico from Scotiabank. Your line is open.

Nicholas Yulico

Analyst, Scotiabank

Thanks. I guess just going to the asset sales guidance that you've given, the \$2.5 billion, and you gave some NOI impact this year that was expected, is it right to think that that's – the timing of the asset sales is more of a back half of the year impact, and can you just give us any sort of range on how to think about cap rates for the different asset classes that you're selling?

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

So, you're right to say that it's mostly back half. We do have some asset sales. Harrison commented that there are term sheets contracts in advanced discussions. So, maybe we can get some of those wrapped up in the first half of the year. But by and large, a lot of it is second half, and we're selling probably the most diverse group of assets we ever have. We have some stabilized office. We have development sites. We have residential. We have retail, a little bit of everything. I wouldn't hazard to put a blanket cap rate on all of that, and when you talk about a development site, there is no cap rate.

I don't know if, Harrison, you want to add anything to that?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

No, I think that's right. Also for competitive purposes, I wouldn't want to put a cap rate out there that you want us negotiating the best price. But I would add that we put out that business plan only a couple of weeks ago. We have a very high degree of confidence in executing on that plan. That's why we put it in front of everybody, and we are hard at work in getting that plan done. And as I mentioned, four of those deals are already in term sheet or contract negotiations, so hopefully some more news to come over the coming months.

Nicholas Yulico

Analyst, Scotiabank

Q

Okay. Thanks. And then, I just wanted to follow up on the dividend question. I know what you mentioned on FAD, and how it doesn't impact necessarily the thinking on the dividend, but I was just wanting to see if you could give us a little bit more of the thought process of the board because, ahead of the March decision on the dividend, how the board is thinking about it because we're all seeing that FFO and likely FAD is going down this year. And so, it kind of raises questions about the dividend. Any additional commentary there would be helpful. Thanks.

Marc Holliday

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

A

Yeah. I would – it's premature to have a different conversation right now. We'll take it up with the board. I can tell you the board doesn't just look at the next quarter, two or three. The board takes a holistic look, and we're going to look at things in the coming years. I think 2027 is going to be a really strong year. So, we don't – it's – we don't peg the policy quarter to quarter. It's intended to be underpinning of a long-term plan of investment and harvesting, repatriation, creating free cash flow, and one of the biggest parts of that plan now, which is different than it used to be, is the creation of pure net fee income, unlocking the value in the platform over and above just our asset value. And that money, if you will, is kind of in place of what used to be DPE income.

And I think you get a much higher multiple. It's much stickier, and it's core to who we are to build up this asset management business further. You heard Harry talk about the launching of a new fund, which we will do in 2026, and that's not even in those numbers. So, I feel very good about the earnings trajectory of the company as all this development we did and all these leases start activating and coming into recurring FFO in 2026 maybe back half, and certainly beyond, 2027 and beyond. And those are the kinds of things we'll look at, in addition to taxable income, and in addition to cash flow, when setting a dividend policy.

So, I think what you're hearing is we're generally optimistic as it relates to the business plan. Where we peg the dividend at a moment in time is something the board will take up in, I guess, March or April – March, March. And there's not a lot more I can add to that. But I – you mentioned something about declining or falling earnings this

year. This portfolio is, without question, the best portfolio of assets with the highest earning capacity this company has ever had. And at the end of our \$7 billion refinancing plan, our \$2.5 billion disposition plan, the balance sheet is going to be exactly set to where we want it to be at the end of this year, and we're poised for opportunity and growth, earnings growth and value growth.

So, the dividend will have to suss out in March. But this is not a company that feels like it's in a moment of decline. I think we're in a moment of expansion on all levels. And I think the private market gets that, and I hope the public market comes to realize the great successes we're having in this market and follow suit with support. But until then, we're happy. It's a necessity that we have extraordinary support from global investors.

Nicholas Yulico

Analyst, Scotiabank

Q

All right. That's helpful. Thanks, Marc.

