

SL GREEN REALTY CORP
Form 10-Q
November 07, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number: 1-13199

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of
incorporation or organization)

13-3956775
(I.R.S. Employer
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)

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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock, \$0.01 par value, was 90,366,509 as of October 31, 2012.

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(Amounts in thousands, except per share data)

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 2,937,866	\$ 2,684,626
Building and improvements	7,438,364	7,147,527
Building leasehold and improvements	1,331,190	1,302,790
Property under capital lease	12,208	12,208
	11,719,628	11,147,151
Less: accumulated depreciation	(1,339,324)	(1,136,603)
	10,380,304	10,010,548
Assets held for sale	91,574	76,562
Cash and cash equivalents	162,363	138,192
Restricted cash	143,058	86,584
Investment in marketable securities	21,549	25,323
Tenant and other receivables, net of allowance of \$21,575 and \$16,772 in 2012 and 2011, respectively	35,315	32,107
Related party receivables		4,001
Deferred rents receivable, net of allowance of \$30,076 and \$29,156 in 2012 and 2011, respectively	330,349	281,974
Debt and preferred equity investments, net of discount of \$13,207 and \$24,996 and allowance of \$7,000 and \$50,175 in 2012 and 2011, respectively	1,071,641	985,942
Investments in unconsolidated joint ventures	1,020,790	893,933
Deferred costs, net	253,137	210,786
Other assets	774,859	737,900
Total assets	\$ 14,284,939	\$ 13,483,852
Liabilities		
Mortgages and other loans payable	\$ 4,849,233	\$ 4,314,741
Revolving credit facility	200,000	350,000
Senior unsecured notes	1,176,252	1,270,656
Accrued interest payable and other liabilities	100,528	126,135
Accounts payable and accrued expenses	147,452	142,428
Deferred revenue/gains	360,752	357,193
Capitalized lease obligation	17,167	17,112
Deferred land leases payable	18,833	18,495
Dividend and distributions payable	29,154	28,398

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Security deposits	47,698	46,367
Liabilities related to assets held for sale	63,202	61,988
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	7,110,271	6,833,513
Commitments and contingencies		
Noncontrolling interests in operating partnership	265,093	195,030
Series H Preferred Units, \$25.00 liquidation preference, 80 issued and outstanding at September 30, 2012 and December 31, 2011, respectively	2,000	2,000
Series G Preferred Units, \$25.00 liquidation preference, 1,902 issued and outstanding at September 30, 2012	47,550	
Equity		
SL Green stockholders' equity:		
Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 7,700 and 11,700 issued and outstanding at September 30, 2012 and December 31, 2011, respectively	180,340	274,022
Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, none and 4,000 issued and outstanding at September 30, 2012 and December 31, 2011, respectively		96,321
Series I preferred stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at September 30, 2012	222,245	
Common stock, \$0.01 par value 160,000 shares authorized and 93,970 and 89,210 issued and outstanding at September 30, 2012 and December 31, 2011, respectively (including 3,607 and 3,427 shares at September 30, 2012 and December 31, 2011, held in Treasury, respectively)	940	892
Additional paid-in-capital	4,589,423	4,236,959
Treasury stock at cost	(319,905)	(308,708)
Accumulated other comprehensive loss	(29,281)	(28,445)
Retained earnings	1,728,150	1,704,506
Total SL Green stockholders' equity	6,371,912	5,975,547
Noncontrolling interests in other partnerships	488,113	477,762
Total equity	6,860,025	6,453,309
Total liabilities and equity	\$ 14,284,939	\$ 13,483,852

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

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SL Green Realty Corp.

