

SL GREEN REALTY CORP
Form 8-K
October 23, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

October 23, 2014 (October 22, 2014)

SL GREEN REALTY CORP.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND

(STATE OF INCORPORATION)

1-13199
(COMMISSION FILE NUMBER)

13-3956775
(IRS EMPLOYER ID. NUMBER)

420 Lexington Avenue
New York, New York

10170
(ZIP CODE)
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

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(212) 594-2700

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01. Other Events

Third Quarter 2014 Results

Summary

On October 22, 2014, SL Green Realty Corp. (the Company) today reported funds from operations, or FFO, for the quarter ended September 30, 2014 of \$154.7 million, or \$1.55 per diluted share, before non-recurring charges related to the refinancing of 420 Lexington Avenue of \$24.5 million, or \$0.24 per diluted share, and transaction costs of \$2.7 million, or \$0.03 per diluted share, as compared to FFO for the same quarter of 2013 of \$125.0 million, or \$1.32 per diluted share, before the recovery of transaction costs of \$2.4 million, or \$0.02 per diluted share.

Net income attributable to common stockholders for the quarter ended September 30, 2014 totaled \$64.7 million, or \$0.68 per diluted share, compared to net income attributable to common stockholders of \$37.0 million, or \$0.40 per diluted share, for the same quarter in 2013.

Operating and Leasing Activity

For the third quarter of 2014, the Company reported consolidated revenues and operating income of \$390.3 million and \$211.1 million, respectively, compared to \$338.8 million and \$191.0 million, respectively, for the same period in 2013.

Same-store cash NOI on a combined basis increased by 5.7 percent to \$167.7 million and by 3.0 percent to \$498.3 million for the three and nine months ended September 30, 2014, respectively, as compared to the same periods in 2013. For the quarter ended September 30, 2014, consolidated property same-store cash NOI increased by 4.7 percent to \$149.7 million and unconsolidated joint venture property same-store cash NOI increased 15.1 percent to \$18.0 million, as compared to the same period in 2013. For the nine months ended September 30, 2014, consolidated property same-store cash NOI increased by 1.4 percent to \$446.6 million and unconsolidated joint venture property same-store cash NOI increased 19.0 percent to \$51.8 million, as compared to the same period in 2013.

During the third quarter, the Company signed 46 office leases in its Manhattan portfolio totaling 664,727 square feet. Twenty-five leases comprising 179,205 square feet represented office leases that replaced previous vacancy. Twenty-one leases comprising 485,522 square feet, representing office leases on space that had been occupied within the prior twelve months, are considered replacement leases on which mark-to-market is calculated. Those replacement leases had average starting rents of \$67.25 per rentable square foot, representing a 17.2 percent increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed in the third quarter was 9.5 years and average tenant concessions were 2.2 months of free rent with a tenant improvement allowance of \$44.09 per rentable square foot.

During the first nine months of 2014, the Company signed 185 office leases in its Manhattan portfolio totaling 1,485,434 square feet. Seventy-three leases comprising 446,711 square feet represented office leases that replaced previous vacancy. One-hundred twelve leases

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comprising 1,038,723 square feet, representing office leases on space that had been occupied within the prior twelve months, are considered replacement leases on which mark-to-market is calculated. Those replacement leases had average starting rents of \$64.58 per rentable square foot, representing a 15.4 percent increase over the previously fully escalated rents on the same office spaces.

Manhattan same-store occupancy increased to 95.3 percent as of September 30, 2014, inclusive of 118,848 square feet of leases signed but not yet commenced, as compared to 94.9 percent at June 30, 2014.

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During the third quarter, the Company signed 28 office leases in the Suburban portfolio totaling 165,331 square feet. Seven leases comprising 22,255 square feet represented office leases that replaced previous vacancy. Twenty-one leases comprising the remaining 143,076 square feet, representing office leases on space that had been occupied within the prior twelve months, are considered replacement leases on which mark-to-market is calculated. Those replacement leases had average starting rents of \$33.29 per rentable square foot, representing a 0.6 percent increase over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed in the third quarter was 8.1 years and average tenant concessions were 5.4 months of free rent with a tenant improvement allowance of \$26.57 per rentable square foot.

