SL GREEN REALTY CORP
Form 10-K
February 16, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

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)

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

420 Lexington Avenue, New York, NY 10170
(Address of principal executive offices Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange
7.625% Series C Cumulative Redeemable Preferred Stock, $0.01 par value,	New York Stock Exchange

$25.00 mandatory liquidation preference	
7.875% Series D Cumulative Redeemable Preferred Stock, $0.01 par value, $25.00 mandatory liquidation preference	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicated 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 o No o

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

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

As of February 3, 2010, there were 77,828,178 shares of the Registrant's common stock outstanding. The aggregate market value of the common stock, held by non-affiliates of the Registrant (71,644,693 shares) at June 30, 2009 was $1.6 billion. The aggregate market value was calculated by using the closing price of the common stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2010 Annual Stockholders' Meeting to be to be filed within 120 days after the end of the Registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS

General

SL Green Realty Corp. is a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. We were formed in June 1997 for the purpose of continuing the commercial real estate business of S.L. Green Properties, Inc., our predecessor entity. S.L. Green Properties, Inc., which was founded in 1980 by Stephen L. Green, our Chairman, had been engaged in the business of owning, managing, leasing, acquiring and repositioning office properties in Manhattan, a borough of New York City, or Manhattan.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. We paid approximately $6.0 billion, inclusive of debt assumed and transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP pursuant to an asset purchasing venture led by certain of Reckson's former executive management, or the Buyer, for a total consideration of approximately $2.0 billion.

As of December 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy(1)
Manhattan	Consolidated properties	21	13,782,200	94.6%
	Unconsolidated properties	8	9,429,000	95.6%
Suburban	Consolidated properties	25	3,863,000	84.8%
	Unconsolidated properties	6	2,941,700	93.7%
		60	30,015,900	93.4%

(1) The weighted average occupancy represents the total leased square feet divided by total available square feet.

As of December 31, 2009, our Manhattan properties were comprised of fee ownership (22 properties), including ownership in condominium units, leasehold ownership (five properties) and operating sublease ownership (two properties). Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to its subtenants. We are responsible for not only collecting rent from subtenants, but also maintaining the property and paying expenses relating to the property. As of December 31, 2009, our Suburban properties were comprised of fee ownership (30 properties), and leasehold ownership (one property). We refer to our Manhattan and Suburban office properties collectively as our portfolio.

We also own investments in eight retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

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Our corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. As of December 31, 2009, our corporate staff consisted of approximately 237 persons, including 182 professionals experienced in all aspects of commercial real estate. We can be contacted at (212) 594-2700. We maintain a website at *www.slgreen.com*. On our website, you can obtain, free of charge, a copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission, or the SEC. We have also made available on our website our audit committee charter, compensation committee charter, corporate governance and nominating committee charter, code of business conduct and ethics and corporate governance principles. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site *(http://www.sec.gov)* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Unless the context requires otherwise, all references to "we," "our" and "us" in this annual report means SL Green Realty Corp., a Maryland corporation, and one or more of its subsidiaries, including SL Green Operating Partnership, L.P., a Delaware limited partnership, or the operating partnership, and the predecessors thereof, or the SL Green Predecessor, or, as the context may require, SL Green Realty Corp. only or SL Green Operating Partnership, L.P. only and "S.L. Green Properties" means S.L. Green Properties, Inc., a New York corporation, as well as the affiliated partnerships and other entities through which Stephen L. Green has historically conducted commercial real estate activities.

Corporate Structure

In connection with our initial public offering, or IPO, in August 1997, our operating partnership received a contribution of interests in real estate properties as well as a 95% economic, non-voting interest in the management, leasing and construction companies affiliated with S.L. Green Properties. We refer to this management entity as the "Service Corporation." We are organized so as to qualify and have elected to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code.

Substantially all of our assets are held by, and all of our operations are conducted through, our operating partnership. We are the sole managing general partner of, and as of December 31, 2009, were the owner of approximately 97.9% of the economic interests in, our operating partnership. All of the management and leasing operations with respect to our wholly-owned properties are conducted through SL Green Management LLC, or Management LLC. Our operating partnership owns a 100% interest in Management LLC.

In order to maintain our qualification as a REIT while realizing income from management, leasing and construction contracts with third parties and joint venture properties, all of these service operations are conducted through the Service Corporation. We, through our operating partnership, own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation. Through dividends on our equity interest, we expect to receive substantially all of the cash flow from the Service Corporation's operations. All of the voting common stock of the Service Corporation (representing 5% of the total equity) is held by a Company affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. Since July 1, 2003, we have consolidated the operations of the Service Corporation into our financial results. Effective January 1, 2001, the Service Corporation elected to be taxed as a taxable REIT subsidiary.

Business and Growth Strategies

Our primary business objective is to maximize total return to stockholders through growth in funds from operations and appreciation in the value of our assets during any business cycle. We seek to achieve this objective by assembling a high quality portfolio of office properties in the New York Metro area and capitalizing on current opportunities in both the Manhattan and Suburban office markets through: (i) property acquisitions (directly or through joint ventures) acquiring office properties at a significant discount to replacement cost and with fully escalated in-place rents that we believe can increase over time and often at a discount to current market rents which provide attractive initial yields and the potential for cash flow growth, as well as properties with significant vacancies; (ii) property repositioning repositioning acquired retail and commercial office properties that are under-performing through renovations, active management and proactive leasing; (iii) property dispositions; (iv) integrated leasing and property management; and (v) structured finance investments primarily in the New York Metro area. Generally, we focus on properties that are within a ten-minute walk of midtown Manhattan's primary commuter stations.

Property Acquisitions. We acquire properties for long term appreciation and earnings growth (core assets) or for shorter term holding periods where we attempt to create significant increases in value which, when sold, result in capital gains that increase our investment capital base (non-core assets). In acquiring core and non-core properties, directly or through joint ventures with the highest quality institutional investors, we believe that we have the following advantages over many of our competitors: (i) senior management's average 23 years of experience as a full-service, fully-integrated real estate company focused on the office market in Manhattan; (ii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests as opposed to solely cash transactions; and (iii) the ability to close a transaction quickly despite complicated ownership structures.

Property Repositioning. We apply our management's experience in enhancing property cash flow and value by renovating and repositioning properties to be among the best in their sub-markets. Many of the retail and commercial office buildings we own or acquire are located in or near sub-market(s) which are undergoing major reinvestment and where the properties in these markets have relatively low vacancy rates compared to other sub-markets. Because the properties feature unique architectural design, large floor plates or other amenities and functionally appealing characteristics, reinvestment in them provides us an opportunity to meet market needs and generate favorable returns.

Property Dispositions. We continuously evaluate our properties to identify which are most suitable to meet our long-term earnings growth objectives and contribute to increasing portfolio value. Properties that no longer meet our earnings objectives are identified as non-core holdings, and are targeted for sale to create investment capital. We believe that we will be able to re-deploy capital generated from the disposition of non-core holdings into property acquisitions or investments in high-yield structured finance investments, which will provide enhanced future capital gain and earnings growth opportunities.

Leasing and Property Management. We seek to capitalize on our management's extensive knowledge of the Manhattan and Suburban marketplaces and the needs of the tenants therein by continuing a proactive approach to leasing and management, which includes: (i) use of in-depth market research; (ii) utilization of an extensive network of third-party brokers; (iii) use of comprehensive building management analysis and planning; and (iv) a commitment to tenant satisfaction by providing high quality tenant services at affordable rental rates. We believe proactive leasing efforts have contributed to average occupancy rates in our portfolio consistently exceeding the market average.

Structured Finance. We seek to invest in high-yield structured finance investments. These investments generally provide high current returns and, in certain cases, a potential for future capital gains. These investments may also serve as a potential source of real estate acquisitions for us. These investments include both floating rate and fixed rate investments. Our floating rate investments serve as a natural hedge for our unhedged floating rate debt. We expect that our structured finance investments will generally not exceed more than 10% of our total assets. Structured finance investments include first mortgages, mortgage participations, subordinate loans, bridge loans and preferred equity investments.

