

SL GREEN REALTY CORP  
 Form 10-K  
 February 24, 2015

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
 For the fiscal year ended December 31, 2014

OR  
 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.)  
 Commission File Number: 33-167793-02 (SL Green Operating Partnership, L.P.)

SL GREEN REALTY CORP.  
 SL GREEN OPERATING PARTNERSHIP, L.P.  
 (Exact name of registrant as specified in its charter)

SL Green Realty Corp.	Maryland	13-3956755
SL Green Operating Partnership, L.P.	Delaware	13-3960938
	(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:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
SL Green Realty Corp.	Common Stock, \$0.01 par value 6.500% Series I Cumulative Redeemable	New York Stock Exchange
SL Green Realty Corp.	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.

SL Green Realty Corp. Yes  No  SL Green Operating Partnership, L.P. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

SL Green Realty Corp. Yes  No  SL Green Operating Partnership, L.P. Yes  No

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.

SL Green Realty Corp. Yes  No  SL Green Operating Partnership, L.P. Yes  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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).

SL Green Realty Corp.    Yes     No

SL Green Operating Partnership, L.P.    Yes     No

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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.

SL Green Realty Corp.  SL Green Operating Partnership, L.P.

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.

SL Green Realty Corp.

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

SL Green Operating Partnership, L.P.

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 Act).

SL Green Realty Corp. Yes  No  SL Green Operating Partnership, L.P. Yes  No

The aggregate market value of the common stock held by non-affiliates of SL Green Realty Corp. (89,790,630 shares) was \$9.8 billion based on the quoted closing price on the New York Stock Exchange for such shares on June 30, 2014. As of February 17, 2015, 98,625,888 shares of SL Green Realty Corp.'s common stock, par value \$0.01 per share, were outstanding. As of February 17, 2015, 1,005,426 common units of limited partnership interest of SL Green Operating Partnership, L.P. were held by non-affiliates. There is no established trading market for such units.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the SL Green Realty Corp.'s Proxy Statement for its 2015 Annual Stockholders' Meeting 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.

## EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2014 of SL Green Realty Corp. and SL Green Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to "SL Green Realty Corp.," the "Company" or "SL Green" mean SL Green Realty Corp. and its consolidated subsidiaries; and references to "SL Green Operating Partnership, L.P.," the "Operating Partnership" or "SLGOP" mean SL Green Operating Partnership, L.P. and its consolidated subsidiaries. The terms "we," "our" and "us" mean the Company and all the entities owned or controlled by the Company, including the Operating Partnership. The Company is a Maryland corporation which operates as a self-administered and self-managed real estate investment trust, or REIT, and is the sole managing general partner of the Operating Partnership. As a general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

The Company owns 96.08% of the outstanding general and limited partnership interest in the Operating Partnership. The Company also owns 9,200,000 Series I Preferred Units of the Operating Partnership. As of December 31, 2014, noncontrolling investors held, in aggregate, a 3.92% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one entity. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

Noncontrolling interests in the Operating Partnership, stockholders' equity of the Company and partners' capital of the Operating Partnership are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The common limited partnership interests in the Operating Partnership not owned by the Company are accounted for as partners' capital in the Operating Partnership's consolidated financial statements and as noncontrolling interests, within mezzanine equity, in the Company's consolidated financial statements.

We believe combining the annual reports on Form 10-K of the Company and the Operating Partnership into this single report results in the following benefits:

- Combined reports enhance investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Combined reports eliminate duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership; and
- Combined reports create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;

- the following notes to the consolidated financial statements:

- Note 11, Noncontrolling Interests on the Company's Consolidated Financial Statements;

- Note 12, Stockholders' Equity of the Company;

- Note 13, Partners' Capital of the Operating Partnership;

- Note 15, Accumulated Other Comprehensive Loss of the Company;

- Note 16, Accumulated Other Comprehensive Loss of the Operating Partnership;

- Note 23, Quarterly Financial Data of the Company (unaudited); and

- Note 24, Quarterly Financial Data of the Operating Partnership (unaudited).

This report also includes separate Part II, Item 5. Market for Registrants' Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities, Item 6. Selected Financial Data and Item 9A. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership, respectively, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the

Company, in both their capacity as the principal executive officer and principal financial officer of the Company and the principal executive officer and principal financial officer of the general partner of the Operating Partnership, have made the requisite certifications and that the Company and the Operating Partnership are compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended.

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SL GREEN REALTY CORP. AND SL GREEN OPERATING PARTNERSHIP, L.P.  
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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 and dispositions, financing, development and redevelopment, 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, the Company's Chairman, had been engaged in the business of owning, managing, leasing, acquiring and repositioning office properties in Manhattan, a borough of New York City. Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of SL Green Operating Partnership, L.P., the Operating Partnership.

As of December 31, 2014, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Type	Consolidated Number of Properties	Approximate Square Feet	Unconsolidated Number of Properties	Approximate Square Feet	Total Number of Properties	Approximate Square Feet	Weighted Average Occupancy(1)	
Commercial:									
Manhattan	Office	23	18,429,045	7	3,476,115	30	21,905,160	95.3	%
	Retail	9	(2) 403,735	7	279,628	16	683,363	91.0	%
	Development/Redevelopment	9	(3) 1,973,862	5	1,952,782	14	3,926,644	32.6	%
	Fee Interest	2	783,530	—	—	2	783,530	100.0	%
		43	21,590,172	19	5,708,525	62	27,298,697	86.3	%
Suburban	Office	27	4,365,400	4	1,222,100	31	5,587,500	82.4	%
	Retail	1	52,000	—	—	1	52,000	100.0	%
	Development/Redevelopment	1	85,000	2	65,641	3	150,641	54.2	%
		29	4,502,400	6	1,287,741	35	5,790,141	81.8	%
Total commercial properties		72	26,092,572	25	6,996,266	97	33,088,838	85.5	%
Residential:									
Manhattan	Residential	3	(2) 735,587	—	—	3	735,587	95.6	%
Suburban	Residential	1	66,611	—	—	1	66,611	89.6	%
Total residential properties		4	802,198	—	—	4	802,198	95.2	%
Total portfolio		76	26,894,770	25	6,996,266	101	33,891,036	85.8	%

The weighted average occupancy for commercial properties represents the total occupied square feet divided by (1) total available rentable square feet. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.

As of December 31, 2014, we owned a building that was comprised of approximately 270,132 square feet of retail (2) space and approximately 222,855 square feet of residential space. For the purpose of this report, we have included the building as part of retail properties and have shown the square footage under its respective classifications.

(3) Includes one property which was held for sale as of December 31, 2014 and sold in January 2015.

As of December 31, 2014, we also managed an approximately 336,201 square foot office building owned by a third party and held debt and preferred equity investments with a book value of \$1.4 billion.