During the first nine months of 2014, the Company signed 95 office leases in its Suburban portfolio totaling 488,242 square feet. Forty-one leases comprising 214,430 square feet represented office leases that replaced previous vacancy. Fifty-four leases comprising 273,812 square feet, representing office leases on space that had been occupied within the prior twelve months, are considered replacement leases on which mark-to-market is calculated. Those replacement leases had average starting rents of \$32.69 per rentable square foot, representing a 1.1 percent increase over the previously fully escalated rents on the same office spaces.

Same-store occupancy for the Company's Suburban portfolio was 82.4 percent at September 30, 2014, inclusive of 95,142 square feet of leases signed but not yet commenced, as compared to 82.8 percent at June 30, 2014 and 80.0 percent at September 30, 2013.

Significant leases that were signed during the third quarter included:

- Early renewal on 283,894 square feet with Schulte Roth & Zabel LLP at 919 Third Avenue, bringing the remaining lease term to 21.8 years;
- New lease on 50,365 square feet with Quik Park for 10.0 years at 315 West 33rd Street;
- Early renewal on 50,247 square feet with B and E Theaters at 5 Landmark Square, Stamford, Connecticut, bringing the remaining lease term to 6.7 years;
- Renewal and expansion on 39,850 square feet with Taconic Capital Advisors, L.P. for 11.0 years at 280 Park Avenue;
- New lease on 30,000 square feet with First Niagra Bank for 13.0 years at 520 White Plains Road, Tarrytown, New York;
- New lease on 28,857 square feet with Blue Mountain Realty, LLC for 9.3 years at 280 Park Avenue;

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- New lease on 21,342 square feet with Versace USA, Inc. for 11.0 years at 3 Columbus Circle; and
- Early renewal on 20,010 square feet with Road Runner Capital Partners LLC at 800 Third Avenue, bringing the remaining lease term to 7.2 years.

Marketing, general and administrative, or MG&A, expenses for the quarter ended September 30, 2014 decreased to \$22.6 million from \$23.9 million in the previous quarter.

Real Estate Investment Activity

In September, the Company entered into an agreement to acquire 319,000 square feet of vacant commercial condominium units on the 22nd through 34th floors in the newly constructed Midtown Manhattan class-A office

property located at 55 West 46th Street for \$275.0 million. As part of the agreement, the seller had the option, which has since been exercised, to include the vacant 2nd floor, comprising 28,000 square feet, for an additional purchase price of \$20.0 million. The Company will also acquire a retail store on 46th Street and the building's parking garage and fitness center. This transaction is expected to be completed before the end of 2014, subject to the satisfaction of customary closing conditions.

In September, the Company closed on the acquisition of the fee interest at 635 Madison Avenue for \$145.0 million. The property is encumbered by a ground lease through April 2030 with one twenty-one year renewal extension option. The improvements of the fee interest include a 19-story 176,530-square-foot office tower.

In September, the Company, together with its joint venture partner, closed on the acquisition of the retail condominium at 121 Greene Street in SoHo for \$27.2 million. The 7,200 square foot prime retail condominium is located along one of SoHo's most popular shopping corridors, adjacent to Ralph Lauren and directly across the street from Apple's local flagship. The acquisition marks the continued growth of the Company's prime retail property portfolio, which already includes several other assets in Manhattan's popular SoHo shopping district.

In September, the Company, together with its joint venture partner, entered into an agreement to sell 180 Maiden Lane for a gross sales price of \$470.0 million, resulting in an internal rate of return on the investment of approximately 16.0 percent. This transaction is expected to close during the fourth quarter of 2014, subject to the satisfaction of customary closing conditions.

In September, the Company, together with its joint venture partner, closed on the sale of all its interests, including the fee position and retail condominium unit, in the mixed-use college dormitory/retail asset at 180 Broadway for a gross sales price of \$222.5 million. The Company recognized a promote of \$3.3 million and a gain on sale of \$16.5 million.

In September, the Company invested \$50.0 million in the construction of a large residential rental project at 605 West 42nd Street in Manhattan. The investment consists of mezzanine loan interests and a fixed-price option for the Company to acquire up to a 20 percent equity stake in the property upon completion of the project. The project, one of several to be constructed in New York's Midtown West development area over the next decade, will consist of a 1.16 million-square-foot tower that will feature 1,174 rental apartment units.

