

SL GREEN REALTY CORP
Form 10-Q
November 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

**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
(State or other jurisdiction of
incorporation or organization)

T13-3956775T
(I.R.S. Employer
Identification No.)

420 Lexington Avenue, New York, New York 10170

(Address of principal executive offices) (Zip Code)

(212) 594-2700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

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

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

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

The number of shares outstanding of the registrant's common stock, \$0.01 par value, was 86,149,655 as of October 31, 2011.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****SL Green Realty Corp.****Consolidated Balance Sheets**

(Amounts in thousands, except per share data)

	September 30, 2011		December 31, 2010
	(Unaudited)		
Assets			
Commercial real estate properties, at cost:			
Land and land interests	\$ 2,581,957	\$	1,750,220
Building and improvements	6,731,915		5,840,701
Building leasehold and improvements	1,293,122		1,286,935
Property under capital lease	12,208		12,208
	10,619,202		8,890,064
Less: accumulated depreciation	(1,071,183)		(916,293)
	9,548,019		7,973,771
Cash and cash equivalents	394,505		332,830
Restricted cash	102,084		137,673
Investment in marketable securities	54,962		34,052
Tenant and other receivables, net of allowance of \$15,628 and \$12,981 in 2011 and 2010, respectively	31,661		27,054
Related party receivables	3,212		6,295
Deferred rents receivable, net of allowance of \$28,017 and \$30,834 in 2011 and 2010, respectively	265,600		201,317
Debt and preferred equity investments, net of discount of \$19,387 and \$42,937 and allowance of \$41,800 and \$61,361 in 2011 and 2010, respectively	897,028		963,772
Investments in unconsolidated joint ventures	921,146		631,570
Deferred costs, net	191,123		172,517
Other assets	753,305		819,443
Total assets	\$ 13,162,645	\$	11,300,294
Liabilities			
Mortgages and other loans payable	\$ 4,018,861	\$	3,400,468
Revolving credit facility	500,000		650,000
Senior unsecured notes	1,267,580		1,100,545
Accrued interest payable and other liabilities	126,405		38,149
Accounts payable and accrued expenses	146,445		133,389
Deferred revenue/gains	381,211		307,678
Capitalized lease obligation	17,094		17,044
Deferred land leases payable	18,382		18,267
Dividend and distributions payable	15,002		14,182
Security deposits	44,312		38,690
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000		100,000
Total liabilities	6,635,292		5,818,412
Commitments and contingencies	---		---
Noncontrolling interest in operating partnership	114,726		84,338

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Equity

SL Green stockholders' equity:			
Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 11,700 issued and outstanding at both September 30, 2011 and December 31, 2010, respectively		274,022	274,022
Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, 4,000 issued and outstanding at both September 30, 2011 and December 31, 2010, respectively		96,321	96,321
Common stock, \$0.01 par value 160,000 shares authorized and 89,133 and 81,675 issued and outstanding at September 30, 2011 and December 31, 2010, respectively (including 3,427 and 3,369 shares at September 30, 2011 and December 31, 2010, held in Treasury, respectively)		892	817
Additional paid-in-capital		4,225,903	3,660,842
Treasury stock at cost		(307,535)	(303,222)
Accumulated other comprehensive loss		(24,462)	(22,659)
Retained earnings		1,763,403	1,172,963
Total SL Green stockholders' equity		6,028,544	4,879,084
Noncontrolling interests in other partnerships		384,083	518,460
Total equity		6,412,627	5,397,544
Total liabilities and equity	\$	13,162,645	\$ 11,300,294

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

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SL Green Realty Corp.