Consolidated Statements of Income

(Unaudited, and amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Rental revenue, net	\$ 281,496	\$ 242,938	\$ 810,001	\$ 708,593
Escalation and reimbursement	42,804	39,176	126,050	104,446
Investment and preferred equity income	27,869	18,433	87,655	98,256
Other income	9,272	6,076	25,932	23,256
Total revenues	361,441	306,623	1,049,638	934,551
Expenses				
Operating expenses (including approximately \$4,668 and \$12,856 (2012) and \$4,335 and \$10,948 (2011) paid to affiliates)	83,980	69,093	226,168	191,792
Real estate taxes	53,595	44,915	157,662	128,957
Ground rent	8,874	8,463	26,570	24,110
Interest expense, net of interest income	85,828	74,603	248,292	207,042
Amortization of deferred financing costs	4,493	2,986	11,626	9,469
Depreciation and amortization	83,429	73,358	238,324	202,394
Loan loss and other investment reserves, net of recoveries			564	(1,870)
Transaction related costs	1,372	169	4,493	3,820
Marketing, general and administrative	20,551	18,900	61,469	61,375
Total expenses	342,122	292,487	975,168	827,089
Income from continuing operations before equity in net income of unconsolidated joint ventures, noncontrolling interests and discontinued operations	19,319	14,136	74,470	107,462
Equity in net income (loss) from unconsolidated joint ventures	11,658	(2,728)	80,988	7,663
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	(4,807)	3,032	11,987	3,032
Purchase price fair value adjustment		999		489,889
Gain (loss) on investment in marketable securities	2,237		2,237	(133)
Depreciable real estate reserves, net of recoveries			5,789	
Gain (loss) on early extinguishment of debt		(67)		904
Income from continuing operations	28,407	15,372	175,471	608,817
Net income from discontinued operations	223	1,116	145	4,665
Gain on sale of discontinued operations			6,627	46,085
Net income	28,630	16,488	182,243	659,567
Net income attributable to noncontrolling interests				
Noncontrolling interests in the operating partnership	(567)	(170)	(4,876)	(13,946)
Noncontrolling interests in other partnerships	(1,835)	(1,694)	(6,792)	(8,564)
Preferred units distributions	(571)		(1,533)	
Net income attributable to SL Green	25,657	14,624	169,042	637,057
Preferred stock redemption costs	(10,010)		(10,010)	
Preferred stock dividends	(7,915)	(7,545)	(23,004)	(22,634)
Net income attributable to SL Green common stockholders	\$ 7,732	\$ 7,079	\$ 136,028	\$ 614,423

Amounts attributable to SL Green common stockholders:

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Income from continuing operations	\$	12,153	\$	2,045	\$	117,919	\$	82,769
Purchase price fair value adjustment				977				479,062
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate		(4,636)		2,966		11,572		2,965
Net income from discontinued operations		215		1,091		139		4,560
Gain on sale of discontinued operations						6,398		45,067
Net income	\$	7,732	\$	7,079	\$	136,028	\$	614,423

Basic earnings per share:

Net income from continuing operations before discontinued operations	\$	0.14	\$	0.04	\$	1.33	\$	6.77
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate		(0.05)		0.03		0.13		0.03
Net income from discontinued operations				0.01				0.06
Gain on sale of discontinued operations						0.07		0.54
Net income attributable to SL Green common stockholders	\$	0.09	\$	0.08	\$	1.53	\$	7.40

Diluted earnings per share:

Net income from continuing operations before discontinued operations	\$	0.14	\$	0.04	\$	1.32	\$	6.73
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate		(0.05)		0.03		0.13		0.04
Net income from discontinued operations				0.01				0.05
Gain on sale of discontinued operations						0.07		0.54
Net income attributable to SL Green common stockholders	\$	0.09	\$	0.08	\$	1.52	\$	7.36

Dividends per share	\$	0.25	\$	0.25	\$	0.75	\$	0.75
Basic weighted average common shares outstanding		90,241		85,696		88,929		83,001
Diluted weighted average common shares and common share equivalents outstanding		93,891		88,081		92,485		85,384

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

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SL Green Realty Corp.

Consolidated Statements of Comprehensive Income

(Unaudited, and amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 28,630	\$ 16,488	\$ 182,243	\$ 659,567
Other comprehensive income (loss):				
Net unrealized gain (loss) on derivative instruments	190	(1,398)	493	(4,389)
SL Green's share of joint venture net unrealized gain (loss) on derivative instruments	(292)	(3,070)	(1,128)	319
Unrealized gain (loss) on marketable securities	(825)	1,528	(597)	2,094
Other comprehensive income (loss)	(927)	(2,940)	(1,232)	(1,976)
Comprehensive income	27,703	13,548	181,011	657,591
Net income attributable to noncontrolling interests	(2,973)	(1,864)	(13,201)	(22,510)
Other comprehensive income attributable to noncontrolling interests	59	67	396	173
Preferred stock redemption costs	(10,010)		(10,010)	
Comprehensive income attributable to SL Green	\$ 14,779	\$ 11,751	\$ 158,196	\$ 635,254

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

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SL Green Realty Corp.

Consolidated Statement of Equity

(Unaudited, and amounts in thousands, except per share data)

SL Green Realty Corp. Stockholders					Accumulated	
Series C	Series D	Series I	Common Stock	Additional	Other	&nbs