Debt and Preferred Equity Investment Activity

The carrying value of the Company's debt and preferred equity investment portfolio totaled \$1.4 billion at September 30, 2014. During the third quarter, the Company originated and retained, or acquired new debt and preferred equity investments totaling \$155.1 million, at a weighted average current yield of 10.1 percent, and recorded \$287.6 million of principal reductions from investments that were sold or repaid. As of September 30, 2014, the debt and preferred equity investment portfolio had a weighted average maturity of 2.0 years, excluding any extension options, and had a weighted average yield during the third quarter of 10.5 percent.

Financing and Capital Activity

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In September, the Company refinanced the Graybar Building at 420 Lexington Avenue, site of the Company's headquarters. The new 10-year, \$300.0 million leasehold mortgage features a fixed interest rate of 3.98 percent and replaces the previous \$181.0 million, 7.15 percent fixed-rate mortgage that the Company initially obtained in 2009 at the trough of the credit markets. The refinancing reduced the Company's overall cost of capital, termed out its debt maturities and generated \$91.4 million of net cash proceeds, after giving consideration to closing costs and the defeasance charge on the previous financing.

In October, the Company and its joint venture partner closed on a new \$97.0 million leasehold mortgage at 650 Fifth Avenue. The new two-year mortgage, which bears interest at 350 basis points over LIBOR, had an initial funding of \$65.0 million.

Dividends

During the third quarter of 2014, the Company declared quarterly dividends on its outstanding common and preferred stock as follows:

- \$0.50 per share of common stock, which was paid on October 15, 2014 to stockholders of record on the close of business on September 30, 2014; and
- \$0.40625 per share on the Company's 6.50% Series I Cumulative Redeemable Preferred Stock for the period July 15, 2014 through and including October 14, 2014, which was paid on October 15, 2014 to stockholders of record on the close of business on September 30, 2014, and reflects the regular quarterly dividend which is the equivalent of an annualized dividend of \$1.625 per share.

Non-GAAP Supplemental Financial Measures

Funds from Operations (FFO)

FFO is a widely recognized measure of REIT performance. The Company computes FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than the Company does. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and subsequently amended, defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring, sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company presents FFO because it considers it an important supplemental measure of the Company's operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. The Company also uses FFO as one of several criteria to determine performance-based bonuses for members of its senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO 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 our ability to make cash distributions.

Funds Available for Distribution (FAD)

FAD is a non-GAAP financial measure that is not intended to represent cash flow for the period and is not indicative of cash flow provided by operating activities as determined in accordance with GAAP. FAD is presented solely as a supplemental disclosure with respect to liquidity because the Company believes it provides useful information regarding the Company's ability to fund its dividends. Because all companies do not calculate FAD the same way, the presentation of FAD may not be comparable to similarly titled measures of other companies. FAD does not represent cash flow from operating, investing and finance 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, as an alternative to net cash flows from operating activities (determined in accordance with GAAP), or as a measure of the Company's liquidity.

Same-Store Net Operating Income, Same-Store Cash Net Operating Income and Related Measures

The Company presents same-store net operating income, same-store cash net operating income, same-store joint venture net operating income, and same-store joint venture cash net operating income because the Company believes that these measures provide investors with useful information regarding the operating performance of properties that are comparable for the periods presented. For properties owned since January 1, 2013 and still owned in the same manner at the end of the current quarter, the Company determines same-store net operating income by subtracting same-store property operating expenses and ground rent from same-store recurring rental and tenant reimbursement revenues. Same-store cash net operating income is derived by deducting same-store straight line and free rent from, and adding same-store tenant credit loss allowance to, same-store net operating income. Same-store joint venture net operating income and same-store joint venture cash net operating income are calculated in the same manner as noted above, but includes just the Company's pro-rata share of the joint venture net operating income. None of these measures is an alternative to net income (determined in accordance with GAAP) and same-store performance should not be considered an alternative to GAAP net income performance.