Operator: Our next question will come from the line of Anthony Paolone from JPMorgan. Your line is open.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

All right. Great. Thanks. And, Matt, maybe just to clarify, just make sure I got this right. so, this new occupancy or economic occupancy, you gave us the 86.7% for yearend 2025 for the same-store. So, the number in your guidance for 2026, is that the apples to apples with that for yearend 2026, or is that the average across the year, just to make sure we got this right?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

The economic occupancy we published at the Investor Conference is your question, Tony? Was that end of year or average...

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Yeah, like...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

That was average.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Q

Yeah, what's the yearend?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

That was average.

Anthony Paolone

Analyst, JPMorgan Securities LLC

[indiscernible] (00:30:17)

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yearend is higher. Yearend is higher.

A

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. And that – but that is apples to apples, then, with this 86.7% that you now gave us.

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah, the – well, the published number is as of the end of December. What we guided to in – at the Investor Conference for 2026 was an average. The yearend 2026 number would be higher. But in order to kind of get people to an average annual guidance to give a yearend number is not really given a picture as to how the earnings growth might look over the course of the year. We did an average by building.

A

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Got it. That's helpful. Thanks. And then, just second one for me, just curious. Worldwide Plaza has been in the news a bit. Can you remind us like what that FFO impact is, like is that thing running at an FFO loss or is interest in, like, penalty interest, like how does that work for your earnings right now?

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

It generates \$7 million of FFO.

A

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Got it. Thank you, then.

Q

Operator: Our next question will come from the line of Blaine Heck from Wells Fargo. Your line is open.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Great. Thanks. Marc, just wanted to follow up on your trip to Asia, and dig into the drivers of the increased appetite since foreign investment has been lower over the past few years. Weakness in the dollar has been a big headline over the past few days and weeks. So, I hear you on rebalancing domestic versus international exposure for those clients and them searching for higher yields. But how much of a part of their increased appetite do you think a weaker dollar is playing, if at all? And if that continues, are you expecting that to provide you access to additional partners for fund investments or acquisitions, or does that just mean more competition for assets and just higher values across the market?

Q

Marc Holliday

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

A

The second part of that question, you said with respect to the valuation push, what exactly did you ask?

Blaine Heck

Analyst, Wells Fargo Securities LLC

Q

Yeah. Just does that increase appetite for investment in Manhattan, just do you think of that as providing you access to additional partners for fund investments or acquisitions, or does that just mean more competition for assets and higher values across the market?

Marc Holliday

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

A

Yeah. Okay. So, it's interesting. When the dollar was strengthening and other currencies were weakening, you could have made an argument that maybe US assets would become less attractive. But we didn't experience that because, at that moment in time, people wanted to get their foreign currency into US currency because they felt that US had great real growth prospects. And once that money is here, I think the intention with a lot of these investors is it stays here and gets reinvested. They're not just [ph] rifle-shotting (00:33:18) certain asset investments opportunistically, but they're looking to set up investment platforms in domestic markets here in the US.

And there's a – at that moment in time, there was kind of a intentional directive to diversify some money into what was then a strengthening dollar. And I didn't see that hurt our ability to raise money really at all. And plus, a lot of these sophisticated investors have hedging strategies that I think mitigate some of that risk.

Now with the dollar depreciating, it obviously makes the assets somewhat less expensive. But also remember, that means rates are rising in their home countries. So, that relative advantage we had, the US rate versus home country rate, is probably narrowing a bit, but still decidedly in favor of US. And, yes, I think the appetite picks up more with the depreciating dollar, which creates more demand, will certainly push pricing. But nothing pushes pricing as much as interest rates. If you're looking for a push on pricing, maintaining or falling rates, I think, would have an explosive effect on values in the city.

Right now, maintenance of rates, I think it's a fair market, and we outcompete in that market. And I think it makes it more attractive for investors to invest. And there was very little talk about the exchange ratio being a barrier in any way, and in some cases, it was certainly a benefit. So, I think it's a good trend, but I don't want to give the implication that if that reverse itself and the dollar starts strengthening again, that I would expect a dramatic tapering off, because I still think there's a diversification play, a global diversification play into markets where there're underrepresented investments. I think that's the number one reason we're seeing these money flows in our direction.