Competition

The leasing of real estate is highly competitive, especially in the Manhattan office market. Although currently no other publicly traded REIT has been formed primarily to acquire, own, reposition and manage Manhattan commercial office properties, we may in the future compete with such other REITs. We compete for tenants with landlords and developers of similar properties located in our markets primarily on the basis of location, rent charged, services provided, balance sheet strength and the design and condition of our properties. In addition, we face competition from other real estate companies including other REITs that currently invest in markets other than or in addition to Manhattan, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or are less attractive from a financial viewpoint than we are willing to pursue.

Manhattan Office Market Overview

Manhattan is by far the largest office market in the United States, containing more rentable square feet than the next five largest central business district office markets combined. The properties in our portfolio are concentrated in some of Manhattan's most prominent Midtown locations.

Manhattan has a total inventory of 392.9 million square feet, including 240.5 million square feet in Midtown. Based on current construction activity, we estimate that Midtown Manhattan will have approximately 2.0 million square feet of new construction becoming available in the next two years, approximately 7.3% of which is pre-leased. This will add approximately 0.5% to Manhattan's total inventory.

General Terms of Leases in the Midtown Manhattan Markets

Leases entered into for space in the midtown Manhattan markets typically contain terms which may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in excess of 10,000 square feet in the midtown markets generally is seven to fifteen years. The tenant often will negotiate an option to extend the term of the lease for one or two renewal periods of five years each. The base rent during the initial term often will provide for agreed upon periodic increases over the term of the lease. Base rent for renewal terms, and base rent for the final years of a long-term lease (in those leases which do not provide an agreed upon rent during such final years), often is based upon a percentage of the fair market rental value of the premises (determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value). Leases may contain termination options whereby tenants can terminate their lease obligations generally upon payment of a penalty.

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

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

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

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Occupancy

The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2009, 2008 and 2007:

	Percent Occupied as of December 31,		
Property	**2009**	**2008**	**2007**
Manhattan Properties	95.0%	96.7%	96.6%
Same-Store Properties[1]	93.2%	95.3%	95.0%
Unconsolidated Joint Venture Properties	95.1%	95.0%	95.2%
Portfolio	93.4%	95.2%	95.5%

(1) Same-Store Properties for 2009 represents 45 of our 46 consolidated properties owned by us at January 1, 2008 and still owned by us at December 31, 2009.

Rent Growth

We estimate that rents in place, at December 31, 2009, in our Manhattan and Suburban consolidated properties are approximately 4.9% and 4.5%, respectively, below current market asking rents. We estimate that rents in place at December 31, 2009 in our Manhattan and Suburban properties owned through unconsolidated joint ventures are approximately 10.4% and 0.3%, respectively, below current market asking rents. These comparative measures were approximately 20.2% and 14.4% at December 31, 2008 for the consolidated properties and 25.0% and 6.7% for the unconsolidated joint venture properties. As of December 31, 2009, 41.9% and 24.5% of all leases in-place in our consolidated properties and unconsolidated joint venture properties, respectively, are scheduled to expire during the next five years. There can be no assurances that our estimates of current market rents are accurate, that market rents currently prevailing will not erode in the future or that we will realize any rent growth. However, we believe the degree that rents in the current portfolio are below market provides a potential for long-term internal growth.

Industry Segments

We are a REIT that acquires, owns, repositions, manages and leases commercial office and retail properties in the New York Metro area and have two reportable segments, real estate and structured finance investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

At December 31, 2009, our real estate portfolio was primarily located in one geographical market, namely, the New York Metro area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). As of December 31, 2009, one tenant in our portfolio contributed approximately 8.2% of our portfolio annualized rent. No other tenant contributed more than 5.8% of our portfolio annualized rent. Portfolio annualized rent includes our consolidated annualized revenue and our share of joint venture annualized revenue. In addition, no property contributed in excess of 8.2% of our consolidated revenue for 2009. In addition, two borrowers accounted for more than 10.0% of the revenue earned on structured finance investments at December 31, 2009.

Employees

At December 31, 2009, we employed approximately 961 employees, over 183 of whom were managers and professionals, approximately 723 of whom were hourly-paid employees involved in building operations and approximately 55 of whom were clerical, data processing and other administrative employees. There are currently three collective bargaining agreements which cover the workforce that services substantially all of our properties.

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Acquisitions

During 2009, we acquired two sub-leasehold positions at 420 Lexington Avenue for an aggregate purchase price of $15.9 million.

Dispositions

During 2009, we sold two consolidated properties for gross contract prices of approximately $135.7 million. We realized losses of approximately $7.1 million on the sales of these properties, which encompassed 0.8 million square feet.

Structured Finance

During 2009, we originated or acquired approximately $254.3 million in structured finance and preferred equity investments (net of discount), inclusive of accretion of discount and pay-in-kind interest. There were also approximately $216.5 million in sales, repayments and participations in 2009. Included in this was approximately $146.5 million of loan loss reserves.

Offering/Financings

In May 2009, we sold 19,550,000 shares of our common stock. The net proceeds from this offering (approximately $387.1 million) was used to repurchase unsecured debt and for other corporate purposes.

In 2009, we repurchased approximately $564.6 million of our convertible bonds, realizing gains on early extinguishment of debt of approximately $86.0 million.

We also closed on mortgage financings at five properties totaling approximately $1.0 billion.

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ITEM 1A. RISK FACTORS

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island, resulting from general economic conditions could adversely affect the value of our real estate portfolio and our results of operations and, consequently, our ability to service current debt and to pay dividends to stockholders.

Most of our commercial office properties are located in midtown Manhattan. As a result, our business is dependent on the condition of the New York City economy in general and the market for office space in midtown Manhattan, in particular. Weakness in the New York City economy could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our ability to service current debt and to pay dividends to stockholders. The Manhattan vacancy rate continues to exceed 11% although we expect that to moderate slightly by the end of 2010. We could also be impacted by weakness in our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island.

We may be unable to renew leases or relet space as leases expire.

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, including the cost of required renovations, may be less favorable than current lease terms. Over the next five years, through the end of 2014, leases will expire on approximately 41.9% and 24.5% of the rentable square feet at our consolidated properties and unconsolidated joint venture properties, respectively. As of December 31, 2009, approximately 7.0 million and 2.9 million square feet are scheduled to expire by December 31, 2014 at our consolidated properties and unconsolidated joint venture properties, respectively, and these leases currently have annualized escalated rental income totaling approximately $306.1 million and $154.6 million, respectively. We also have some leases with termination options beyond 2014. If we are unable to promptly renew the leases or relet this space at similar rates, our cash flow and ability to service debt and pay dividends to stockholders would be adversely affected.

The expiration of long term leases or operating sublease interests could adversely affect our results of operations.

Our interest in seven of our commercial office properties is through either long-term leasehold or operating sublease interests in the land and the improvements, rather than by a fee interest in the land. Unless we can purchase a fee interest in the underlying land or extend the terms of these leases before their expiration, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases, which would significantly adversely affect our results of operations. These properties are 673 First Avenue, 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas, all in Manhattan and 1055 Washington Avenue, Connecticut. The average remaining term of these long-term leases, including our unilateral extension rights on each of the properties, is approximately 38 years. Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized escalated rents of these properties at December 31, 2009 totaled approximately $240.7 million, or 23.2%, of our share of total portfolio annualized revenue associated with these properties. We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date.

Our results of operations rely on major tenants, including in the financial services sector, and insolvency, bankruptcy or receivership of these and other tenants could adversely affect our results of operations.