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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, 2014, our corporate staff consisted of 279 persons, including 179 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](http://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 reasonably 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, nominating and corporate governance committee charter, code of business conduct and ethics and corporate governance principles. We do not intend for information contained on our website to be part of this annual report on Form 10-K. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington,

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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 the "Company," "SL Green," "we," "our" and "us" in this annual report means SL Green Realty Corp., a Maryland corporation, and one or more of its subsidiaries, including the Operating Partnership, or, as the context may require, SL Green only or the Operating Partnership 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 the Company's initial public offering, or IPO, in August 1997, the 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 these management, leasing and construction entities, which are owned by SL Green Management Corp, as the "Service Corporation." The Company is 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, the Operating Partnership. We are the sole managing general partner of the Operating Partnership, and as of December 31, 2014, we owned 96.08% of its economic interests. All of the management and leasing operations with respect to our wholly-owned properties are conducted through SL Green Management LLC, or Management LLC. The Operating Partnership owns a 100% interest in Management LLC.

In order to maintain the Company's 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, a consolidated variable interest entity. We, through our Operating Partnership, 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 is held by an entity owned and controlled by the chairman of the Company's board of directors.

Business and Growth Strategies

SL Green, New York City's largest commercial landlord, is a fully integrated REIT that is focused primarily on acquiring, managing and maximizing the value of Manhattan commercial properties.

Our core business is the ownership of high quality commercial properties and our primary business objective is to maximize the total return to stockholders, through growth in funds from operations and through asset value appreciation. The commercial real estate expertise resulting from owning, operating, investing and lending in Manhattan for over 34 years has enabled us to invest in a collection of premier office and retail properties, selected multifamily residential assets, and high quality debt and preferred equity investments. We also own high quality office properties in the surrounding markets of Brooklyn, Long Island, Westchester County, Connecticut and New Jersey. We are led by a strong, experienced management team that provides a foundation of skills in all aspects of property ownership and management including investment, leasing, operations, capital improvements, financing, repositioning and maintenance. It is with this team that we have achieved a market leading position in our targeted submarkets. We seek to enhance the value of our company by executing strategies that include the following:

- Leasing and property management capitalizing on our extensive presence and knowledge of the marketplaces in which we operate;
- Acquiring office, retail and residential properties and employing our local market skills to reposition these assets to create cash flow and capital appreciation;
- Investing in high-yielding debt and preferred equity positions, generating strong risk-adjusted returns, increasing breadth of market insight, building key market relationships and sourcing potential future investment opportunities;
- Executing dispositions through sales or joint ventures that harvest equity generated through management's value enhancing activities, thereby providing a continuing source of capital for reinvestment; and

• Maintaining a liquid balance sheet with access to diversified sources of property and corporate capital.

#### Leasing and Property Management

We seek to capitalize on our management's extensive knowledge of the Manhattan and Suburban markets and the needs of our tenants through proactive leasing and management programs, which include: (i) use of in-depth market experience resulting from managing and leasing approximately 32.3 million square feet of office and retail space, predominantly in Manhattan; (ii) careful management to ensure adequate average lease term and manageable lease rollovers; (iii) utilization of an extensive

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network of third-party brokers; (iv) use of comprehensive building management analysis and planning; and (v) commitment to tenant satisfaction by providing high quality tenant services at attractive rental rates. It is our belief that our proactive leasing efforts have directly contributed to our average portfolio occupancy consistently exceeding the market average.

### Property Acquisitions

We acquire core properties for long-term appreciation and earnings growth. We also acquire non-core properties that are typically held for shorter periods during which we attempt to create significant increases in value. This strategy has resulted in capital gains that increase our investment capital base. In implementing this strategy, we continually evaluate potential acquisition opportunities. These acquisitions may come from new properties as well as properties in which we already hold a joint venture interest or from our debt and preferred equity investments. Although we continuously review our acquisition pipeline, there is not a specific metric that we apply to acquisitions that are under consideration.

Through intimate knowledge of our markets and operating base we have developed a keen ability to source transactions with superior risk-adjusted returns by capturing off-market opportunities that lead to acquisitions at meaningful discounts to replacement costs. In rising markets, we acquire strategic vacancies that provide the opportunity to take advantage of our exceptional leasing capability to increase cash flow and property value. In stable or falling markets, we target assets featuring credit tenancies with fully escalated in-place rents to provide cash flow stability near-term and the opportunity for increases over time.

Over the last several years, we have expanded our acquisition activities into selected high value retail locations in Manhattan, and multifamily properties. Management's breadth of activities in New York City have enabled us to identify and acquire off-market retail in prime Manhattan locations. Combining our real estate skills and ability to attract premier tenants in an environment of rapidly growing retail rents has resulted in transactions that have provided significant capital appreciation. In addition, this same market penetration has permitted us to grow a portfolio of high quality, well located multifamily properties.

In acquiring core and non-core properties, directly or through joint ventures with a predominance of high quality institutional investors, we believe that we have the following advantages over many of our competitors: (i) senior management's average 26 years of experience leading a full-service, fully-integrated real estate company focused on the Manhattan office market; (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 transactions quickly despite complicated structures.

### Property Repositioning

Our knowledge of the leasing markets and our ability to efficiently plan and execute capital projects provide the expertise to enhance returns by repositioning properties that are underperforming. Many of the retail and commercial office properties we own or seek to acquire feature unique architectural design elements, including large floor plates, unique amenities and characteristics that can be appealing to tenants when fully exploited. Our strategic investment in these properties, combined with our active management and pro-active leasing, provide the opportunity to creatively meet market needs and generate favorable returns.

### Debt and Preferred Equity Investments

We invest in well-collateralized debt and preferred equity investments that generate attractive yields. See Note 5, "Debt and Preferred Equity Investments," in the accompanying consolidated financial statements. Knowledge of our markets and our leasing and asset management expertise provide underwriting capabilities that enable a highly educated assessment of risk and return. The benefits of this investment program, which has a carefully managed aggregate size generally not to exceed 10% of our total enterprise value, include the following:

Our typical investments generally provide high current returns and, in certain cases, the potential for future capital gains. Because we are the largest commercial landlord in Manhattan, our expertise and operating capabilities provide both insight and operating skills that mitigate risk.

In certain cases, these investments may also serve as a potential source of real estate acquisitions for us. This is particularly true when a property's current ownership seeks an efficient off-market transaction, because ownership knows that we have already gained knowledge of the asset through the existing investment, and that we can close quickly if we believe such acquisition would be beneficial.

These investments are concentrated in Manhattan, which helps us gain market insight and awareness of upcoming and active investment opportunities and support for key relationships that may provide access to future investment opportunities.

#### Property Dispositions

We continually evaluate our properties to identify those most suitable to meet our long-term earnings and cash flow growth objectives and contribute to increasing portfolio value. Properties that no longer meet our objectives are evaluated for sale, or in

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certain cases, joint venture to release equity created through management's value enhancement programs or to take advantage of opportune market valuations.

Capital generated from these dispositions is efficiently re-deployed into property acquisitions and investments in debt and preferred equity investments that we expect will provide enhanced future capital gains and earnings growth opportunities.