Harry, you have any thoughts on that?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah. The only other thing I would add is what you heard me talk about in December and in my intro, which is just the relative value of commercial office properties in New York. A lot of what we're hearing from investors, to Marc's point, about weighting, is they're heavyweight in data centers and other asset classes that have seen big appreciation in pricing over the past three to four years. They haven't seen – we haven't seen that type of

appreciation for the past few years in commercial office assets, and that's what's enticing them into this market, is the relative value versus other opportunities and other asset classes.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Q

Okay. Very helpful commentary. Second question, you've a significant disposition target for 2026 and a solid occupancy trajectory forecast for the year. Can you give us any idea of how much of the occupancy gain is related to selling off under-leased buildings, and how much of the gain is related to organic leasing of vacancy throughout the portfolio?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

It's Matt. I would say the occupancy objective is very nominally, if at all, affected by asset sales. There are some asset sales that we have in there that are lower occupancy that we could not consummate and still meet our objective based on the leasing trajectory we're seeing. So, will it have an effect? Potentially. Was it factored into our objective of 94.8%, achieving it or not? Yes. So, we could do without the disposition plan and likely achieve our target.

Marc Holliday

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

A

Blaine...

Blaine Heck

Analyst, Wells Fargo Securities LLC

Q

Got it.

Marc Holliday

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

A

...I would point you in the direction of a slide we used in the Investor Conference. I thought it was a pretty impactful slide which listed, I think, a subset of mostly older buildings or old material buildings, if you will, in terms of current occupancy and where we expect it to be at the end of the year. And those are same-store, obviously, between 2025 and 2026, and it showed not only in almost every case, maybe not every case, but the vast majority of cases, occupancy gains being projected, which underlie the march forward from 93% to...

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

94.8%.

Marc Holliday

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

A

...94-plus in 2026, but shows you two stories. One, we're operating at the highest levels, I think, in the market at getting to 95% and above on a major segment of our portfolio. But still, we want to see those properties 100% leased. People say, well, it's impossible, friction or whatever. We've got properties that are 99% and 100% leased. And in a tight market, I think 97-plus is not unachievable. We've achieved it in the past. And every 100 basis points for this company has a dramatic impact on the bottom line. So, I just think referring back to that slide rule give you a good visualization of where we see the occupancy gains coming from.

Blaine Heck*Analyst, Wells Fargo Securities LLC*

Great. Thank you, guys.



Operator: Thank you. [Operator Instructions] And our next question will come from the line of Brendan Lynch from Barclays. Your line is open.

Brendan James Lynch*Analyst, Barclays Capital, Inc.*

Great. Thanks for taking my questions. Maybe one for Harry. Appreciate the color on the spreads tightening over the past couple of years. What do you think could get us back to the tight spreads of the pre-COVID era? Is that more macro-related or more office sentiment-related, and kind of what's the house view on the trajectory and timeline of spreads tightening, going forward?

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

Yeah, I think it's more macro and relative yield-focused. I will say just even through the Park Ave Tower financing, that was tightening, like up to the last hour of bidding out those bonds. And I think we're going to continue to see a trajectory over the next 6 to 12 months that the spreads, like you saw us go from 11 Madison into Park Ave Tower, you'll next see One Madison, and then you'll see 245 Park. You'll continue, so long as we stay on the current trajectory, to see those spreads tighten as we go throughout the year. And a lot of that is new entrants coming into the bond market that are re-circling. I met with someone this morning, North American-based investor coming back into the bond market that wasn't there for quite some time. So, we're going to continue to see that momentum, and that will continue to tighten the spreads.

**Brendan James Lynch***Analyst, Barclays Capital, Inc.*

Great. Thanks. That's helpful. And maybe another question on the trends within concessions. It looked like the TI packages and free rent ticked up a bit in the second half of the year despite the really strong demand that you guys are seeing. How should we think about those packages, going forward?

**Steven M. Durels***Executive Vice President & Director-Leasing and Real Property, SL Green Realty Corp.*

Broadly speaking, I'd say much of what we saw last year continues today, which is concessions have been very stable. There's been opportunities to tighten them up in certain instances where – whether it's on certain parts of the market where there's a lot of landlord leverage, particularly on renewals and the sort of, call it, the small- to medium-sized tenants. We're seeing some improvement on the concessions there.