Giving effect to leases in effect as of December 31, 2009 for consolidated properties and unconsolidated joint venture properties as of that date, our five largest tenants, based on square footage leased, accounted for approximately 21.9% of our share of portfolio annualized rent, and, other than three tenants, Citigroup, Inc. (and its affiliates), Viacom International Inc. and Credit Suisse Securities (USA) LLC who accounted for approximately 8.2%, 4.7% and 5.8% of our share of portfolio annualized rent, respectively, no tenant accounted for more than

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2.1% of that total. In addition, the financial services sector accounted for approximately 41.0% of our total annualized revenues and 39.0% of our square feet leased of our portfolio as of December 31, 2009. This sector continues to experience significant turmoil which has resulted in significant job losses. Of our 30 largest tenants based on square feet leased, which accounted for approximately 45.8% of our share of portfolio annualized rent, 57.0% (inclusive of lease guarantors) carry an investment grade credit rating. If current economic conditions persist or deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents, particularly in respect of our financial service tenants. Our business would be adversely affected if any of our major tenants or any other tenants became insolvent, declared bankruptcy, are put into receivership or otherwise refused to pay rent in a timely fashion or at all.

Adverse economic and geopolitical conditions in general and the Northeastern commercial office markets in particular could have a material adverse effect on our results of operations, financial condition and our ability to pay dividends to stockholders.

Our business may be affected by the unprecedented volatility and illiquidity in the financial and credit markets, the general global economic recession, and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the Northeast, particularly in New York, Westchester County and Connecticut. Because our portfolio consists primarily of commercial office buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if economic conditions persist or deteriorate, then our results of operations, financial condition and ability to service current debt and to pay distributions to our stockholders may be adversely affected by the following, among other potential conditions:

- significant job losses in the financial and professional services industries have occurred and may continue to occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from both our existing operations and our acquisition and development activities and increase our future interest expense;

- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and

- reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair our ability to access capital.

These conditions, which could have a material adverse effect on our results of operations, financial condition and ability to pay distributions, may continue or worsen in the future.

There can be no assurance that the actions of the U.S. government, Federal Reserve and other governmental and regulatory bodies for the purpose of stabilizing the financial markets, or market response to those actions, will achieve the intended effect, and our business may not benefit from and may be adversely impacted by these actions and further government or market developments could adversely impact us.

Since mid-2007, and particularly during the second half of 2008, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in the value of subprime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. The global markets have been characterized by substantially increased volatility and short-selling and an overall loss of investor confidence, initial in financial institutions, but more recently in companies in a number of other industries and in the broader markets. The decline in asset values has caused increases in margin calls for investors, requirements that derivatives counterparties post additional collateral and

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redemptions by mutual and hedge fund investors, all of which have increased the downward pressure on asset values and outflows of client funds across the financial services industry. In addition, the increased redemptions and unavailability of credit have required hedge funds and others to rapidly reduce leverage, which has increased volatility and further contributed to the decline in asset values.

In response to the recent unprecedented financial issues affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, the Emergency Economic Stabilization Act of 2008 ("EESA"), was signed into law on October 3, 2008. The EESA provides the U.S. Secretary of Treasury with the authority to establish a Troubled Asset Relief Program ("TARP"), to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations, or other instruments based on, or related to, such mortgages, that in each case was originated or issued on or before March 14, 2008. EESA also provides for a program that would allow companies to insure their troubled assets. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA"), a $787 billion stimulus bill for the purpose of stabilizing the economy by creating jobs among other things. As of February 12 , 2010, the U.S. Treasury is managing or overseeing the following programs under TARP: the Capital Purchase Program ("CCP"), the Systemically Significant Failing Institutions Program ("SSFIP"), the Auto Industry Financing Program ("AIFP"), the Legacy Public-Private Investment Program ("-PPIP"), and the Homeowner Affordability and Stability Plan ("HASP") which is partially financed by TARP.

There can be no assurance that the EESA, TARP or other programs will have a beneficial impact on the financial markets, including current extreme levels of volatility. In addition, the U.S. Government, Federal Reserve and other governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis. We cannot predict whether or when such actions may occur or what impact, if any, such actions could have on our business, results of operations and financial condition.

We may suffer adverse consequences if our revenues decline since our operating costs do not necessarily decline in proportion to our revenue.

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in relation to changes in our rental revenue. This means that our costs will not necessarily decline even if our revenues do. Our operating costs could also increase while our revenues do not. If our operating costs increase but our rental revenues do not, we may be forced to borrow to cover our costs, we may incur losses and we may not have cash available for distributions to our stockholders.

We face risks associated with property acquisitions.

We may acquire individual properties and portfolios of properties, including large portfolios that could significantly increase our size and alter our capital structure. Our acquisition activities and their success may be exposed to the following risks:

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including due diligence investigations to our satisfaction;
- we may be unable to finance acquisitions on favorable terms or at all;
- acquired properties may fail to perform as we expected;
- our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;
- we may not be able to obtain adequate insurance coverage for new properties;
- acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and

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- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions.

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities with other investors, particularly private investors who can incur more leverage, and this competition may adversely affect us by subjecting us to the following risks:

- an inability to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors; and
- an increase in the purchase price for such acquisition property, in the event we are able to acquire such desired property.

We rely on seven large properties for a significant portion of our revenue.

As of December 31, 2009, seven of our properties, 420 Lexington Avenue, One Madison Avenue, 485 Lexington Avenue, 1185 Avenue of the Americas, 1221 Avenue of the Americas, 1515 Broadway and 388-390 Greenwich Street, accounted for approximately 42.0% of our portfolio annualized rent, including our share of joint venture annualized rent, and no single property accounted for more than approximately 7% of our portfolio annualized rent, including our share of joint venture annualized rent. Our revenue and cash available for distribution to our stockholders would be materially adversely affected if the ground lease for the 420 Lexington Avenue or 1185 Avenue of the Americas property were terminated for any reason or if one or all of these properties were materially damaged or destroyed. Additionally, our revenue and cash available for distribution to our stockholders would be materially adversely affected if our tenants at these properties experienced a downturn in their business which may weaken their financial condition and result in their failure to timely make rental payments, defaulting under their leases or filing for bankruptcy.

The continuing threat of terrorist attacks may adversely affect the value of our properties and our ability to generate cash flow.

There may be a decrease in demand for space in New York City because it is considered at risk for future terrorist attacks, and this decrease may reduce our revenues from property rentals. In the aftermath of a terrorist attack, tenants in the New York City area may choose to relocate their business to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. This in turn would trigger a decrease in the demand for space in the New York City area, which could increase vacancies in our properties

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and force us to lease our properties on less favorable terms. As a result, the value of our properties and the level of our revenues could materially decline.

A terrorist attack could cause insurance premiums to increase significantly.

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $450.0 million for acts of terrorism. This policy expires on December 31, 2010. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2010. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2010.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont was formed in an effort to, among other reasons; stabilize to some extent the fluctuations of insurance market conditions. Belmont is licensed in New York to write Terrorism, NBCR (nuclear, biological, chemical, and radiological), General Liability, Environmental Liability and D&O coverage.

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective September 1, 2009, Belmont increased its terrorism coverage from $250 million to $400 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio.

General Liability: Belmont insures a deductible on the general liability insurance with a $150,000 deductible per occurrence and a $2.2 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $150,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.2 million. Belmont has retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.

Environmental Liability: Belmont insures a deductible of $1 million per occurrence on a $30 million environmental liability policy covering the entire portfolio.

As long as we own Belmont, we are responsible for its liquidity and capital resources, and the accounts of Belmont are part of our consolidated financial statements. If we experience a loss and Belmont is required to pay under its insurance policy, we would ultimately record the loss to the extent of Belmont's required payment. Therefore, insurance coverage provided by Belmont should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance.

TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of foreign and domestic terrorism. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases and our 2007 unsecured revolving credit facility, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing $1.0 billion of "all-risk" property insurance, including terrorism coverage, and a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of "all-risk" property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388-390 Greenwich Street, where we participate with SITQ Immobilier, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

Our dependence on smaller and growth-oriented businesses to rent our office space could adversely affect our cash flow and results of operations.