### Capital Resources

Our objective is to maintain numerous corporate and property capital sources to obtain the best suited and lowest cost financings. This objective is supported by:

- Property operations that generally provide stable and growing cash flows through market cycles due to a robust Manhattan economy, constraints on new supply, long average lease terms, high credit quality tenants and superior leasing, operating and asset management skills;

- Concentration of our activities in a Manhattan market that is consistently attractive to property investors and lenders through market cycles;

- Maintaining strong corporate liquidity through careful management of immediately accessible cash, and future debt maturities; and

- Maintaining access to corporate capital markets through balanced financing and investment activities that result in balance sheet and cash flow metrics consistent with peer investment grade companies.

### Competition

The leasing of real estate is highly competitive, especially in the Manhattan office market. 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 liquidity and the design and condition of our properties. 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 with different financial attributes 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.

According to Cushman and Wakefield Research Services as of December 31, 2014, Manhattan has a total inventory of approximately 396.7 million square feet, including approximately 241.3 million square feet in midtown. Based on current construction activity, we estimate that in midtown Manhattan, approximately 2.5 million square feet of new construction will become available next year, approximately 40.6% of which is pre-leased. This increase is partially offset by approximately 1.1 million square feet of conversions. This will add approximately 0.6% to Manhattan's total inventory gross of conversions and 0.4% net of conversions.

### General Terms of Leases in the midtown Manhattan Markets

Leases entered into for space in the midtown Manhattan markets typically contain terms that may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in the midtown Manhattan markets is generally seven to fifteen years. Tenants leasing space in excess of 10,000 square feet for an initial term of 10 years or longer often will negotiate an option to extend the term of the lease for one or two renewal periods, typically for a term 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 is most often based upon the then fair market rental value of the premises as of the commencement date of the applicable renewal term (generally determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value), though base rent for a renewal period may be set at 95% of the then fair market rent. Very infrequently, leases may contain termination

options whereby tenants can terminate their lease obligations upon payment of a penalty together with repayment of the unamortized portion of the landlord's transaction costs (e.g., brokerage commissions, free rent periods, tenant improvement allowances, etc.).

In addition to base rent, a tenant will generally also pay its pro rata share of increases in real estate taxes and operating expenses for the building over a base year (which is typically the year during which the term of the lease commences) based upon the tenant's proportionate occupancy of the building. In some smaller leases (generally less than 10,000 square feet), in lieu of paying additional rent based upon increases in building operating expenses, base rent will be increased each year during the lease

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term by a set percentage on a compounding basis (though the tenant will still pay its pro rata share of increases in real estate taxes over a base year).

Tenants typically receive a free rent period following commencement of the lease term, which in some cases may coincide with the tenant's construction period.

The landlord most often supplies electricity either on a sub-metered basis at the landlord's cost plus a fixed percentage or a rent inclusion basis (i.e., a fixed fee is added to the base 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, but are included in the building's operating expenses, 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 renting in excess of 10,000 feet, the landlord will deliver the premises with existing improvements demolished. In such instances, the landlord will also typically 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 and lien waivers. However, in certain leases (most often for relatively small amounts of space), the landlord will construct the premises for the tenant at a cost to the landlord not to exceed an agreed upon amount with the tenant paying any excess. In addition, landlords may rent space to a tenant that is "pre-built" (i.e., space that was constructed by the landlord in advance of lease signing and ready to move in with the tenant selecting paint and carpet colors).

#### Occupancy

The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2014, 2013 and 2012:

Property	Percent Occupied as of December 31,			
	2014	2013	2012	
Manhattan properties	95.3	% 94.3	% 94.3	%
Suburban properties	82.4	% 80.4	% 81.3	%
Same-Store properties <sup>(1)</sup>	91.7	% 90.8	% 91.3	%
Unconsolidated Joint Venture Properties	92.6	% 89.8	% 93.3	%
Portfolio	92.7	% 91.5	% 91.8	%

(1) Same-Store properties for 2014 represents 47 of our 50 consolidated office buildings owned by us at January 1, 2013 and still owned by us at December 31, 2014.

#### Rent Growth

We estimated that rents in place at December 31, 2014 for all leases expiring in future periods, excluding triple net leases, in our Manhattan and Suburban consolidated operating properties were 13.6% and 3.2%, respectively, below management's estimates of current market asking rents. Taking rents are typically lower than asking rents and may vary from building to building. We estimated that rents in place at December 31, 2014 for all leases expiring in future periods, excluding triple net leases, in our Manhattan and Suburban operating properties owned through unconsolidated joint ventures were 8.3% and 1.8%, respectively, below management's estimates of current market asking rents. At December 31, 2013, the estimated rents in place for our Manhattan and Suburban consolidated operating properties were 15.4% and 3.4%, respectively, below management's estimates of the then current market asking rents. At December 31, 2013, the estimated rents in place for our Manhattan and Suburban unconsolidated operating properties were 10.7% below and 1.1% above, respectively, management's estimates of the then current market asking rents. As of December 31, 2014, 25.4% and 52.8% of all leases in-place in our Manhattan and

Suburban consolidated operating properties, respectively, were scheduled to expire during the next five years. As of December 31, 2014, 41.0% and 41.8% of all leases in-place in our Manhattan and Suburban operating properties owned through unconsolidated joint ventures, respectively, were also 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 that rents, which in the current portfolio are below market, provide a potential for long-term internal growth.

#### Industry Segments

The Company is a REIT that acquires, owns, repositions, manages and leases commercial office, retail and multifamily properties in the New York Metropolitan area and has two reportable segments: real estate and debt and preferred equity investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

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At December 31, 2014, our real estate portfolio was primarily located in one geographical market, the New York Metropolitan 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, 2014, one tenant in our office portfolio contributed 10.9% of our office portfolio annualized cash rent. No other tenant contributed more than 7.2% of our office portfolio annualized cash rent. Office portfolio annualized cash rent includes our consolidated annualized cash rent and our share of joint venture annualized cash rent. No property contributed in excess of 9.9% of our consolidated total revenue for 2014. Our industry segments are discussed in Note 22, "Segment Information," in the accompanying consolidated financial statements.

Employees

At December 31, 2014, we employed 1,060 employees, over 180 of who were managers and professionals, 778 of whom were hourly-paid employees involved in building operations and 102 of whom were clerical, data processing and other administrative employees. There are currently six collective bargaining agreements which cover the workforce that services substantially all of our properties.

Highlights from 2014

Our significant activities from 2014 included:

Leasing

Signing 227 Manhattan office leases covering approximately 2.1 million square feet. The mark-to-market on signed Manhattan office leases was 14.9% higher in 2014 than the previously fully escalated rents on the same spaces.

Signing 137 Suburban office leases covering approximately 0.8 million square feet. The mark-to-market on signed Suburban office leases was 1.4% higher in 2014 than the previously fully escalated rents on the same spaces.