SL GREEN REALTY CORP.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited and in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Rental revenue, net | \$ 291,293 | \$ 242,439 | \$ 826,877 | \$ 741,022 |
| Escalation and reimbursement | 43,826 | 42,026 | 120,209 | 114,850 |
| Investment and preferred equity income | 43,969 | 44,448 | 137,767 | 143,887 |
| Other income | 11,186 | 9,869 | 48,498 | 20,855 |
| Total revenues | 390,274 | 338,782 | 1,133,351 | 1,020,614 |
| Expenses: | | | | |
| Operating expenses (including approximately \$5,104 and \$13,183 (2014) and \$4,698 and \$12,858 (2013) of related party expenses) | 72,111 | 72,784 | 211,118 | 205,921 |
| Real estate taxes | 55,548 | 51,529 | 159,702 | 149,857 |
| Ground rent | 8,088 | 7,930 | 24,161 | 23,988 |
| Interest expense, net of interest income | 82,376 | 78,226 | 236,424 | 232,862 |
| Amortization of deferred financing costs | 6,679 | 4,121 | 15,737 | 12,404 |
| Depreciation and amortization | 94,443 | 84,162 | 274,337 | 238,666 |
| Transaction related costs, net of recoveries | 2,383 | (2,368) | 6,554 | 717 |
| Marketing, general and administrative | 22,649 | 20,869 | 69,778 | 63,450 |
| Total expenses | 344,277 | 317,253 | 997,811 | 927,865 |
| Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities, purchase price fair value adjustment and loss on early extinguishment of debt | 45,997 | 21,529 | 135,540 | 92,749 |
| Equity in net income from unconsolidated joint ventures | 6,034 | 2,939 | 20,781 | 4,251 |
| Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate | 16,496 | (354) | 122,580 | (3,937) |
| Loss on sale of investment in marketable securities | | | | (65) |
| Purchase price fair value adjustment | (4,000) | | 67,446 | (2,305) |
| Loss on early extinguishment of debt | (24,475) | | (25,500) | (18,523) |
| Income from continuing operations | 40,052 | 24,114 | 320,847 | 72,170 |
| Net income from discontinued operations | 4,035 | 7,435 | 15,449 | 19,851 |
| Gain on sale of discontinued operations | 29,507 | 13,787 | 144,242 | 14,900 |
| Net income | 73,594 | 45,336 | 480,538 | 106,921 |
| Net income attributable to noncontrolling interests in the Operating Partnership | (2,636) | (1,110) | (16,010) | (1,909) |
| Net income attributable to noncontrolling interests in other partnerships | (1,712) | (2,901) | (5,045) | (8,806) |
| Preferred unit distributions | (820) | (562) | (1,950) | (1,692) |
| Net income attributable to SL Green | 68,426 | 40,763 | 457,533 | 94,514 |
| Preferred stock redemption costs | | | | (12,160) |
| Perpetual preferred stock dividends | (3,738) | (3,738) | (11,214) | (18,144) |
| Net income attributable to SL Green common stockholders | \$ 64,688 | \$ 37,025 | \$ 446,319 | \$ 64,210 |

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| Earnings Per Share (EPS) | | | | | | | | |
|---------------------------------|----|-------------|----|------|----|-------------|----|------|
| Net income per share (Basic) | \$ | 0.68 | \$ | 0.40 | \$ | 4.68 | \$ | 0.70 |
| Net income per share (Diluted) | \$ | 0.68 | \$ | 0.40 | \$ | 4.66 | \$ | 0.70 |

| Funds From Operations (FFO) | | | | | | | | |
|------------------------------------|----|-------------|----|------|----|-------------|----|------|
| FFO per share (Basic) | \$ | 1.28 | \$ | 1.34 | \$ | 4.43 | \$ | 3.78 |
| FFO per share (Diluted) | \$ | 1.28 | \$ | 1.34 | \$ | 4.41 | \$ | 3.77 |

| Basic ownership interest | | | | | |
|---|--|---------------|--------|---------------|--------|
| Weighted average REIT common shares for net income per share | | 95,734 | 91,988 | 95,437 | 91,684 |
| Weighted average partnership units held by noncontrolling interests | | 3,585 | 2,792 | 3,423 | 2,705 |
| Basic weighted average shares and units outstanding | | 99,319 | 94,780 | 98,860 | 94,389 |

| Diluted ownership interest | | | | | |
|---|--|---------------|--------|---------------|--------|
| Weighted average REIT common share and common share equivalents | | 96,121 | 92,224 | 95,899 | 91,926 |
| Weighted average partnership units held by noncontrolling interests | | 3,585 | 2,792 | 3,423 | 2,705 |
| Diluted weighted average shares and units outstanding | | 99,706 | 95,016 | 99,322 | 94,631 |