But I think what you'll see this year is free rent will start to come down a little bit, and I think TI will be the last thing to change, although, again, on the small- to midsized, and particularly on the [indiscernible] (00:41:16) size, we've got the leverage to be able to improve and reduce the amount of TI that we're giving on those transactions. And I think what you saw this particular quarter is simply a reflection of the complexion of deals. If there were a lot of bigger deals, new transactions, then those naturally carry the bigger TI packages.

Brendan James Lynch*Analyst, Barclays Capital, Inc.*

Great. Thank you for the color.

Operator: Thank you. [Operator Instructions] Our next question will come from the line of Manus Ebbecke from Evercore ISI. Your line is open.

Manus Ebbecke

Analyst, Evercore Group LLC

Q

Thanks for taking the question. Just wanted to see if you can provide some color on the pipeline, specifically for leasing demand outside of Park Avenue.

Steven M. Durels

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

A

The pipeline, despite all of that big leasing in the fourth quarter, we've kept the pipeline full, over 1 million square feet of pipeline. I think what is most notable, and I think this is important for people to hear, of the over 1 million square feet of pipeline, 800,000 square feet of that pipeline are leases that are out. So, these are not just hoped-for transactions that will convert. 800,000 square feet of the 1 million square feet are leases that are in negotiation, and many of them are in close to execution form.

Also, within that pipeline, there's 900,000 square feet of new tenants as opposed to renewals. And then, as far as the types of tenants, heavily weighted towards finance. Half the pipeline is financial service businesses, the balance being tech and legal tenants.

Manus Ebbecke

Analyst, Evercore Group LLC

Q

Got you. And maybe a quick follow-up, just like how would you classify like Sixth Avenue or Third Avenue right now like just in that mix?

Steven M. Durels

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

A

Sixth Avenue is the new Park Avenue. Park Avenue is the tightest market – submarket in the country. Sixth Avenue posted some really big deals. You're seeing rents rise dramatically on the Avenue, given the tightening of supply. What we've experienced in particular, I think, is a really good case study of what the strengthening market on Sixth Avenue is. Many of you have inquired about the vacancy or the rollover that we had at 1185 Sixth over the past couple of years. We had four big tenants that rolled out of the building, or, in one case, one more tenant still to go, almost 700,000 square feet of that covering 25 floors of space.

Since that period, we've leased 434,000 square feet. We have leases out on 135,000 square feet, deals pending on 131,000 square feet, which leaves us only 24,000 square feet to deal with of that almost 700,000 square feet of roll, which I think is an amazing case study to the strengthening of the submarket, to say nothing of the strength of the leasing team, of course.

Manus Ebbecke

Analyst, Evercore Group LLC

Q

Got you. Perfect. Thank you. I appreciate it.

Operator: [Operator Instructions] Our next question will come from the line of Ronald Kamdem from Morgan Stanley. Your line is open.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Hey. Great. Just two quick ones. On the same-store NOI guide of 4%, I think last year there were some headwinds from sort of SUMMIT operator. Was just curious if we could sort of de-compartmentalize that guide in terms of the benefit from SUMMIT versus occupancy versus other factors, just to get a sense of that 4%. Thanks.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

I would say SUMMIT has an impact on it, but it's not going to be the main driver of it. Clearly, the driver is occupancy increases. As I said in my earlier commentary, we've driven same-store occupancy from up 400 basis points in a period of three – seven quarters. That starts to flow through. That's why we show economic occupancy as a new metric ticking forward, with still growth thereafter. That translates into obviously same-store NOI growth of the 3.5% to 4.5% this year, and 10%-plus in 2027. The SUMMIT effect that – it had an effect., So it'll be helpful in 2026, clearly, to have Ascent back up and running, and SUMMIT back on a great footing. But it's not the driver.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Helpful. My second one is, just going back to the dividend payout ratio, I appreciate FAD is not the right sort of way to look at it. But I guess my question is, when you think about sort of the cash flow statement that you guys published, in fact it's out, there's always sort of a big delta between the operating cash flow and the dividend payment because you have a lot of JVs. I guess the question is, like, how do we think about the recurring cash flow payments of the JVs, and is that something that when the board is thinking about the dividend payment, is that the right way to sort of think about the consideration versus FAD? Thanks.