Executing a long-term lease with TD Bank to become the office and retail anchor tenant at One Vanderbilt, the Company's proposed tower adjacent to Grand Central Terminal. TD Bank will occupy approximately 200,000 square feet of space in One Vanderbilt, including a flagship retail store on the northeast corner of 42nd Street and Madison Avenue.

Acquisitions

Closing on the acquisition of our joint venture partner's interest in 388-390 Greenwich Street at a valuation for the consolidated investment of \$1.585 billion and simultaneously closing on a \$1.45 billion mortgage refinancing of the property.

Closing on the acquisition of the fee interest at 635 Madison Avenue for \$153.7 million.

Closing on the acquisition of a prime retail condominium at 115 Spring Street for \$53.1 million, located along one of SoHo's most popular shopping corridors.

Together with our joint venture partners, closing on the acquisition of an approximately 140,000 square foot development site at 175-225 Third Street in Gowanus, one of Brooklyn's most exciting and diverse neighborhoods, for \$74.6 million. Subsequently, the property was financed with a new \$40.0 million floating rate mortgage.

Together with our joint venture partner, closing on the acquisition of 719 Seventh Avenue for \$41.1 million and expanding the Company's retail footprint in Times Square.

Together with our joint venture partner, closing on the acquisition of the retail condominium at 121 Greene Street in SoHo for \$27.4 million, continuing the growth of the Company's prime retail property portfolio.

Closing on the acquisition and subsequent joint venture of approximately 347,000 square feet of newly constructed vacant commercial condominium units on floors 2 and 22-34 at 55 West 46th Street, as well as a retail store on 46th Street and the building's parking garage and fitness center for \$295.0 million. The property has been financed with a new \$190.0 million floating rate mortgage.

Closing on the acquisition of the retail property at 102 Greene Street in SoHo for \$32.3 million, continuing the growth of our prime retail property portfolio.

Closing on the acquisition of additional ownership interests in the approximately 647,000 square foot office condominium at 1745 Broadway, which is leased entirely to Random House, increasing the our ownership to 56.88%.

Dispositions

• Closing on the sale of the leased fee interest in 2 Herald Square for a gross sales price of \$365.0 million and recognizing a gain on sale of \$18.8 million.

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Closing on the sale of our leasehold interest in 673 First Avenue for \$145.0 million and recognizing a gain on sale of \$117.6 million.

- Closing on the sale of the development properties at 985-987 Third Avenue for \$68.7 million and recognizing a gain on sale of \$29.8 million.

Closing on the sale of our joint venture interest in 21-25 West 34th Street for an implied gross valuation of \$114.9 million and recognizing a gain on sale of \$20.9 million.

Closing on the sale of our joint venture interest in a portfolio of office properties primarily in Southern California for \$756.0 million and recognizing a gain on sale of \$85.6 million.

Closing on the sale of our joint venture interest in 747 Madison Avenue for a gross sales price of \$160.0 million and recognizing a promote of \$10.3 million and a deferred gain on sale of \$13.1 million.

Together with our joint venture partner, closing on the sale of the mixed-use college dormitory/retail asset at 180 Broadway for a gross sales price of \$222.5 million and recognizing a promote of \$3.3 million and a gain on sale of \$16.5 million.

Together with our joint venture partner, entering into an agreement to sell 180 Maiden Lane for a gross sales price of \$470.0 million, which closed in January 2015.

Debt and Preferred Equity Investments

Originating and retaining, or acquiring, \$680.1 million in debt and preferred equity investments, inclusive of accretion of reserves, discounts and pay-in-kind interest, and recording \$576.1 million of proceeds from sales, repayments and participations.

Investing \$50.0 million in the construction of a 1,174 unit residential rental project at 605 West 42nd Street. The investment consists of mezzanine loan interests and a fixed-price option for the Company to acquire up to a 20% equity stake in the property.

Offering/Financings

Expanding the term loan portion of the our \$2.0 billion unsecured corporate credit facility by \$433.0 million to \$833.0 million while reducing the borrowing cost of the facility by 25 basis points and extending the maturity date to June 2019.

Entering into an agreement to modify and extend the \$1.2 billion revolving line of credit portion of our \$2.0 billion unsecured corporate credit facility, which extended the maturity date to March 2020, and reduced the cost by 25 basis points, which closed in January 2015.

Obtaining an upgrade in credit rating to investment grade from Fitch Ratings. This rating coupled with our investment grade rating from Standard & Poor's will allow for future unsecured bond issuances by us to be included in the Barclays U.S Corporate Index.

- Closing on a \$300.0 million leasehold mortgage refinancing of 420 Lexington Avenue at a significantly reduced interest rate. The new 10-year, fixed rate loan replaces the previous \$181.0 million mortgage.

Repaying the \$146.3 million mortgage on 125 Park Avenue at maturity and prepaying the \$114.9 million mortgage on 625 Madison Avenue.

Together with our joint venture partner, closing on a \$360.0 million mortgage refinancing of 100 Park Avenue. The new seven-year, floating rate loan replaces the previous \$209.4 million mortgage.

Together with our joint venture partner, closing on a \$275.0 million refinancing of 724 Fifth Avenue. The new three-year, floating rate loan replaces the previous \$120.0 million loan.

Together with our joint venture partner, closing on a \$97.0 million floating rate leasehold mortgage at 650 Fifth Avenue.

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ITEM 1A. RISK FACTORS

Declines in the demand for office space in New York City, and in particular midtown Manhattan, as well as our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island, 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 and distributions to security holders.

The majority of our property holdings are comprised of commercial office properties located in midtown Manhattan. Our property holdings also include a number of retail properties and multifamily residential properties. 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. Future weakness and uncertainty 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 cash flow and our ability to service current debt and to pay dividends and distributions to security holders. Similarly, future weakness and uncertainty in our suburban markets could adversely affect our cash flow and our ability to service current debt and to pay dividends and distributions to security holders.

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, taking into account among other things, the cost of improvements to the property and leasing commissions, may be less favorable than the terms in the expired leases. As of December 31, 2014, approximately 6.3 million and approximately 1.8 million square feet, representing approximately 29.6% and approximately 41.2% of the rentable square feet, are scheduled to expire by December 31, 2019 at our consolidated properties and unconsolidated joint venture properties, respectively, and as of December 31, 2014, these leases had annualized escalated rent totaling \$344.9 million and \$104.2 million, respectively. We also have leases with termination options beyond 2019. In addition, changes in space utilization by our tenants may impact our ability to renew or relet space without the need to incur substantial costs in renovating or redesigning the internal configuration of the relevant property. If we are unable to promptly renew the leases or relet the space at similar rates or if we incur substantial costs in renewing or reletting the space, our cash flow and ability to service debt obligations and pay dividends and distributions to security holders could be adversely affected.

We face significant competition for tenants.

The leasing of real estate is highly competitive. The principal means of competition are rent, location, services provided and the nature and condition of the facility to be leased. We directly compete with all owners, developers and operators of similar space in the areas in which our properties are located.