Many of the tenants in our properties are smaller, growth-oriented businesses that may not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than large businesses. Growth-oriented firms may also seek other office space, including Class A space, as they develop. Dependence on these companies could create a higher risk of tenant defaults, turnover and bankruptcies, which could adversely affect our distributable cash flow and results of operations.

Debt financing, financial covenants, degree of leverage, and increases in interest rates could adversely affect our economic performance.

Scheduled debt payments could adversely affect our results of operations.

The total principal amount of our outstanding consolidated indebtedness was approximately $4.9 billion as of December 31, 2009, consisting of approximately $1.37 billion under our 2007 unsecured revolving credit facility, $823.0 million under our senior unsecured notes, $100.0 million under our junior subordinated deferrable interest debentures and approximately $2.6 billion of non-recourse mortgage loans on sixteen of our properties. In addition, we could increase the amount of our outstanding indebtedness in the future, in part by borrowing under our 2007 unsecured revolving credit facility, which had $50.8 million available for draw as of December 31, 2009. Our 2007 unsecured revolving credit facility matures in June 2011 and has a one-year as-of-right extension option. As of December 31, 2009, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was approximately $4.2 billion, of which our proportionate share was approximately $1.8 billion. Cash flow could be insufficient to pay distributions at expected levels and meet the payments of principal and interest required under our current mortgage indebtedness, 2007 unsecured revolving credit facility, senior unsecured notes, debentures and indebtedness outstanding at our joint venture properties.

If we are unable to make payments under our 2007 unsecured revolving credit facility, all amounts due and owing at such time shall accrue interest at a rate equal to 4% higher than the rate at which each draw was made. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make payments under our 2007 unsecured revolving credit facility would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which in all cases requires substantial principal payments at maturity. In 2010, approximately $114.8 million of corporate indebtedness, and $258.6 million of debt on our unconsolidated joint venture properties will mature. There are no debt maturities in 2010 on our consolidated properties. At the present time, we intend to exercise extension options or refinance the debt associated with our properties on or prior to their respective maturity dates. If any principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow will not be sufficient in all years to repay all maturing debt. At the time of refinancing, prevailing interest rates or other factors, such as the possible reluctance of lenders to make commercial real estate loans may result in higher interest rates. Increased interest expense on the refinanced debt would adversely affect cash flow and our ability to service debt and make distributions to stockholders.

Financial covenants could adversely affect our ability to conduct our business.

The mortgages and mezzanine loans on our properties contain customary negative covenants that limit our ability to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. In addition, our 2007 unsecured revolving credit facility contains customary restrictions and requirements on our method of operations. Our 2007 unsecured revolving credit facility and senior unsecured bonds also require us to maintain designated ratios of total debt-to-assets, debt service coverage and unencumbered assets-to-unsecured debt. These restrictions could adversely affect our results of operations and our ability to make distributions to stockholders.

Rising interest rates could adversely affect our cash flow.

Advances under our 2007 unsecured revolving credit facility and certain property-level mortgage debt bear interest at a variable rate. These consolidated variable rate borrowings totaled approximately $1.6 billion at December 31, 2009. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing under our 2007 unsecured revolving credit facility, which had $50.8 million available for draw as of December 31, 2009. Borrowings under our 2007 unsecured revolving credit facility currently bear interest at a spread equal to the 30-day LIBOR, plus 90 basis points. As of December 31, 2009, borrowings under our 2007 unsecured revolving credit facility and junior subordinated deferrable interest debentures totaled $1.37 billion, and $100.0 million, respectively, and bore interest at 1.23% and 5.61%, respectively. We may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance our debt at higher rates. Accordingly, increases in interest rates above that which we anticipated based upon historical trends could adversely affect our ability to continue to make distributions to stockholders. At December 31, 2009, a hypothetical 100 basis point increase in interest rates along the entire interest rate curve would increase our annual interest costs by approximately $15.2 million and would increase our share of joint venture annual interest costs by approximately $6.4 million.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

The interest rate hedge instruments we use to manage some of our exposure to interest rate volatility involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to interest rate changes. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

No limitation on debt could adversely affect our cash flow.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2009, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of approximately $1.8 billion, was approximately 61.4%. We have historically targeted a debt-to-market capitalization less than this. However, due to the significant decrease in our stock price we are currently operating in excess of that threshold. We are currently undertaking steps aimed at reducing our debt. Any changes that increase our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease. Our market capitalization is variable and does not necessarily reflect the fair market value of our assets at all times. We also consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service.

Structured finance investments could cause us to incur expenses, which could adversely affect our results of operations.

We owned mezzanine loans, junior participations and preferred equity interests in 27 investments with an aggregate book value of approximately $785.6 million at December 31, 2009. Such investments may or may not be recourse obligations of the borrower and are not insured or guaranteed by governmental agencies or otherwise. In the event of a default under these obligations, we may have to realize upon our collateral and thereafter make substantial improvements or repairs to the underlying real estate in order to maximize the property's investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce their obligation to us. Relatively high loan-to-value ratios and declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization.

We maintain and regularly evaluate financial reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. We believe the increase in our non-performing loans has been driven by the recent credit crisis, which have adversely impacted the ability of many of our borrowers to service their debt and refinance our loans to them at maturity. We have significantly increased our provision for loan losses to $93.8 million and our direct write-offs to $69.1 million in 2009 based upon the performance of our assets and conditions in the financial markets and overall economy, which continued to deteriorate in 2009. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse affect on our financial performance, the market prices of our securities and our ability to pay dividends.

Special Servicing Activities could result in liability to us.

We provide special servicing activities on behalf of third parties. We have been rated by Fitch and S&P to provide such services. An intended or unintended breach of the servicing standards and/or our fiduciary duties to bondholders could result in material liability to us.

Joint investments could be adversely affected by our lack of sole decision-making authority and reliance upon a co-venturer's financial condition.

We co-invest with third parties through partnerships, joint ventures, co-tenancies or other entities, acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, we will not be in a position to exercise sole decision-making authority regarding that property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals, which are inconsistent with our business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner, co-tenant or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in specific circumstances be liable for the actions of our third-party partners, co-tenants or co-venturers. As of December 31, 2009, our unconsolidated joint ventures owned 11

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properties and we had an aggregate cost basis in the joint ventures totaling approximately $1.1 billion. As of December 31, 2009, our share of joint venture debt totaled approximately $1.8 billion.

Our joint venture agreements may contain terms in favor of our partners that could have an adverse effect on the value of our investments in the joint ventures.

Each of our joint venture agreements has been individually negotiated with our partner in the joint venture and, in some cases, we have agreed to terms that are favorable to our partner in the joint venture. For example, our partner may be entitled to a specified portion of the profits of the joint venture before we are entitled to any portion of such profits and our partner may have rights to buy our interest in the joint venture, to force us to buy the partner's interest in the joint venture or to compel the sale of the property owned by such joint venture. These rights may permit our partner in a particular joint venture to obtain a greater benefit from the value or profits of the joint venture than us, which could have an adverse effect on the value of our investment in the joint venture and on our financial condition and results of operations. We may also enter into similar arrangements in the future.

We are subject to possible environmental liabilities and other possible liabilities.

We are subject to various federal, state and local environmental laws. These laws regulate our use, storage, disposal and management of hazardous substances and wastes and can impose liability on property owners or operators for the clean-up of certain hazardous substances released on a property and any associated damage to natural resources without regard to whether the release was legal or whether it was caused by the property owner or operator. The presence of hazardous substances on our properties may adversely affect occupancy and our ability to develop or sell or borrow against those properties. In addition to potential liability for clean-up costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Various laws also impose liability for the clean-up of contamination at any facility (e.g., a landfill) to which we have sent hazardous substances for treatment or disposal, without regard to whether the materials were transported, treated and disposed in accordance with law.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Our properties may be subject to other risks relating to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future for which we may not have budgeted and could result in fines being levied against us. The occurrence of any of these events could have an adverse impact on our cash flows and ability to make distributions to stockholders.