Marc Holliday

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

A

Well, I can – I look at cash flow, and cash flow is comprised, for this company, of operating cash flow and the gains we take on sales, because we are an active seller of real estate. This is – we are just not a buy-and-hold company. And if you evaluate us in our dividend only from the lens of buy and hold, which I don't – a non-active way of managing the real estate, then we'd have to look at different metrics as a board. But as a board, we look at buying things that are – it's like unformed clay, in some cases, breathing new life into older buildings, developing new buildings, entering into transactions to create high IRR, and we often will monetize. I think we've sold much more real estate than we currently own, and we own 30 million square feet. So, that's saying something.

And to only look at one metric for purposes of total return and dividend, et cetera, coverage, I just would – my opinion and I think the board's opinion would be don't look at it that way. Look at it in its totality for all the revenue we generate, because all of that revenue, which often is taxable, is what goes – which I think is what Matt is saying is that's our metric, and that's our barometer for setting of the dividend. We don't just occasionally harvest gains. This year, it's a \$2.5 billion plan. Last year was a couple of billion-dollar plan. Year before that, I think it was a \$5 billion plan.

I mean, this is what we do and who we are. You guys know that. You absolutely know Green buys, improves, develops, stabilizes, harvests, move on, does it again. I've been doing it here at this company for 27 years, and it

has not changed much over the 27 years. The assets have just gotten better, the numbers bigger. But the culture and the ethos is the same.

So, it's not a debate, per se. It's just this is how we look at it at the board level, and we've been able to keep as good a dividend policy, I think, over those years as we possibly could, given the ups and downs of the markets. And we're just going to stay on that theme and keep evaluating it through that telescope of the different types of businesses we do and the contributory cash flows to that business, the taxes that result thereon and the setting of the dividend, we think, at the proper level.

Ronald Kamdem

Analyst, Morgan Stanley & Co. LLC

Q

Thanks so much.

Operator: [Operator Instructions] Our next question will come from the line of Peter Abramowitz from Deutsche Bank. Your line is open.

Peter Abramowitz

Analyst, Deutsche Bank

Q

Yes. Thanks for the time, and thanks for taking the question. Just wanted to go back, Matt, you had some comments on maintenance costs at SUMMIT in the quarter. Just want to confirm, are those sort of onetime just related to Ascent, and is there any change in sort of the 2026 outlook you gave in December for SUMMIT?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

No change in the 2026 outlook unique to the fourth quarter.

Peter Abramowitz

Analyst, Deutsche Bank

Q

Okay. Got it. And then, I guess either for Harry or for Marc, you talked about some of the deployment you're starting to look at out of the debt fund. Can you just give us a sense of sort of where you're underwriting returns on some of those initial investments?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah, sure. I mean, the – we've given out a slide at the Investor Conference that fund targets gross returns of mid-teens.

Peter Abramowitz

Analyst, Deutsche Bank

Q

Okay. And so, largely, what you've seen so far is fairly consistent with what you talked about at the Investor Day?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah, absolutely. I mean, no change in the past few weeks, mostly focused on subordinate credit, for all the reasons I gave in my introduction, and we're still seeing opportunities there to get the capital out and very interesting opportunities.

Peter Abramowitz

Analyst, Deutsche Bank

Q

All right. That's all for me. Thanks.

Operator: Thank you. [Operator Instructions] Our next question will come from the line of Seth Bergey from Citi. Your line is open.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks for taking my question. It might be a little early, but just in the context of one of your peers who owns a site across the street announced some pre-leasing, I guess could you talk a little bit about kind of any early indications of demand for the 346 Madison development site?

Marc Holliday

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

A

Well, advanced demand for 346.

Steven M. Durels

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

A

For Brooks Brothers.