SL GREEN REALTY CORP.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

| | September 30, 2014 (Unaudited) | December 31, 2013 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Commercial real estate properties, at cost: | | |
| Land and land interests | \$ 3,833,305 | \$ 3,032,526 |
| Building and improvements | 8,679,637 | 7,884,663 |
| Building leasehold and improvements | 1,405,255 | 1,366,281 |
| Properties under capital lease | 27,445 | 50,310 |
| | 13,945,642 | 12,333,780 |
| Less accumulated depreciation | (1,826,027) | (1,646,240) |
| | 12,119,615 | 10,687,540 |
| Assets held for sale | 753,457 | |
| Cash and cash equivalents | 253,520 | 206,692 |
| Restricted cash | 159,303 | 142,051 |
| Investment in marketable securities | 39,293 | 32,049 |
| Tenant and other receivables, net of allowance of \$20,719 and \$17,325 in 2014 and 2013, respectively | 64,184 | 60,393 |
| Related party receivables | 13,262 | 8,530 |
| Deferred rents receivable, net of allowance of \$27,185 and \$30,333 in 2014 and 2013, respectively | 364,284 | 386,508 |
| Debt and preferred equity investments, net of discounts and deferred origination fees of \$19,801 and \$18,593 in 2014 and 2013, respectively, and allowance of \$1,000 in 2013 | 1,432,951 | 1,304,839 |
| Investments in unconsolidated joint ventures | 996,842 | 1,113,218 |
| Deferred costs, net | 310,860 | 267,058 |
| Other assets | 729,538 | 750,123 |
| Total assets | \$ 17,237,109 | \$ 14,959,001 |
| Liabilities | | |
| Mortgages and other loans payable | \$ 5,890,782 | \$ 4,860,578 |
| Revolving credit facility | 244,000 | 220,000 |
| Term loan and senior unsecured notes | 2,054,168 | 1,739,330 |
| Accrued interest payable and other liabilities | 127,811 | 114,622 |
| Accounts payable and accrued expenses | 183,001 | 145,889 |
| Deferred revenue | 215,527 | 263,261 |
| Capitalized lease obligations | 20,728 | 47,671 |
| Deferred land leases payable | 1,129 | 22,185 |
| Dividend and distributions payable | 53,571 | 52,255 |
| Security deposits | 66,659 | 61,308 |
| Liabilities related to assets held for sale | 461,891 | |
| Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities | 100,000 | 100,000 |
| Total liabilities | 9,419,267 | 7,627,099 |
| Commitments and contingencies | | |
| Noncontrolling interest in the Operating Partnership | 381,274 | 265,476 |
| Preferred units | 73,115 | 49,550 |
| Equity | | |
| Stockholders' equity: | | |

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| | | |
|--|----------------------|---------------|
| Series I Preferred Stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at both September 30, 2014 and December 31, 2013 | 221,932 | 221,932 |
| Common stock, \$0.01 par value 160,000 shares authorized, 99,547 and 98,563 issued and outstanding at September 30, 2014 and December 31, 2013, respectively (including 3,602 and 3,570 shares held in Treasury at September 30, 2014 and December 31, 2013, respectively) | 996 | 986 |
| Additional paid-in capital | 5,130,858 | 5,015,904 |
| Treasury stock at cost | (320,222) | (317,356) |
| Accumulated other comprehensive loss | (2,896) | (15,211) |
| Retained earnings | 1,813,956 | 1,619,150 |
| Total SL Green Realty Corp. stockholders' equity | 6,844,624 | 6,525,405 |
| Noncontrolling interests in other partnerships | 518,829 | 491,471 |
| Total equity | 7,363,453 | 7,016,876 |
| Total liabilities and equity | \$ 17,237,109 | \$ 14,959,001 |