Under the Americans with Disabilities Act, or ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties is not in compliance with the ADA or other legislation, then we would be required to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount of the cost of compliance with ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations and cash flow and/or ability to satisfy our debt service obligations and to pay dividends to our stockholders could be adversely affected.

Our charter documents and applicable law may hinder any attempt to acquire us, which could discourage takeover attempts and prevent our stockholders from receiving a premium over the market price of our stock.

Provisions of our articles of incorporation and bylaws could inhibit changes in control.

A change of control of our company could benefit stockholders by providing them with a premium over the then-prevailing market price of our stock. However, provisions contained in our articles of incorporation and

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bylaws may delay or prevent a change in control of our company. These provisions, discussed more fully below, are:

- staggered board of directors;
- ownership limitations;
- the board of director's ability to issue additional common stock and preferred stock without stockholder approval; and
- stockholder rights plan.

Our board of directors is staggered into three separate classes.

The board of directors of our company is divided into three classes. The terms of the class I, class II and class III directors expire in 2010, 2011 and 2012, respectively. Our staggered board may deter changes in control because of the increased time period necessary for a third party to acquire control of the board.

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We have a stock ownership limit.

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals at any time during the last half of any taxable year. For this purpose, stock may be "owned" directly, as well as indirectly under certain constructive ownership rules, including, for example, rules that attribute stock held by one family member to another family member. In part, to avoid violating this rule regarding stock ownership limitations and maintain our REIT qualification, our articles of incorporation prohibit ownership by any single stockholder of more than 9.0% in value or number of shares of our common stock. Limitations on the ownership of preferred stock may also be imposed by us.

The board of directors has the discretion to raise or waive this limitation on ownership for any stockholder if deemed to be in our best interest. To obtain a waiver, a stockholder must present the board and our tax counsel with evidence that ownership in excess of this limit will not affect our present or future REIT status.

Absent any exemption or waiver, stock acquired or held in excess of the limit on ownership will be transferred to a trust for the exclusive benefit of a designated charitable beneficiary, and the stockholder's rights to distributions and to vote would terminate. The stockholder would be entitled to receive, from the proceeds of any subsequent sale of the shares transferred to the charitable trust, the lesser of: the price paid for the stock or, if the owner did not pay for the stock, the market price of the stock on the date of the event causing the stock to be transferred to the charitable trust; and the amount realized from the sale.

This limitation on ownership of stock could delay or prevent a change in control.

We have a stockholder rights plan.

We adopted a stockholder rights plan which provides, among other things, that when specified events occur, our stockholders will be entitled to purchase from us a newly created series of junior preferred shares, subject to our ownership limit described above. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

Debt may not be assumable.

We have approximately $2.3 billion in unsecured corporate debt. This debt may be unassumable by a potential purchaser and may be subject to significant prepayment penalties.

Maryland takeover statutes may prevent a change of control of our company, which could depress our stock price.

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, stock exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's outstanding shares; or

- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

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A person is not an interested stockholder under the statute if the board of directors approves in advance the transaction by which he otherwise would have become an interested stockholder.

After the five-year prohibition, any business combination between the Maryland Corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation, voting together as a single group; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer, including potential acquisitions that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

In addition, Maryland law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" will have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror, by officers of the target corporation or by directors who are employees of the corporation, under the Maryland Control Share Acquisition Act. "Control shares" means voting shares of stock that, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. A "control share acquisition" means the acquisition of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

We have opted out of these provisions of the Maryland General Corporation Law, or the MGCL, with respect to business combinations and control share acquisitions by resolution of our board of directors and a provision in our bylaws, respectively. However, in the future, our board of directors may reverse its decision by resolution and elect to opt in to the MGCL's business combination provisions, or amend our bylaws and elect to opt in to the MGCL's control share provisions.

Additionally, Title 8, Subtitle 3 of the MGCL permits our board of directors, without stockholder approval and regardless of what is provided in our charter or bylaws, to implement takeover defenses, some of which we do not have. Such takeover defenses, if implemented, may have the effect of inhibiting a third party from making us an acquisition proposal or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide our stockholders with an opportunity to realize a premium over the then-current market price.

Future issuances of common stock, preferred stock and convertible debt could dilute existing stockholders' interests.

Our articles of incorporation authorize our board of directors to issue additional shares of common stock, preferred stock and convertible debt without stockholder approval. Any such issuance could dilute our existing stockholders' interests. Also, any future series of preferred stock may have voting provisions that could delay or prevent a change of control.

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Changes in market conditions could adversely affect the market price of our common stock.

As with other publicly traded equity securities, the value of our common stock depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our common stock are the following:

- the extent of your interest in us;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance; and
- general stock and bond market conditions.

The market value of our common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, our common stock may trade at prices that are higher or lower than our net asset value per share of common stock. If our future earnings or cash dividends are less than expected, it is likely that the market price of our common stock will diminish.

Market interest rates may have an effect on the value of our common stock.

If market interest rates go up, prospective purchasers of shares of our common stock may expect a higher distribution rate on our common stock. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to go down.

There are potential conflicts of interest between us and Mr. Green.

There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and his family in our initial public offering. Mr. Green serves as the chairman of our board of directors and is an executive officer. As part of our formation, Mr. Green contributed appreciated property, with a net book value of $73.5 million, to the operating partnership in exchange for units of limited partnership interest in the operating partnership. He did not recognize any taxable gain as a result of the contribution. The operating partnership, however, took a tax basis in the contributed property equal to that of the contributing unitholder. The fair market value of the property contributed by him exceeded his tax basis by approximately $34.0 million at the time of contribution. The difference between fair market value and tax basis at the time of contribution represents a built-in gain. If we sell a property in a transaction in which a taxable gain is recognized, for tax purposes the built-in gain would be allocated solely to him and not to us. As a result, Mr. Green has a conflict of interest if the sale of a property, which he contributed, is in our best interest but not his.

There is a potential conflict of interest relating to the refinancing of indebtedness specifically allocated to Mr. Green. Mr. Green would recognize gain if he were to receive a distribution of cash from the operating partnership in an amount that exceeds his tax basis in his partnership units. His tax basis includes his share of debt, including mortgage indebtedness, owed by our operating partnership. If our operating partnership were to retire such debt, then he would experience a decrease in his share of liabilities, which, for tax purposes, would be treated as a distribution of cash to him. To the extent the deemed distribution of cash exceeded his tax basis, he would recognize gain.

Limitations on our ability to sell or reduce the indebtedness on specific mortgaged properties could adversely affect the value of the stock.

On May 15, 2002, we acquired the property located at 1515 Broadway, New York, New York. Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to us, we have agreed not to take certain action that would adversely affect the limited partners' tax positions

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before December 31, 2011. We also acquired the property located at 220 East 42nd Street, New York, New York on February 13, 2003. We have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition for a period of seven years after the acquisition. We also acquired the property located at 625 Madison Avenue, New York, New York, on October 19, 2004 and have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition, for a period of seven years after the acquisition.

In connection with future acquisitions of interests in properties, we may agree to similar restrictions on our ability to sell or refinance the acquired properties with similar potential adverse consequences.

We face potential conflicts of interest.

Members of management may have a conflict of interest over whether to enforce terms of agreements with entities with which senior management, directly or indirectly, has an affiliation.

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. Our company and our tenants accounted for approximately 23.7% of Alliance's 2009 estimated total revenue. The contracts pursuant to which these services are provided are not the result of arm's length negotiations and, therefore, there can be no assurance that the terms and conditions are not less favorable than those which could be obtained from third parties providing comparable services. In addition, to the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with the individual involved.

Members of management may have a conflict of interest over whether to enforce terms of senior management's employment and noncompetition agreements.