Marc Holliday

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

A

Yeah. Well, we just debuted it last week. I hope everyone liked the design and the – it's – we closed, I think, in September or October. Somebody can correct me. Within those few months, we conducted a fulsome design competition, went through a range of different designs to get to something that we settled on as being something that we think is really going to be world-class to try and stay within the spirit of doing efficient buildings, really attractive buildings [indiscernible] (00:52:00) et cetera.

We're excited for this project. We think it's the right project at the right time. I think we just formally unveiled it last week, and I know, Steve, your phone has been ringing, and you've had some pre-conversations. So, where're we at?

Steven M. Durels

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

A

Yeah. Listen, my only wish is that we had the building built and ready to go today because there would be more than enough demand to fill it. Just to give you a sense of the kind of large tenant demand that's out there, there's 250 tenants that are being tracked in the market right now covering 26 million square feet of tenant demand. Of that, there're 32 tenants with requirements over 250,000 square feet, and another 37 tenants with requirements between 100,000 square feet and 250,000 square feet.

There is a dearth of supply for high-quality, particularly large block spaces. If you look at the high-end of the market, the best of the best part of the market, there's a 3.7% availability rate, and there are no 100,000 square foot blocks in the, what's considered the best of the best part of the market. So, consequently, let's get the building built because we'll fill it like pronto.

Seth Bergey

Analyst, Citigroup Global Markets, Inc.

Great. Thanks for taking my question.

Q

Operator: [Operator Instructions] Our next question will come from the line of Vikram Malhotra from Mizuho. Your line is open.

Vikram Malhotra

Analyst, Mizuho Securities USA LLC

Afternoon. Thanks for taking the questions. I guess just first, you've talked a lot about the leasing pipeline trajectory, getting to that occupancy number. One of your peers yesterday said New York or new leasing, you're doing double-digit roll-ups. We can see that in your reported numbers you're seeing roll-ups. I'm just trying to understand as it stands today with the pipeline, like where would you peg your portfolio mark-to-market today?

Q

Marc Holliday

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

I think we gave mark-to-market guidance.

A

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Well, yeah, we gave guidance or our objective for the year back at the Investor Conference. We don't mark-to-market the portfolio in its entirety because you can't [indiscernible] (00:54:22) market, this, in one shot. But I would say our pipeline reflects the exact range that we gave in December.

A

Marc Holliday

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

What was the range in December? Do you recall?

A

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

To be high-single digits.

A

Vikram Malhotra

Analyst, Mizuho Securities USA LLC

Okay. Just – I know – I'm not going into like what is FAD, does it cover your dividend or not, does it matter. But just one component, given the leasing you've done last year that's commencing, and then the tenants spending money and all the leasing you're doing this year, how should we just think about actual dollars in terms of TIs that are hitting that FAD calculation this year versus last year?

Q

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Thank you for leading in by saying you're not going to compare the FAD to the dividend. I appreciate that. As it relates to trajectory, we are still funding, as we did in 2025, leasing that we've done for the last couple of years. That, though, as volumes slow as we get the portfolio full, we're going to get close to 95% by the end of the year. So, volumes will drift lower. And then, we – Steve is seeing concessions kind of moderate, then that spend goes

A

down. It's kind of the natural progression, and that follows with the NOI growth that we're seeing next year and thereafter.

Steven M. Durels

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

Yeah.

A

Vikram Malhotra

Analyst, Mizuho Securities USA LLC

[indiscernible] (00:55:46)

Q

Steven M. Durels

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

It's worth noting that over the next four years, we have the lowest rollover that I recall in the company's history, less than 900,000 square feet – typically 900,000 square feet of leases expiring each year over the next four years, whereas typically we were 1.2 million square feet to 1.5 million square feet or more in certain years.

A

Marc Holliday

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

I think another way to look at it is, I think over the past two years, we did 6 million square feet of leasing.

A

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

8 million square feet in three years.

A

Marc Holliday

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

What's that? 8 million square feet.

A

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

8 million square feet.

A

Marc Holliday

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

8 million square feet in three years. 6 million square feet in two years. I think our projection for the year is like 1.6 million square feet or 1.5 million square feet, in that range. 1.5 million square feet, 1.6 million square feet.