SL GREEN REALTY CORP.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(unaudited and in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| <u>FFO Reconciliation:</u> | | | | |
| Net income attributable to SL Green common stockholders | \$ 64,688 | \$ 37,025 | \$ 446,319 | \$ 64,210 |
| <u>Add:</u> | | | | |
| Depreciation and amortization | 94,443 | 84,162 | 274,337 | 238,666 |
| Discontinued operations depreciation adjustments | 678 | 3,311 | 5,434 | 13,133 |
| Joint venture depreciation and noncontrolling interest adjustments | 5,831 | 12,720 | 26,979 | 37,867 |
| Net income attributable to noncontrolling interests | 4,348 | 4,011 | 21,055 | 10,715 |
| <u>Less:</u> | | | | |
| Gain on sale of discontinued operations | 29,507 | 13,787 | 144,242 | 14,900 |
| Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate | 16,496 | (354) | 122,580 | (3,937) |
| Purchase price fair value adjustment | (4,000) | | 67,446 | (2,305) |
| Depreciable real estate reserves, net of recoveries | | | | (2,150) |
| Depreciation on non-rental real estate assets | 503 | 416 | 1,520 | 1,004 |
| Funds From Operations | \$ 127,482 | \$ 127,380 | \$ 438,336 | \$ 357,079 |

| | Consolidated Properties Three Months Ended September 30, | | SL Green's share of Unconsolidated Joint Ventures Three Months Ended September 30, | | Combined Three Months Ended September 30, | |
|---|--|-----------|---|--------|---|------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| <u>Operating income and Same-store NOI Reconciliation:</u> | | | | | | |
| Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities, purchase price fair value adjustment and loss on early extinguishment of debt | \$ 45,997 | \$ 21,529 | \$ | \$ | | |
| Equity in net income from unconsolidated joint ventures | 6,034 | 2,939 | 6,034 | 2,939 | | |
| Depreciation and amortization | 94,443 | 84,162 | 12,211 | 21,202 | | |
| Interest expense, net of interest income | 82,376 | 78,226 | 13,426 | 20,031 | | |

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| | | | | | | | | |
|--|------------|------------|-----------|-----------|------------|------------|--|--|
| Amortization of deferred financing costs | 6,679 | 4,121 | 1,240 | 1,790 | | | | |
| Loss on early extinguishment of debt | (24,475) | | | | | | | |
| Operating income | \$ 211,054 | \$ 190,977 | \$ 32,911 | \$ 45,962 | | | | |
| Marketing, general & administrative expense | 22,649 | 20,869 | | | | | | |
| Net operating income from discontinued operations | 7,750 | 15,852 | | | | | | |
| Loan loss and other investment reserves, net of recoveries | | | | | | | | |
| Transaction related costs, net of recoveries | 2,383 | (2,368) | 301 | | | | | |
| Non-building revenue | (50,895) | (50,384) | (5,841) | (4,041) | | | | |
| Equity in net income from unconsolidated joint ventures | (6,034) | (2,939) | | | | | | |
| Loss on early extinguishment of debt | 24,475 | | | | | | | |
| Net operating income (NOI) | 211,382 | 172,007 | 27,371 | 41,921 | \$ 238,753 | \$ 213,928 | | |
| NOI from discontinued operations | (7,750) | (15,852) | | | (7,750) | (15,852) | | |
| NOI from other properties/affiliates | (32,631) | (737) | (7,036) | (23,297) | (39,667) | (24,034) | | |
| Same-Store NOI | \$ 171,001 | \$ 155,418 | \$ 20,335 | \$ 18,624 | \$ 191,336 | \$ 174,042 | | |
| Ground lease straight-line adjustment | 400 | 221 | | | 400 | 221 | | |
| Straight-line and free rent | (16,444) | (12,877) | (1,769) | (2,606) | (18,213) | (15,483) | | |
| Rental income FAS 141 | (5,239) | 280 | (566) | (378) | (5,805) | (98) | | |
| Same-store cash NOI | \$ 149,718 | \$ 143,042 | \$ 18,000 | \$ 15,640 | \$ 167,718 | \$ 158,682 | | |