Consolidated Statements of Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Rental revenue, net	\$ 244,888	\$ 195,863	\$ 714,443	\$ 581,326
Escalation and reimbursement	39,176	30,846	104,445	89,595
Investment and preferred equity income	18,433	84,377	98,256	125,543
Other income	6,077	8,065	23,257	25,140
Total revenues	308,574	319,151	940,401	821,604
Expenses				
Operating expenses (including approximately \$4,335 and \$10,948 (2011) and \$3,391 and \$9,572 (2010) paid to affiliates)	69,097	58,068	191,807	167,602
Real estate taxes	44,915	35,806	128,957	109,972
Ground rent	8,463	7,860	24,110	23,360
Interest expense, net of interest income	75,428	56,442	209,491	170,171
Amortization of deferred financing costs	2,992	2,581	9,488	6,448
Depreciation and amortization	73,358	56,011	202,394	166,909
Loan loss and other investment reserves, net of recoveries	---	1,338	(1,870)	12,323
Transaction related costs	169	3,254	3,820	8,416
Marketing, general and administrative	18,900	18,474	61,375	55,251
Total expenses	293,322	239,834	829,572	720,452
Income from continuing operations before equity in net income of unconsolidated joint ventures, noncontrolling interests and discontinued operations	15,252	79,317	110,829	101,152
Equity in net (loss) income from unconsolidated joint ventures	(2,728)	7,544	7,663	32,925
Equity in net gain on sale of interest in unconsolidated joint venture	3,032	520	3,032	127,289
Purchase price fair value adjustment	999	---	489,889	---
Loss on investment in marketable securities	---	---	(133)	(285)
Gain (loss) on early extinguishment of debt	(67)	(511)	904	(1,900)
Income from continuing operations	16,488	86,870	612,184	259,181
Net income from discontinued operations	---	2,211	1,298	6,531
Gain on sale of discontinued operations	---	35,485	46,085	35,485
Net income	16,488	124,566	659,567	301,197
Net income attributable to noncontrolling interests in the operating partnership	(169)	(1,786)	(13,946)	(4,544)
Net income attributable to noncontrolling interests in other partnerships	(1,695)	(3,735)	(8,564)	(10,831)
Net income attributable to SL Green	14,624	119,045	637,057	285,822
Preferred stock dividends	(7,545)	(7,545)	(22,634)	(22,205)
Net income attributable to SL Green common stockholders	\$ 7,079	\$ 111,500	\$ 614,423	\$ 263,617
Amounts attributable to SL Green common stockholders:				
Income from continuing operations	\$ 4,113	\$ 73,866	\$ 565,122	\$ 97,180
Net income from discontinued operations	---	2,178	1,269	6,420
Gain on sale of discontinued operations	---	34,944	45,067	34,884
Gain on sale of unconsolidated joint ventures/ real estate	2,966	512	2,965	125,133
Net income	\$ 7,079	\$ 111,500	\$ 614,423	\$ 263,617
Basic earnings per share:				
Net income from continuing operations before discontinued operations	\$ 0.05	\$ 0.95	\$ 6.81	\$ 1.25
Net income from discontinued operations	---	0.03	0.01	0.08
Gain on sale of discontinued operations	---	0.44	0.54	0.45

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Gain on sale of interest in unconsolidated joint venture		0.03		0.01		0.04		1.60
Net income attributable to SL Green common stockholders	\$	0.08	\$	1.43	\$	7.40	\$	3.38
Diluted earnings per share:								
Net income from continuing operations before discontinued operations	\$	0.05	\$	0.94	\$	6.77	\$	1.24
Net income from discontinued operations		---		0.03		0.01		0.07
Gain on sale of discontinued operations		---		0.44		0.54		0.45
Gain on sale of interest in unconsolidated joint venture		0.03		0.01		0.04		1.60
Net income attributable to SL Green common stockholders	\$	0.08	\$	1.42	\$	7.36	\$	3.36
Dividends per share	\$	0.10	\$	0.10	\$	0.30	\$	0.30
Basic weighted average common shares outstanding		85,696		78,227		83,001		78,034
Diluted weighted average common shares and common share equivalents outstanding		88,081		79,781		85,384		79,722

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

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SL Green Realty Corp.

Consolidated Statement of Equity

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

SL Green Realty Corp. Stockholders										
<u>Common Stock</u>										
	Series C	Series D		Par	Additional	Treasury	Accumulated	Retained	Noncontrolling	
	Preferred	Preferred	Shares	Value	Paid-	Stock	Other	Earnings	Interests	Comprehensive
	<u>Stock</u>	<u>Stock</u>			<u>In-Capital</u>		<u>Income (Loss)</u>			<u>Income</u>
										<u>Total</u>
Balance at December 31, 2010	\$ 274,022	\$ 96,321	78,307	\$ 817	\$ 3,660,842	\$ (303,222)	\$ (22,659)	\$ 1,172,963	\$ 518,460	\$ 5,397,544
Comprehensive Income:										
Net income								637,057	8,564	645,621
Net unrealized loss on derivative instruments							(3,757)			(3,757)
SL Green's share of joint venture net unrealized gain on derivative instruments							416			416
Unrealized gains on marketable securities							1,538			1,538
Preferred dividends								(22,634)		(22,634)
Redemption of units and DRIP proceeds			13	-	886					886
Reallocation of noncontrolling interest in the operating partnership								1,168		1,168
Deferred compensation plan & stock award, net			249	3	618	(4,313)				(3,692)
Amortization of deferred compensation plan					24,025					24,025
Proceeds from issuance of common stock			6,957	70	531,418					531,488
Proceeds from stock options exercised			180	2	8,114					8,116
Consolidation of joint venture interest									533	533

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Cash distributions
to noncontrolling
interests

(143,474) (143,474)