Our commercial office properties are concentrated in highly developed areas of midtown Manhattan and certain Suburban central business districts, or CBDs. Manhattan is the largest office market in the United States. The number of competitive office properties in Manhattan and CBDs 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.

The expiration of long term leases or operating sublease interests where we do not own a fee interest in the land could adversely affect our results of operations.

Our interests in 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas and 1080 Amsterdam Avenue, all in Manhattan, and 1055 Washington Avenue, Stamford, Connecticut, are comprised of either long-term leasehold or operating sublease interests in the land and the improvements, rather than by ownership of fee interest in the land.

We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date. The average remaining term of these long-term leases as of December 31, 2014, including our unilateral extension rights on each of the properties, is 46 years. Pursuant to the leasehold 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 cash rents of the commercial office properties held through long-term leases or operating sublease interests at December 31, 2014 totaled \$253.3 million, or 21.1%, of our share of total Portfolio annualized cash rent. Unless we purchase a fee interest in the underlying land or extend the terms of these leases prior to their expiration, we will lose our right to operate these properties upon expiration of the leases, which could adversely affect our financial condition and results of operations.

Adverse economic and geopolitical conditions in general and the commercial office markets in the New York Metropolitan area in particular could have a material adverse effect on our results of operations and financial condition and, consequently, our ability to service debt obligations and to pay dividends and distributions to security holders.

Our business may be affected by volatility in the financial and credit markets and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole. Future periods of economic weakness could result in reduced

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access to credit and/or wider credit spreads. Economic uncertainty, including concern about the growth prospects and the stability of the markets generally, may lead many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers, which could adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. 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 New York Metropolitan area, particularly in New York, New Jersey and Connecticut. Because our portfolio consists primarily of commercial office buildings, located principally in midtown Manhattan, as compared to a more diversified real estate portfolio, if economic conditions deteriorate, then our results of operations, financial condition and ability to service current debt and to pay dividends to our stockholders may be adversely affected. Specifically, our business may be affected by the following conditions:

- significant job losses in the financial and professional services industries 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 may be limited, including as a result of increased credit risk premiums for certain market participants, 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; and
- reduced values of our properties, which 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.

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

Six of our properties, 420 Lexington Avenue, 485 Lexington Avenue, One Madison Avenue, 1185 Avenue of the Americas, 1515 Broadway and 388-390 Greenwich Street, accounted for 42.2% of our Portfolio annualized cash rent, which includes our share of joint venture annualized cash rent as of December 31, 2014. Our revenue and cash available to service debt obligations and for distribution to our stockholders would be materially adversely affected if any of these properties were materially damaged or destroyed. Additionally, our revenue and cash available to service debt obligations and for distribution to our stockholders would be materially adversely affected if tenants at these properties fail to timely make rental payments due to adverse financial conditions or otherwise, default under their leases or file for bankruptcy or become insolvent.

Our results of operations rely on major tenants and insolvency or bankruptcy of these or other tenants could adversely affect our results of operations.

Giving effect to leases in effect as of December 31, 2014 for consolidated properties and unconsolidated joint venture properties, as of that date, our five largest tenants, based on annualized cash rent, accounted for 27.4% of our share of Portfolio annualized cash rent, with three tenants, Citigroup, Inc., Viacom International Inc., and Credit Suisse Securities (USA) LLC accounting for 10.9%, 7.2%, and 5.6% of our share of Portfolio annualized cash rent, respectively. Our business and results of operations would be adversely affected if any of our major tenants became insolvent, declared bankruptcy, or otherwise refused to pay rent in a timely fashion or at all. In addition, if current conditions in the industries in which our tenants are concentrated deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents across tenants in such industries, which could in turn have an adverse effect on our business and results of operations.

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 direct proportion to changes in our rental revenue. As a result, our costs will not necessarily decline even if our revenues do. In such event, we may be forced to borrow to cover our costs, we may incur losses or we may not have cash available to service our debt and to pay dividends and distribution to our security holders.

We face risks associated with property acquisitions.

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

- we may be unable to meet required closing conditions;
- we may be unable to finance acquisitions and developments of properties on favorable terms or at all;
- we may be unable to lease our acquired properties on the same terms or to the same level of occupancy as our existing properties;
- acquired properties may fail to perform as we expected;

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we may expend funds on, and devote management time to, acquisition opportunities which we do not complete, which may include non-refundable deposits;

our estimates of the costs we incur in renovating, improving, developing or redeveloping acquired properties may be inaccurate;

we may not be able to obtain adequate insurance coverage for acquired 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 may increase the risks associated with concentration of clients and geographies; and

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

We may acquire properties subject to both known and unknown liabilities and without any recourse, or with only limited recourse to the seller. As a result, if a liability were asserted against us arising from our ownership of 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:

claims by tenants, vendors or other persons arising from dealing with the former owners of the properties;

liabilities incurred in the ordinary course of business;

claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties; and

liabilities for clean-up of undisclosed environmental contamination.

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 from other investors, particularly those investors who are willing to 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.

If we are unable to successfully acquire additional properties, our ability to grow our business could be adversely affected. In addition, increases in the cost of acquisition opportunities could adversely affect our results of operations.

We are seeking approval to construct a large, ground-up development project at One Vanderbilt Avenue.

We are currently seeking approval to commence a large development project at One Vanderbilt Avenue on parcels owned by the Company. If we are unable to obtain approval for our proposed project, we may not realize the benefit of the significant costs and expenses incurred to date in the approvals process, and we would need to modify our plans for the assemblage. If the project is approved, the development will not be completed for several years. This extended time frame could cause the project to be subject to shifts in market, leasing or geographic trends that are not consistent with our current business plans for this property.

We are subject to risks that affect the retail environment.

Approximately 3.8% of our Portfolio annualized cash rent is generated by retail properties, principally in Manhattan.

As a result, we are subject to risks that affect the retail environment generally, including the level of consumer spending, consumer confidence and levels of tourism in Manhattan. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail properties, which could in turn have an adverse effect on our business and results of operations.

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

Our operations are primarily concentrated in midtown Manhattan. In the aftermath of a terrorist attack or other acts of terrorism or war, tenants in the New York Metropolitan area may choose to relocate their business to less populated, lower-profile areas of the United States that those tenants believe are not as likely to be targets of future terrorist activity. In addition, economic activity could decline as a result of terrorist attacks or other acts of terrorism or war, or the perceived threat of such acts. Each of these impacts could in turn could trigger a decrease in the demand for space in the New York Metropolitan area, which could

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increase vacancies in our properties and force us to lease our properties on less favorable terms. Furthermore, we may also experience increased costs in relation to security equipment and personnel. As a result, the value of our properties and our results of operations could materially decline.

Potential losses may not be covered by insurance.