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| | Consolidated Properties Nine Months Ended September 30, | | SL Green's share of Unconsolidated Joint Ventures Nine Months Ended September 30, | | Combined Nine Months Ended September 30, | |
|---|---|-------------------|--|-------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Operating income and Same-store NOI | | | | | | |
| Reconciliation: | | | | | | |
| Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities, purchase price fair value adjustment and loss on early extinguishment of debt | \$ 135,540 | \$ 92,749 | \$ | \$ | | |
| Equity in net income from unconsolidated joint ventures | 20,781 | 4,251 | 20,781 | 4,251 | | |
| Depreciation and amortization | 274,337 | 238,666 | 47,297 | 63,459 | | |
| Interest expense, net of interest income | 236,424 | 232,862 | 47,556 | 59,419 | | |
| Amortization of deferred financing costs | 15,737 | 12,404 | 4,698 | 7,131 | | |
| Loss on early extinguishment of debt | (25,500) | (18,523) | | | | |
| Operating income | \$ 657,319 | \$ 562,409 | \$ 120,332 | \$ 134,260 | | |
| Marketing, general & administrative expense | 69,778 | 63,450 | | | | |
| Net operating income from discontinued operations | 32,349 | 50,786 | | | | |
| Loan loss and other investment reserves, net of recoveries | | | | | | |
| Transaction related costs, net of recoveries | 6,554 | 717 | 401 | 15 | | |
| Non-building revenue | (174,154) | (152,165) | (16,012) | (12,254) | | |
| Equity in income from unconsolidated joint ventures | (20,781) | (4,251) | | | | |
| Loss on early extinguishment of debt | 25,500 | 18,523 | 3,382 | | | |
| Net operating income (NOI) | 596,565 | 539,469 | 108,103 | 122,021 | \$ 704,668 | \$ 661,490 |
| NOI from discontinued operations | (32,349) | (50,786) | | | (32,349) | (50,786) |
| NOI from other properties/affiliates | (57,434) | 2,119 | (48,620) | (69,887) | (106,054) | (67,768) |
| Same-Store NOI | \$ 506,782 | \$ 490,802 | \$ 59,483 | \$ 52,134 | \$ 566,265 | \$ 542,936 |
| Ground lease straight-line adjustment | 1,201 | 861 | | | 1,201 | 861 |
| Straight-line and free rent | (44,641) | (39,091) | (6,472) | (7,029) | (51,113) | (46,120) |
| Rental income FAS 141 | (16,783) | (12,236) | (1,252) | (1,622) | (18,035) | (13,858) |
| Same-store cash NOI | \$ 446,559 | \$ 440,336 | \$ 51,759 | \$ 43,483 | \$ 498,318 | \$ 483,819 |

SL GREEN REALTY CORP.

SELECTED OPERATING DATA-UNAUDITED

| | 2014 | September 30, | 2013 |
|--|----------|---------------|----------|
| Manhattan Operating Data: (1) | | | |
| Net rentable area at end of period (in 000 s) | 21,905 | | 23,947 |
| Portfolio percentage leased at end of period | 95.4% | | 94.0% |
| Same-Store percentage leased at end of period | 94.8% | | 93.1% |
| Number of properties in operation | 30 | | 35 |
| Office square feet where leases commenced during quarter (rentable) | | | |
| | 729,315 | | 364,992 |
| Average mark-to-market percentage-office | 18.9% | | -5.0% |
| Average starting cash rent per rentable square foot-office | \$ 64.20 | | \$ 56.78 |

(1) Includes wholly-owned and joint venture properties.

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The following table reconciles estimated earnings per share (diluted) to FFO per share (diluted) for the year ending December 31, 2014.

| | | Year Ended December 31, | | |
|--|----|----------------------------|------|------|
| | | 2014 | 2014 | |
| Net income per share attributable to SL Green stockholders | \$ | 4.77 | \$ | 4.80 |
| Add: | | | | |
| Depreciation and amortization | | 3.77 | | 3.77 |
| Discontinued operations depreciation adjustments | | 0.05 | | 0.05 |
| Unconsolidated joint ventures depreciation and noncontrolling interests adjustments | | 0.34 | | 0.34 |
| Net income attributable to noncontrolling interests | | 0.27 | | 0.27 |
| Less: | | | | |
| Gain on sale of discontinued operations | | 1.45 | | 1.45 |
| Equity in net gain on sale of interest in unconsolidated joint venture / real estate | | 1.23 | | 1.23 |
| Purchase price fair value adjustment | | 0.68 | | 0.68 |
| Depreciable real estate, net of recoveries | | | | |
| Depreciation and amortization on non-real estate assets | | 0.02 | | 0.02 |
| Funds from Operations per share | \$ | 5.82 | \$ | 5.85 |

SIGNATURES

Pursuant to the requirements 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.

/s/ James Mead
James Mead
Chief Financial Officer

Date: October 23, 2014