A

We don't have projection for next year, but we – that we've been public with. We certainly have our own internal projections. And suffice it to say, as we continue to fill these buildings and get towards occupancy, the volume of leasing necessary to generate high occupancy becomes somewhat less. The capital associated with that becomes less, and the scarcity value allows you to trim in renewal TIs and free rent back to levels that [indiscernible] (00:56:50). So, there's multiple reasons why we would see a big improvement in that FAD number in 2027, which is what I was trying to allude to two or three questions ago on FAD.

And this is just the reality of 6 million square feet of leasing in two years. You have to pay the capital, too. But now, we've got 1.5 million square feet that we're going to lease this year, unless we over-exceed that. And the projection for the year after, and the year after, as Steve just said, are going to be relatively modest because of the less roll and the tightening of the packages. So, that's where it is. But it's a good news problem, guys. It's a good news reality that we're paying to install a lot of 10-, 15-, in some cases 20-year tenancy, often at triple-digit rents. What was our average rent for the quarter, Matt?

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

Low-90s.

A

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

Low-90s. We're in the 90s to 100s now for average rents in this portfolio. And you can – that's where you start to make some real margin to cover the concessions and contribute to the cash flow of the company. But it took a lot of work over the past few years to get here. And now, we're here, and we're kind of enjoying that. So, I think we're 6 to 12 months ahead of, I think, the narrative here, looking out to 2027 and beyond, and we see a lot of great recovery there in both FAD and earnings, which will be the subject of discussions in the second half of this year.

A

Vikram Malhotra*Analyst, Mizuho Securities USA LLC*

No, I just – I appreciate that. I guess we're just trying to understand you threw the 10% same-store number for next year, which is a great acceleration. But just trying to understand whether it's like delayed TI spend or debt refi or asset sale impacts, which will – may or may not be dilutive. But just as we go, like how much of that 10% then gets offset so that maybe the FAD growth gets pushed out again one year? That's kind of, I guess – I'm just trying to make one big piece of it that's been a headwind the last three years and you're saying it's going to be a tailwind. But ultimately, I guess we're just trying to understand how much of that 10% next year gets eaten up.

Q

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

I think Marc gave you all the commentary you need. We have 10% NOI growth...

A

Vikram Malhotra*Analyst, Mizuho Securities USA LLC*

Sounds good.

Q

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

...coming out of it, and capital should be moderating.

A

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

Yeah.

A

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

A

That's it.

Marc Holliday

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

A

Yeah.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

That's the end game.

Operator: Thank you. [Operator Instructions] Our next question will come from the line of Michael Lewis from Truist Securities. Your line is open.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Great. Thank you. I apologize if I'm just blanking on this, but why is Landmark Square now 733,000 square feet versus 863,000 square feet the quarter before? Did 130,000 square feet come out of service or something?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah, there's a – that's a campus made up of multiple buildings. One of the buildings is under development. So, it got popped out of the operating property square footage, and it's over in the development square footage.

Marc Holliday

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

A

Nice catch.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Okay. Great. That's good.

[indiscernible] (01:00:13)

Marc Holliday

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

A

Yeah. We have some exciting things we're working on, on one of the buildings. Do you want to?

Harrison Sitomer

Chief Investment Officer, SL Green Realty Corp.

A

Yeah. We got approval last year to convert 3 Landmark Square to residential. We just received the approval from the town and now working on capitalizing that deal.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Great. Okay. Thank you. And then, my second question, there were questions about rent and mark-to-market and cash rent spreads. This is one of the things with office, I think, that gets confusing. I just tried to do a quick back of the envelope. I looked at the last five quarters of your leasing for rent, term, free rent, TIs, and then I did the same thing for the trailing five quarters in 2019, and it's not clear to me, right, like, so TIs and free-rent periods are up like 60%, 70% since then. Rent is only up like 20%, 25%.

It's not clear to me that the total lease economics are better. I just wonder, how do you think about that, first of all, as a signal of strength in the market or what's happening in the market. And also in negotiating, right, because these concessions could get sticky. People get used to them. I don't know. Any thoughts on that about the change...