We maintain “all-risk” property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within three property insurance portfolios and liability insurance. As of December 31, 2014, the first property portfolio maintained a blanket limit of \$950.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. The second portfolio maintains a limit of \$700.0 million per occurrence, including terrorism, for several New York City properties and the majority of the Suburban properties. Both policies expire on December 31, 2015. Each policy includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. A third blanket property policy covers most of our residential assets and maintains a limit of \$380 million per occurrence, including terrorism, for our residential properties and expires January 31, 2016. We maintain two liability policies which cover all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2015 and January 31, 2016. Additional coverage may be purchased on a stand-alone basis for certain assets. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, we may not have sufficient coverage to replace certain properties.

Our wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, acts as a captive insurance company and as one of the elements of our overall insurance program. Belmont was formed in an effort to, among other reasons, stabilize to some extent the impact on us of fluctuations of insurance market conditions. Belmont is licensed in New York to write Terrorism, NBCR (nuclear, biological, chemical, and radiological), General Liability, Environmental Liability, Flood, and D&O coverage. 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 a claim under our insurance policy, we would ultimately record the loss to the extent of Belmont’s required payment. Belmont is not reinsured by a third-party. 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.

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed December 31, 2005 and again on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. TRIPRA was not renewed by Congress and expired on December 31, 2014. However, on January 12, 2015, TRIPRA was reauthorized until December 31, 2020 (Terrorism Insurance Program Reauthorization and Extension Act of 2015). 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 certified terrorism, subject to the current program trigger of \$100.0 million, which will increase by \$20 million per annum, commencing December 31, 2015. There is no assurance that TRIPRA will be extended. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2012 credit facility, senior unsecured notes and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, 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, for example, terrorist acts is a breach of these debt and ground lease instruments allowing 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 require greater coverage that we are unable to obtain at commercially reasonable rates, we may incur substantially higher insurance premiums or our ability to finance our properties and expand our portfolio may be adversely impacted.

Furthermore, with respect to certain of our properties, including properties held by joint ventures, or subject to triple net leases, insurance coverage is obtained by a third-party and we do not control the coverage. While we may have agreements with such third parties requiring them to maintain adequate coverage and we monitor these policies, such coverage ultimately may not be maintained or adequately cover our risk of loss. Additionally, we may have less protection than with respect to the properties where we obtain coverage directly.

We face possible risks associated with the natural disasters and the physical effects of climate change.

We are subject to the risks associated with natural disasters and the physical effects of climate change, which can include storms, hurricanes and flooding, any of which could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy at our properties and requiring us to expend funds as we seek to repair and protect our properties against such risks. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

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Leasing office space to smaller and growth-oriented businesses could adversely affect our cash flow and results of operations.

Some 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 as they develop. Leasing office space to these companies could create a higher risk of tenant defaults, turnover and bankruptcies, which could adversely affect our cash flow and results of operations as well as our ability to make dividends or distributions to our security holders.

SL Green depends on dividends and distributions from its direct and indirect subsidiaries.

Substantially all of our assets are held through our Operating Partnership that holds substantially all of its properties and assets through subsidiaries. Our Operating Partnership's cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of SL Green's cash flow is dependent on cash distributions to it by our Operating Partnership. The creditors of each of our direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders.

Therefore, our Operating Partnership's ability to make distributions to holders of its partnership units depends on its subsidiaries' ability first to satisfy their obligations to their creditors and then to make distributions to our Operating Partnership. Likewise, SL Green's ability to pay dividends to holders of common stock and preferred stock depends on our Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to SL Green.

Furthermore, the holders of preferred partnership units of our Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of common units of our Operating Partnership, including SL Green. Thus, SL Green's ability to pay cash dividends to its shareholders and satisfy its debt obligations depends on our Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred partnership units and then to holders of its common units, including SL Green.

In addition, SL Green's participation in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency, is only after the claims of the creditors, including trade creditors and preferred security holders, are satisfied.

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.

Cash flow could be insufficient to pay dividends and meet the payments of principal and interest required under our current mortgages and other indebtedness, including our 2012 credit facility, senior unsecured notes, debentures and indebtedness outstanding at our joint venture properties. The total principal amount of our outstanding consolidated indebtedness was \$8.5 billion as of December 31, 2014, consisting of \$1.3 billion under our 2012 credit facility, which is inclusive of our \$833.0 million term loan, \$1.3 billion under our senior unsecured notes, \$100.0 million of junior subordinated deferrable interest debentures and \$5.8 billion of non-recourse mortgages and loans payable on 18 of our properties and certain debt and preferred equity investments, and recourse loans on one of our investments. In addition, we could increase the amount of our outstanding consolidated indebtedness in the future, in part by borrowing under our 2012 credit facility. Our 2012 credit facility in aggregate currently matures in March 2018, which includes two six-month extension options on the \$1.2 billion revolving credit facility component of the facility. In December 2014, we received lender commitments sufficient to modify and extend the revolving credit facility from March 2018 to March 2020 and to reduce the margin by 25 basis points. This modification took effect in the first quarter of 2015. As of December 31, 2014, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was \$3.8 billion, of which our proportionate share was \$1.6 billion. As of December 31, 2014, the total principal amount of recourse indebtedness outstanding at one of our unconsolidated joint venture properties was \$18.4 million.

If we are unable to make payments under our 2012 credit facility, all amounts due and owing at such time shall accrue interest at a rate equal to 2% higher than the rate at which each draw was made. If we are unable to make payments under our senior unsecured notes, the principal and unpaid interest will become immediately payable. 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 2012 credit facility or our senior unsecured notes could trigger defaults under the terms of our other financings, making such financings at risk of being declared immediately payable, and would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which may require substantial principal payments at maturity. In 2015, \$100.0 million under the master repurchase agreement facility, \$120.0 million of mortgage debt on our consolidated properties and \$44.7 million of mortgage debt representing the portion of unconsolidated joint venture properties attributable to us matures. At the present time we intend to exercise extension options, repay or refinance the debt associated with our properties on or prior

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to their respective maturity dates. 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 extended or refinanced debt would adversely affect cash flow and our ability to service debt obligations and pay dividends and distributions to security holders. If any principal payments due at maturity cannot be repaid, refinanced or extended, our cash flow will not be sufficient to repay maturing or accelerated debt. Financial covenants could adversely affect our ability to conduct our business.

The mortgages and mezzanine loans on our properties generally contain customary negative covenants that limit our ability to further mortgage the properties, to enter into material leases without lender consent or materially modify existing leases, among other things. In addition, our 2012 credit facility and senior unsecured notes contain restrictions and requirements on our method of operations. Our 2012 credit facility and our unsecured notes also require us to maintain designated ratios, including but not limited to, total debt-to-assets, debt service coverage and unencumbered assets-to-unsecured debt. These restrictions could adversely affect operations (including reducing our flexibility and our ability to incur additional debt), our ability to pay debt obligations and our ability to pay dividends and distributions to security holders.

Rising interest rates could adversely affect our cash flow.