Stephen Green, Marc Holliday, Gregory F. Hughes, Andrew Levine and Andrew Mathias entered into employment and noncompetition agreements with us pursuant to which they have agreed not to actively engage in the acquisition, development or operation of office real estate in the New York City metropolitan area. For the most part, these restrictions apply to the executive both during his employment and for a period of time thereafter. Each executive is also prohibited from otherwise disrupting or interfering with our business through the solicitation of our employees or clients or otherwise. To the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with the individual involved. Additionally, the non-competition provisions of these agreements despite being limited in scope and duration, could be difficult to enforce, or may be subject to limited enforcement, should litigation arise over them in the future. Mr. Green has interests in two properties in Manhattan, which are exempt from the non-competition provisions of his employment and non-competition agreement.

Our failure to qualify as a REIT would be costly.

We believe we have operated in a manner to qualify as a REIT for federal income tax purposes and intend to continue to so operate. Many of these requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of factual matters and circumstances. These matters, some of which may not be totally within our control, can affect our qualification as a REIT. For example, to qualify as a REIT, at least 95% of our gross income must come from designated sources that are listed in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income excluding capital gains. The fact that we hold our assets through the operating partnership and its subsidiaries further complicates

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the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service, which we refer to as the IRS, might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS grants us relief under specific statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. If we failed to qualify as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to stockholders. This would likely have a significant adverse effect on the value of our securities. In addition, the REIT tax laws would no longer require us to make any distributions to stockholders.

We may change the dividend policy for our common stock in the future.

Recent Internal Revenue Service revenue procedures allow us to satisfy the REIT income distribution requirements with respect to our 2009, 2010 and 2011 taxable years by distributing up to 90% of our dividends for any such year on our common stock in shares of our common stock in lieu of paying dividends entirely in cash, so long as we follow a process allowing our stockholders to elect cash or stock subject to a cap that we impose on the maximum amount of cash that will be paid. Although we reserve the right to utilize this procedure in the future, we did not utilize it for 2009 and we currently have no intent to do so in the future. In the event that we pay a portion of a dividend in shares of our common stock, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid in shares of common stock, in which case such stockholders might have to pay the tax using cash from other sources. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales could put downward pressure on the market price of our common stock.

Our board of directors will continue to evaluate our distribution policy on a quarterly basis as they monitor the capital markets and the impact of the economy on our operations. The decision to authorize and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors in light of conditions then existing, including the Company's earnings, financial condition, capital requirements, debt maturities, the availability of capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors.

Previously enacted tax legislation reduces tax rates for dividends paid by non-REIT corporations.

Under certain previously enacted tax legislation, the maximum tax rate on dividends to individuals has generally been reduced to 15% (from January 1, 2003 through December 31, 2010). The reduction in rates on dividends is generally not applicable to dividends paid by a REIT except in limited circumstances that we do not contemplate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the favorable treatment of regular corporate dividends could cause investors who are individuals to consider stock of non-REIT corporations that pay dividends as relatively more attractive than stocks of REITs. It is not possible to determine whether such a change in perceived relative value has occurred or what the effect, if any, this legislation has had or will have in the future on the market price of our stock.

We are dependent on external sources of capital.

Because of distribution requirements imposed on us to qualify as a REIT, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access

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to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. In addition, we anticipate having to raise money in the public equity and debt markets with some regularity and our ability to do so will depend upon the general conditions prevailing in these markets. At any time conditions may exist which effectively prevent us, and REITs in general, from accessing these markets. Moreover, additional equity offerings may result in substantial dilution of our stockholders' interests, and additional debt financing may substantially increase our leverage. Due to the current financial crisis and the lack of liquidity in the market, such capital may not be available.

We face significant competition for tenants.

The leasing of real estate is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the facility to be leased. We directly compete with all lessors and developers of similar space in the areas in which our properties are located. Demand for retail space has been impacted by the recent bankruptcy of a number of retail companies and a general trend toward consolidation in the retail industry, which could adversely affect the ability of our company to attract and retain tenants.

Our commercial office properties are concentrated in highly developed areas of midtown Manhattan and certain Suburban central business districts, or CBD's. Manhattan is the largest office market in the United States. The number of competitive office properties in Manhattan and CBD's in which our Suburban properties are located (which may be newer or better located than our properties) could have a material adverse effect on our ability to lease office space at our properties, and on the effective rents we are able to charge.

Loss of our key personnel could harm our operations.

We are dependent on the efforts of Stephen L. Green, the chairman of our board of directors and an executive officer, Marc Holliday, our chief executive officer, Andrew Mathias, our president and chief investment officer and Gregory F. Hughes, our chief operating officer and chief financial officer. These officers have employment agreements which expire in December 2010, January 2013, December 2010, and June 2010, respectively. A loss of the services of any of these individuals could adversely affect our operations.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a Disaster Recovery Plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

Compliance with changing regulation applicable to corporate governance and public disclosure may result in additional expenses, affect our operations and affect our reputation.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new SEC regulations and New York Stock Exchange rules, can create uncertainty for public companies. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with

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Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment has required the commitment of significant financial and managerial resources. In addition, it has become more difficult and more expensive for us to obtain director and officer liability insurance. We expect these efforts to require the continued commitment of significant resources. Further, our directors, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Forward-Looking Statements May Prove Inaccurate

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-looking Information" for additional disclosure regarding forward-looking statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of December 31, 2009, we did not have any unresolved comments with the staff of the SEC.

ITEM 2. PROPERTIES

The Portfolio

General

As of December 31, 2009, we owned or held interests in 21 consolidated and eight unconsolidated commercial office properties encompassing approximately 13.8 million rentable square feet and approximately 9.4 million rentable square feet, respectively, located primarily in midtown Manhattan. Certain of these properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. As of December 31, 2009, our portfolio also included ownership interests in 25 consolidated and six unconsolidated commercial office properties located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, or the Suburban assets, encompassing approximately 3.9 million rentable square feet and approximately 2.9 million rentable square feet, respectively. As of December 31, 2009, our portfolio also included eight consolidated and unconsolidated retail properties encompassing approximately 374,812 square feet, three development properties encompassing approximately 399,800 square feet and two land interests.

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The following table sets forth certain information with respect to each of the Manhattan and Suburban office and retail properties in the portfolio as of December 31, 2009:

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Rent ($'s)(1)	Percentage of Portfolio Annualized Rent (%)(2)	Number of Tenants	Annualized Rent Per Leased Square Foot ($)(3)	Annualized Net Effective Rent Per Leased Square Foot ($)(4)
CONSOLIDATED PROPERTIES										
"Same Store"(14)										
1 Madison Avenue	1960/2002	Park Avenue South	1,176,900	4	99.8	61,730,016	6	2	52.58	52.35
19 West 44th Street	1916	Midtown	292,000	1	96.9	13,637,496	1	58	48.06	39.74
220 East 42nd Street	1929	Grand Central	1,135,000	4	94.8	46,342,926	4	31	43.55	35.75
28 West 44th Street	1919/2003	Midtown	359,000	1	91.4	15,423,588	1	67	45.24	38.70
317 Madison Avenue	1920/2004	Grand Central	450,000	1	85.1	20,137,644	2	82	47.47	39.20
331 Madison Avenue	1923	Grand Central	114,900		100.0	4,988,640		19	43.93	42.14
420 Lexington Ave (Graybar)(5)	1927/1999	Grand Central	1,188,000	4	94.1	64,642,860	6	222	48.91	40.63
461 Fifth Avenue(6)	1988	Midtown	200,000	1	98.8	15,546,294	2	18	76.47	67.80
485 Lexington Avenue	1956/2006	Grand Central	921,000	3	96.8	49,402,296	5	21	55.47	46.57
555 West 57th Street(7)	1971	Midtown West	941,000	3	98.9	31,898,280	3	13	32.66	23.55
609 Fifth Avenue	1925/1990	Rockefeller Center	160,000	1	97.5	13,685,064	1	15	87.32	83.29
625 Madison Avenue	1956/2002	Plaza District	563,000	2	99.8	42,482,688	4	25	76.27	65.79
673 First Avenue(7)	1928/1990	Grand Central	422,000	1	99.7	17,315,340	2	9	38.66	38.57
711 Third Avenue(7)(8)	1955	Grand Central	524,000	2	89.1	24,082,392	2	16	47.74	38.61
750 Third Avenue	1958/2006	Grand Central	780,000	3	95.2	38,310,288	4	28	50.73	47.59
120 West 45th Street	1998	Midtown	440,000	1	97.6	25,425,672	2	25	57.49	53.91
810 Seventh Avenue	1970	Times Square	692,000	2	88.8	38,393,772	4	36	61.17	53.84