[indiscernible] (01:01:27)

Marc Holliday

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

A

You got to amortize the TI over the term of the lease to get to – I mean, yes, the – it's a nominal onetime number, the upfront TI. But on a 15-year lease, just make sure – I'm not questioning your math. I'm just saying make sure that when you're comparing a 20% annual rent increase, make sure you're looking at the annual TI increase. It's not 60% annually. It's – you got to spread it over the term of the lease. I mean, that's the only thing I would say to that. But to the more fundamental question...

Steven M. Durels

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

A

Plus some more leasing being done in new deals, right, new tenants...

Marc Holliday

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

A

Yeah.

Steven M. Durels

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

A

...coming in as opposed to renewals.

Marc Holliday

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

A

I think you look at the – where it all comes home to roost is in price per square foot for premium assets. So, when you put everything through, the rents and TI and the free rent and downtime, asset values today for, I'll call it, the top 20% of the market, 25% of the market is, I think, solidly between \$1,000 and \$2,000 a square foot, below \$1,500 a foot for older but well-located, renovated product, and probably \$1,800 to \$2,500 a foot, maybe even \$3,000 a foot for the best new product.

And so, in order to achieve those kind of price per foots, they have to be supported with the net effect of increase of rents minus concessions. And certainly, if you look back to 2018 or whatever period of time you were looking at, asset values were not there. So, look, the – there is a part of the market that's still recovering, and I think the story is yet to be told on assets where the average rents are below \$100 a foot. And yet you're right, the TI and free rent is relatively high relative to those leases. But for buildings that are enjoying average rents well north of \$100 a foot, I think the improvement is both nominal and net effective. And so, I wouldn't paint the whole market

with one brush. There's different categories of buildings that we're referring to, and what we're referring to mostly is that upper echelon of building in East Midtown.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Yeah. Thanks. The economic occupancy addition I thought was great and really helpful. It made me kind of dream of a metric where maybe we could put the whole value of the lease together, right.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

You got to dream. You got to have dreams.

Marc Holliday

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

A

Matt is pulling himself up off the floor.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Got to have dreams, Mike.

Marc Holliday

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

A

He's pulling himself up off the floor.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah. Dare to dream.

Michael Lewis

Analyst, Truist Securities, Inc.

Q

Thank you, guys.

Marc Holliday

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

A

All right. Thank you.

Operator: Thank you. [Operator Instructions] And our next question will come from the line of Caitlin Burrows from Goldman Sachs. Your line is open.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Q

Hi. Hopefully two short ones. Just first on the income statement, it showed that 4Q other income was almost \$40 million, which was up meaningfully year-over-year. Just wondering what led to that other increase in 4Q, and what was included in there?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

The fee income which flows through other income is lumpy, as we said. That causes some quarters to look high. In other quarters, we – that's when we see the – oh, we missed. It's often a function of when transactions close. So, we had a couple of transactions like 100 Park and 800 Third, and those things closed in the fourth quarter, as well as some other special servicing fees that came through in the fourth quarter that drove that number higher just for the quarter.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Okay. And then, back to those SUMMIT onetime expenses, sorry to bring them up again, I was just wondering, were they shown in the SUMMIT operator expenses line or SL Green's operating expenses? Because it looked like operating expenses were up again in 4Q, but I know last quarter we talked about AC costs being highest in 3Q. So, yeah, wondering where those showed up, and if it wasn't in the operating expenses, then what drove that?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

So, the SUMMIT expenses were in SUMMIT operator. Operating expenses, along with other consolidated lines, went up, in large part because 800 Third became a consolidated asset during the quarter when we bought out our partners.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Thank you.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah.

Operator: Thank you.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Operator, is that it?

Operator: Yes, this concludes our question-and-answer session. I would now like to turn it back over to Marc Holliday for closing remarks.

Marc Holliday

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

Okay. No closing remarks, operator. I think we've been on for quite some time. So, thank you to all who stayed with us throughout. Thank you for the questions, and we'll speak to you all again in three months.

Operator: Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

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