Advances under our 2012 credit facility and certain property-level mortgage debt bear interest at a variable rate. Our consolidated variable rate borrowings totaled \$2.3 billion at December 31, 2014. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing additional amounts under our 2012 credit facility, which consisted of a \$1.2 billion revolving credit facility and \$833.0 million term loan. Borrowings under our revolving credit facility and term loan bore interest at the 30-day LIBOR, plus spreads of 145 basis points and 140 basis points, respectively, at December 31, 2014. As of December 31, 2014, borrowings under our 2012 credit facility and junior subordinated deferrable interest debentures totaled \$1.3 billion and \$100.0 million, respectively, and bore weighted average interest at 1.65% 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. At December 31, 2014, a hypothetical 100 basis point increase in interest rates across each of our variable interest rate instruments would increase our annual interest costs by \$15.2 million and would increase our share of joint venture annual interest costs by \$8.1 million. Our joint ventures may also incur variable rate debt and face similar risks. Accordingly, increases in interest rates could adversely affect our results of operations and financial conditions and our ability to continue to pay dividends and distributions to security holders.

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 and 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 and when existing interest rate hedges terminate, we may incur increased costs in putting in place further interest rate hedges. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

Increases in our level of indebtedness could adversely affect our stock price.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2014, assuming the conversion of all outstanding units of the Operating Partnership into shares of SL Green's common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of \$1.6 billion, was 44.8%. 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. Any changes that increase our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease.

A downgrade in our credit ratings could materially adversely affect our business and financial condition.

Our credit rating and the credit ratings assigned to our debt securities and our preferred stock could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and any rating could be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant such action. Moreover, these credit ratings are not recommendations to buy, sell or hold our common stock or any other securities. If any of the credit rating agencies that have rated our securities downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a “watch list” for a possible downgrading or lowering, or otherwise indicates that its outlook for that rating is negative, such action could have a material adverse effect on our costs and availability of funding, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows, the trading price of our securities and our ability to satisfy our debt service obligations and to pay dividends and distributions to our security holders.

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Debt and preferred equity investments could cause us to incur expenses, which could adversely affect our results of operations.

We held first mortgages, mezzanine loans, junior participations and preferred equity interests in 36 investments with an aggregate net book value of \$1.4 billion at December 31, 2014. Some of these instruments may be recourse to their sponsors, while others are limited to the collateral securing the loan. In the event of a default under these obligations, we may have to take possession of the collateral securing these interests. 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 obligations to us. Declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization even if we make substantial improvements or repairs to the underlying real estate in order to maximize such property's investment potential. In addition, we may invest in mortgage-backed securities and other marketable securities.

We maintain and regularly evaluate the need for reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses and the value of the underlying collateral. We cannot be certain that our judgment will prove to be correct and that our reserves will be adequate over time to protect against 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. As of December 31, 2014, we had no recorded reserves for possible credit losses. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse effect on our financial performance, the market prices of our securities and our ability to pay dividends and distributions to security holders.

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 structures, and by 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 may not be in a position to exercise sole decision-making authority regarding such 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 competitive or 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. 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, 2014, our unconsolidated joint ventures owned 22 properties and we had an aggregate cost basis in these joint ventures totaling \$1.2 billion. As of December 31, 2014, our share of unconsolidated joint venture debt, which is non-recourse to us, totaled \$1.6 billion. As of December 31, 2014, our share of unconsolidated joint venture debt, which is recourse to us, totaled \$18.4 million.

Certain of our joint venture agreements 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 more favorable to our partner in the joint venture than to us. 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. We may also enter into similar arrangements in the future. 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 incur costs to comply with environmental and health and safety laws.

We are subject to various federal, state and local environmental and health and safety laws which change from time to time. These laws regulate, among other things, air and water quality, our use, storage, disposal and management of hazardous substances and wastes and can impose liability on current and former 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 in compliance with law or whether it was caused by, or known to, 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. Being held responsible for such a clean-up could result in significant cost to us and have a material adverse effect on our financial condition and results of operations.

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We may incur significant costs complying with the Americans with Disabilities Act and other regulatory and legal requirements.

Our properties may be subject to 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, which could result in fines being levied against us in the future. The occurrence of any of these events could have an adverse impact on our cash flows and ability to pay dividends 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 with laws and regulations to which we are subject. If one or more of our properties is not in compliance with the material provisions of the ADA or other legislation, then we may be required to incur additional costs to bring the property into compliance with the ADA or state or local laws. 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 and distributions to security holders could be adversely affected.

Our charter documents, debt instruments 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 SL Green's charter 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 SL Green's charter and 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; and

• the board of directors' ability to issue additional common stock and preferred stock without stockholder approval.

SL Green's board of directors is staggered into three separate classes.

SL Green's board of directors is divided into three classes, with directors in each such class serving staggered three year terms. The terms of the class I, class II and class III directors expire in 2016, 2017 and 2015, respectively. Our staggered board may deter a change in control because of the increased time period necessary for a third-party to acquire control of the board.

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 shareholder to another shareholder. In part to avoid violating this rule regarding stock ownership limitations and maintain our REIT qualification, SL Green's charter prohibits ownership by any single stockholder of more than 9.0% in value or number of shares of its common stock. Limitations on the ownership of preferred stock may also be imposed by us.

SL Green's 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 of our company.

Debt may not be assumable.

We had \$8.5 billion in consolidated debt as of December 31, 2014. Certain of this debt is not assumable by a potential purchaser and may be subject to significant prepayment penalties. These limitations could deter a change in control of our company.

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

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Under the Maryland General Corporation Law, or the MGCL, "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 voting stock; 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. 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 SL Green's common stock or otherwise be in the best interest of our stockholders.

In addition, Maryland law provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" will not have voting rights with respect to the control shares 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 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 MGCL, with respect to business combinations and control share acquisitions, by resolution of SL Green's board of directors and a provision in SL Green's bylaws, respectively.

However, in the future, SL Green's board of directors may reverse its decision by resolution and elect to opt in to the MGCL's business combination provisions, or amend SL Green's bylaws and elect to opt in to the MGCL's control share provisions.

Additionally, the MGCL permits SL Green's board of directors, without stockholder approval and regardless of what is provided in SL Green's charter or bylaws, to implement takeover defenses, some of which have not been implemented by SL Green's board of directors. 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. SL Green's charter authorizes its board of directors to issue additional shares of common stock, preferred stock and convertible equity or debt without stockholder approval and without the requirement to offer rights of pre-emption to

existing stockholders. 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 of our company. Changes in market conditions could adversely affect the market price of SL Green's common stock.

As with other publicly traded equity securities, the value of SL Green's common stock depends on various market conditions, which may change from time to time. In addition to the current economic environment and future volatility in the securities and credit markets, the following market conditions may affect the value of SL Green's common stock:

- 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

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general stock and bond market conditions.

The market value of SL Green's 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, SL Green's 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, the market price of SL Green's common stock could diminish.