919 Third Avenue	1970	Grand Central	1,454,000	5	99.9	82,829,652	4	15	57.07	50.81
1185 Avenue of the Americas	1969	Rockefeller Center	1,062,000	4	98.9	71,165,940	6	20	66.41	61.24
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	89.2	29,870,676	3	42	58.81	54.22
Subtotal / Weighted Average			**13,436,800**	**45**	**96.0**	**707,311,524**	**64**	**764**		
Adjustments										
333 West 34th Street	1954/2000	Penn Station	345,400	1	41.5	7,039,884	1	1	48.78	48.78
Subtotal / Weighted Average			**345,400**	**1**	**41.5**	**7,039,884**	**1**	**1**		
Total / Weighted Average Consolidated Properties[9]			**13,782,200**	**46**	**94.6**	**714,351,408**	**65**	**765**		
UNCONSOLIDATED PROPERTIES										
"Same Store"										
100 Park Avenue	1950/1980	Grand Central	834,000	3	84.3	44,265,264	2	34	60.86	57.55
521 Fifth Avenue	1929/2000	Grand Central	460,000	1	81.5	18,063,492	1	43	47.80	42.69
800 Third Avenue	1972/2006	Grand Central	526,000	2	96.1	30,569,460	1	24	59.13	44.37
1221 Avenue of the Americas	1971/1997	Rockefeller Center	2,550,000	8	94.3	158,157,804	7	20	66.27	53.14
1515 Broadway	1972	Times Square	1,750,000	6	98.0	92,526,480	6	10	55.02	43.81
388 & 390 Greenwich Street	1986/1990	Downtown	2,635,000	9	100.0	102,945,936	5	1	39.07	39.07
1745 Broadway	2003	Midtown	674,000	2	100.0	36,558,780	1	1	56.72	56.72
			9,429,000	31	**95.6**	**483,087,216**	**23**	**133**		
Total / Weighted Average Unconsolidated Properties[10]										
Manhattan Grand Total / Weighted Average			**23,211,200**	**77**	**95.0**	**1,197,438,624**		**898**		
Manhattan Grand Total SLG share of Annualized Rent										
Manhattan Same Store Occupancy % Combined			**22,865,800**	**99**	**95.8**	**916,466,796**	**88**			
Suburban Properties										
CONSOLIDATED PROPERTIES										
Adjustments										
1100 King Street 1-6 International Drive	1983-1986	Rye Brook, Westchester	540,000	2	88.2	14,037,096	2	31	29.06	25.52

520 White Plains Road	1979	Tarrytown, Westchester	180,000	1	93.2	4,377,708		10	26.80	23.01
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	1	67.0	2,378,244		13	23.72	19.02
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	1	86.4	5,811,336	1	7	29.72	27.31
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	1	93.5	6,817,812	1	9	30.34	28.57
500 Summit Lake Drive	1986	Valhalla, Westchester	228,000	1	56.4	4,874,304	1	4	26.03	23.31
140 Grand Street	1991	White Plains, Westchester	130,100		96.6	3,852,641	1	12	34.76	27.82
360 Hamilton Avenue	2000	White Plains, Westchester	384,000	1	100.0	13,367,208	2	14	35.70	31.80
Westchester, NY Subtotal			**2,135,100**	8	**86.5**	**55,516,349**	**7**	**100**		
1-6 Landmark Square	1973/1984	Stamford, Connecticut	826,000	3	81.2	19,320,240	2	101	29.80	26.20
300 Main Street	2002	Stamford, Connecticut	130,000		92.8	2,047,257		21	16.89	14.30
680 Washington Boulevard	1989	Stamford, Connecticut	133,000		84.5	2,798,460		5	38.62	33.26
750 Washington Boulevard	1989	Stamford, Connecticut	192,000	1	97.4	6,718,020		8	37.07	34.63
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400		54.3	2,191,980		18	30.34	27.51
1055 Washington Boulevard	1987	Stamford, Connecticut	182,000	1	87.2	5,469,228	1	20	33.79	32.92
500 West Putnam Avenue	1973	Greenwich, Connecticut	121,500		83.2	3,824,844		10	37.96	34.07
Connecticut Subtotal			**1,727,900**	**5**	**82.7**	**42,370,029**	**3**	**183**		
Total / Weighted Average Consolidated Properties(11)			**3,863,000**	**13**	**84.8**	**97,886,378**	**10**	**283**		

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Suburban Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Rent ($'s)[1]	Percentage of Portfolio Annualized Rent (%)[2]	Number of Tenants	Annualized Rent Per Leased Square Foot ($)[3]	Annualized Net Effective Rent Per Leased Square Foot ($)[4]
UNCONSOLIDATED PROPERTIES										
Adjustments										
The Meadows 50%	1981	Rutherford, New Jersey	582,100	2	84.9	12,235,224		53	26.67	23.47
16 Court Street 35%	1928	Brooklyn, New York	317,600	1	84.1	9,205,620		64	40.37	37.04
Jericho Plaza 20.26%	1980	Jericho, New York	640,000	2	92.8	21,476,964		35	35.76	32.81
One Court Square 30%[13]	1987	Long Island City, New York	1,402,000	5	100.0	51,363,840	1	1	36.65	36.65
Total / Weighted Average Unconsolidated Properties[12]			**2,941,700**	**10**	**93.7**	**94,281,648**	**2**	**153**		
Grand Total / Weighted Average			**30,015,900**	**100**	**93.4**	**$ 1,389,606,650**		**1,334**		
Grand Total SLG share of Annualized Rent						**$ 1,035,731,257**	**100**			
125 Chubb Way	2008	Lyndhurst, NJ	278,000	36	10.7	642,012	1	1		
141 Fifth Avenue 50%	1879	Flat Iron	21,500	3	100.0	2,586,084	4	4	136.59	128.12
150 Grand Street	1962/2001	White Plains	85,000	11	7.7	122,316	1	3	20.86	20.86
1551-1555 Broadway 10%	2009	Times Square	25,600	3	100.0	15,587,268	5	1	608.88	599.10
1604 Broadway 63%	1912/2001	Times Square	29,876	4	23.7	2,006,592	4	2	283.94	280.49
180-182 Broadway 50%	1902	Cast Iron/Soho	70,580	9	49.0	856,548	1	8	24.77	24.77
21-25 West 34th Street 50%	2009	Herald Square/Penn Station	30,100	4	100.0	5,839,284	11	1	194.00	193.33
27-29 West 34th Street 50%	2009	Herald Square/Penn Station	15,600	2	100.0	3,858,600	7	2	247.14	174.18
379 West Broadway 45%	1853/1987	Cast Iron/Soho	62,006	8	100.0	3,585,468	5	5	57.82	61.54
717 Fifth Avenue 32.75%	1958/2000	Midtown/Plaza District	119,550	15	75.8	19,311,540	22	7	196.01	173.71
7 Landmark Square	2007	Stamford, Connecticut	36,800	5	10.8	273,336	1	1	68.68	68.68
2 Herald Square 55%		Herald Square/Penn Station	N/A	N/A	N/A	9,000,000	17	1		
885 Third Avenue 55%		Midtown/Plaza District	N/A	N/A	N/A	11,095,000	21	1		
Total / Weighted Average Retail/Development Properties			**774,612**	**100**	**N/A**	**$ 74,764,048**	**100**	37		

(1) Annualized Rent represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010 are approximately $4.3 million for our consolidated properties and $1.6 million for our unconsolidated properties.

(2) Includes our share of unconsolidated joint venture annualized rent calculated on a consistent basis.

(3)

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

(4) Annual Net Effective Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by us, the remaining lease payments under the lease from the acquisition date divided by the number of months remaining under the lease multiplied by 12 and (b) for leases entered into after an interest in the relevant property was first acquired by us, all lease payments under the lease divided by the number of months in the lease multiplied by 12, and, in the case of both (a) and (b), minus tenant improvement costs and leasing commissions, if any, paid or payable by us and presented on a per leased square foot basis. Annual Net Effective Rent Per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Rent Per Leased Square Foot.

(5) We hold an operating sublease interest in the land and improvements.

(6) We hold a leasehold interest in this property.

(7) Includes a parking garage.

(8) We hold a leasehold mortgage interest, a net sub-leasehold interest and a co-tenancy interest in this property.

(9) Includes approximately 12.5 million square feet of rentable office space, 1.0 million square feet of rentable retail space and 0.3 million square feet of garage space.

(10) Includes approximately 8.8 million square feet of rentable office space, 0.5 million square feet of rentable retail space and 0.1 million square feet of garage space.

(11) Includes approximately 3.6 million square feet of rentable office space and 0.3 million square feet of rentable retail space.

(12) Includes approximately 2.9 million square feet of rentable office space.

(13) The rent per square foot is presented on a triple-net basis.

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Historical Occupancy. We have historically achieved consistently higher occupancy rates in our Manhattan portfolio in comparison to the overall Midtown markets, as shown over the last five years in the following table:

	Percent of Manhattan Portfolio Leased(1)	Occupancy Rate of Class A Office Properties In The Midtown Markets(2)(3)	Occupancy Rate of Class B Office Properties in the Midtown Markets(2)(3)
December 31, 2009	95.0%	86.8%	90.3%
December 31, 2008	96.7%	90.8%	92.1%
December 31, 2007	96.6%	94.1%	93.5%
December 31, 2006	97.0%	95.7%	93.7%
December 31, 2005	96.7%	94.4%	92.5%

(1) Includes space for leases that were executed as of the relevant date in our wholly-owned and joint venture properties in Manhattan owned by us as of that date.

(2) Includes vacant space available for direct lease and sublease. Source: Cushman & Wakefield.

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

Lease Expirations

Leases in our Manhattan portfolio, as at many other Manhattan office properties, typically have an initial term of seven to fifteen years, compared to typical lease terms of five to ten years in other large U.S. office markets. For the five years ending December 31, 2014, the average annual rollover at our Manhattan consolidated and unconsolidated properties is approximately 1.0 million square feet and 0.4 million square feet, respectively, representing an average annual expiration rate of 7.1% and 4.4%, respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

The following tables set forth a schedule of the annual lease expirations at our Manhattan consolidated and unconsolidated properties, respectively, with respect to leases in place as of December 31, 2009 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Manhattan Consolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases(1)	Annualized Rent Per Leased Square Foot of Expiring Leases(2)
2010(3)	149	945,416	7.02%	$ 44,342,880	$ 46.90
2011	114	733,541	5.45	39,972,372	54.49
2012	118	1,039,039	7.72	47,332,836	45.55
2013	99	1,188,902	8.83	62,373,948	52.46
2014	65	853,786	6.34	44,634,468	52.28
2015	53	632,190	4.70	31,151,880	49.28
2016	41	967,980	7.19	52,378,392	54.11
2017	58	1,772,799	13.17	92,766,186	52.33
2018	25	485,335	3.61	38,517,972	79.36
2019 & thereafter	79	4,839,934	35.97	260,880,474	53.90
Total/weighted average	801	13,458,922	100.00%	$ 714,351,408	$ 53.08

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such

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date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010, are approximately $3.7 million for the properties.

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

(3)
Includes 123,109 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

Manhattan Unconsolidated Properties Year of Lease Expiration	**Number of Expiring Leases**	**Square Footage of Expiring Leases**	**Percentage of Total Leased Square Feet (%)**	**Annualized Rent of Expiring Leases[(1)]**	**Annualized Rent Per Leased Square Foot of Expiring Leases[(2)]**
2010[(3)]	27	573,342	6.39%	$ 34,318,524	$ 59.86
2011	10	162,837	1.82	7,801,848	47.91
2012	18	116,688	1.30	6,318,792	54.15
2013	10	870,622	9.71	55,178,628	63.38
2014	15	231,767	2.58	20,574,264	88.77
2015	17	1,514,969	16.89	80,351,364	53.04
2016	8	225,681	2.52	17,165,004	76.06
2017	4	62,391	0.70	3,714,084	59.53
2018	16	1,309,110	14.59	86,400,708	66.00
2019 & thereafter	20	1,267,641	14.13	68,318,064	53.89
Sub-Total/weighted average	145	6,335,048	70.63	380,141,280	$ 60.01
	2(4)	2,634,670	29.37	102,945,936	
Total	147	8,969,718	100.00%	$ 483,087,216	

(1)
Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010 are approximately $0.7 million for the joint venture properties.

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

(3)
Includes 14,364 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

(4)
Represents Citigroup's 13-year net lease at 388-390 Greenwich Street. The current net rent is $39.07 per square foot with annual CPI escalation.

Leases in our Suburban portfolio, as at many other suburban office properties, typically have an initial term of five to ten years. For the five years ending December 31, 2014, the average annual rollover at our Suburban consolidated and unconsolidated properties is approximately 0.4 million square feet and 0.2 million square feet, respectively, representing an average annual expiration rate of 13.9% and 6.7% respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

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The following tables set forth a schedule of the annual lease expirations at our Suburban consolidated and unconsolidated properties, respectively, with respect to leases in place as of December 31, 2009 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Suburban Consolidated Properties Year of Lease Expiration	**Number of Expiring Leases**	**Square Footage of Expiring Leases**	**Percentage of Total Leased Square Feet (%)**	**Annualized Rent of Expiring Leases[(1)]**	**Annualized Rent Per Leased Square Foot of Expiring Leases[(2)]**
2010[(3)]	76	545,576	17.06%	$ 14,839,128	$ 27.20
2011	64	751,402	23.50	22,629,552	30.12
2012	30	229,811	7.19	7,555,308	32.88
2013	35	422,885	13.23	14,367,657	33.98
2014	25	265,633	8.31	8,033,064	30.24
2015	19	256,852	8.03	8,370,485	32.59
2016	19	377,841	11.82	10,872,864	28.78
2017	6	54,165	1.69	1,693,380	31.26
2018	8	132,595	4.15	4,172,676	31.47
2019 & thereafter	12	160,704	5.02	5,352,264	33.31
Total/weighted average	294	3,197,464	100.00%	$ 97,886,378	$ 30.61

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010, are approximately $0.7 million for the properties.

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

(3) Includes 99,236 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.

Suburban Unconsolidated Properties Year of Lease Expiration	**Number of Expiring Leases**	**Square Footage of Expiring Leases**	**Percentage of Total Leased Square Feet (%)**	**Annualized Rent of Expiring Leases[(1)]**	**Annualized Rent Per Leased Square Foot of Expiring Leases[(2)]**
2010[(3)]	32	185,342	6.90%	$ 5,884,860	$ 31.75
2011	24	114,021	4.24	3,733,200	32.74
2012	22	243,045	9.04	8,638,764	35.54
2013	19	89,565	3.33	2,776,644	31.00
2014	23	269,769	10.03	9,362,544	34.71
2015	8	40,881	1.52	1,267,896	31.01
2016	7	90,926	3.38	2,796,480	30.76
2017	6	55,793	2.07	2,284,536	40.95
2018	4	61,523	2.29	2,158,512	35.08
2019 & thereafter	14	1,538,198	57.20	55,378,212	36.00
Total/weighted average	159	2,689,063	100.00%	$ 94,281,648	$ 35.06

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2009 for the 12 months ending December 31, 2010, are approximately $0.9 million for the joint venture properties.

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

(3) Includes 28,385 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2009.