The trading price of SL Green's common stock has been and may continue to be subject to wide fluctuations. Between January 1, 2014 and December 31, 2014, the closing sale price of SL Green's common stock on the New York Stock Exchange, or the NYSE, ranged from \$90.96 to \$123.10 per share. Our stock price may fluctuate in response to a number of events and factors, such as those described elsewhere in this "Risk Factors" section. Additionally, the amount of our leverage may hinder the demand for our common stock, which could have a material adverse effect on the market price of our common stock.

Market interest rates may have an effect on the value of SL Green's common stock.

If market interest rates go up, prospective purchasers of shares of SL Green's common stock may expect a higher distribution rate on SL Green's common stock. However, higher market interest rates would not likely result in more funds for us to distribute and could increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of SL Green's common stock to decrease. Limitations on our ability to sell or reduce the indebtedness on specific mortgaged properties could adversely affect the value of SL Green's common stock.

In connection with past and future acquisitions of interests in properties, we have or may agree to restrictions on our ability to sell or refinance the acquired properties for certain periods. These limitations could result in us holding properties which we would otherwise sell, or prevent us from paying down or refinancing existing indebtedness, any of which may have adverse consequences on our business and result in a material adverse effect on our financial condition and results of operations.

We face potential conflicts of interest.

There are potential conflicts of interest between us and Stephen L. Green.

There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and affiliated entities in our initial public offering. Mr. Green serves as the chairman of SL Green's board of directors and is an executive officer. 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 he contributed is in our best interest but not his.

In addition, Mr. Green's tax basis includes his share of debt, including mortgage indebtedness, owed by the Operating Partnership. If the 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. As a result, Mr. Green has a conflict of interest if the refinancing of indebtedness is in our best interest but not his.

Members of management may have a conflict of interest over whether to enforce terms of agreements with entities which Mr. Green, 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 partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. Our company and our tenants accounted for 14.6% of Alliance's 2014 estimated total revenue. While we believe that the contracts pursuant to which these services are provided were the result of arm's length negotiations, there can be no assurance that the terms of such agreements, or dealings between the parties during the performance of

such agreements, will be as favorable to us as those which could be obtained from unaffiliated third parties providing comparable services under similar circumstances. 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 Gary Green.

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

Stephen L. Green, Marc Holliday, Andrew Mathias, Andrew Levine and Matthew DiLiberto entered into employment and noncompetition agreements with us pursuant to which they have agreed not to actively engage in (i) the acquisition, development, management, leasing or financing of office real estate in the New York City Metropolitan area (in the case of Stephen Green) and (ii) the acquisition, development, management, leasing or financing of any office real estate throughout the United States and any multifamily residential or retail real estate located in Manhattan. 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 also has interests in two properties in Manhattan, which are exempt from the non-competition provisions of his employment and non-competition agreement.

SL Green's failure to qualify as a REIT would be costly and would have a significant effect on the value of our securities.

We believe we have operated in a manner for SL Green to qualify as a REIT for federal income tax purposes and intend to continue to so operate. Many of the REIT compliance requirements, however, are highly technical and complex. The determination that SL Green is a REIT requires an analysis of factual matters and circumstances. These matters, some of which are not totally within our control, can affect SL Green's 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 the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service, or 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 SL Green fails to qualify as a REIT, this would substantially reduce the funds available for distribution to our stockholders because we would not be allowed a deduction for dividends paid to our stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates and we could be subject to the federal alternative minimum tax and possibly increased state and local taxes.

Also, unless the IRS grants us relief under specific statutory provisions, SL Green would remain disqualified as a REIT for four years following the year in which SL Green first failed to qualify. If SL Green failed to qualify as a REIT, SL Green would have to pay significant income taxes and would therefore have less money available for investments, to service debt obligations or to pay dividends and distributions to security holders. This would likely have a significant adverse effect on the value of our securities. In addition, the REIT tax laws would no longer obligate us to make any distributions to stockholders. As a result of all these factors, if SL Green fails to qualify as a REIT, this could impair our ability to expand our business and raise capital.

We may in the future pay taxable dividends on SL Green's common stock in common stock and cash.

We obtained a favorable ruling from the IRS pursuant to which we may pay taxable dividends partly in cash and partly in shares of our common stock with respect to our 2014, 2015, and 2016 taxable years, so long as we follow the procedures set forth in the ruling. We paid all of our 2014 dividends entirely in the form of cash. However, we may pay a portion of our 2015 or 2016 dividends on our common stock with a combination of cash and shares of our common stock. If we pay such a dividend, taxable stockholders would be required to include the entire amount of the

dividend, including the portion paid with shares of common stock, as ordinary income to the extent of our current and accumulated earnings and profits, and may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a 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 certain 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 SL Green's common stock in order to pay taxes owed on dividends, such sales could put downward pressure on the market price of SL Green's common stock. SL Green's board of directors will continue to evaluate our dividend policy on a quarterly basis as it monitors the capital markets and the impact of the economy on our operations. The decision to authorize and pay dividends on SL Green's 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 SL Green's 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 general overall economic conditions and other factors.

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We are dependent on external sources of capital.

We need a substantial amount of capital to operate and grow our business, which need is exacerbated by the distribution requirements imposed on us for SL Green to qualify as a REIT, and it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. We therefore rely on third-party sources of capital, which may not be available on favorable terms or at all. Our access 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 raising 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, or 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.

Loss of our key personnel could harm our operations and our stock price.

We are dependent on the efforts of Marc Holliday, our chief executive officer, and Andrew Mathias, our president. These officers have employment agreements which expire in January 2016 and December 2016, respectively. A loss of the services of either of these individuals could adversely affect our operations and could be negatively perceived by the market resulting in a decrease in our stock price.

Our business and operations would suffer in the event of system failures or cyber security attacks.

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 a number of risks including energy blackouts, natural disasters, terrorism, war, telecommunication failures and cyber attacks and intrusions, such as computer viruses, malware, attachments to e-mails, intrusion and unauthorized access, including from persons inside our organization or from persons outside our organization with access to our systems. The risk of a security breach or disruption, particularly through cyber attacks and intrusions, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and instructions from around the world have increased. Our systems are critical to the operation of our business and any system failure, accident or security breach 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. Although we make efforts to maintain the security and integrity of our systems and have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Any compromise of our security could also result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, loss or misuse of the information (which may be confidential, proprietary and/or commercially sensitive in nature) and a loss of confidence in our security measures, which could harm our business.

Our property taxes could increase due to reassessment or property tax rate changes.

We are required to pay real property taxes in respect of our properties and such taxes may increase as our properties are reassessed by taxing authorities or as property tax rates change. An increase in the assessed value of our properties or our property tax rates could adversely impact our financial condition, results of operations and our ability to satisfy our debt service obligations and to pay dividends and distributions to our security holders.

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

Changing or new laws, regulations and standards relating to corporate governance and public disclosure, including SEC regulations and NYSE rules, can create uncertainty for public companies. These changed or new laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity. 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. 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.

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 continued efforts to comply with 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 have required the commitment of significant financial and managerial resources. 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.

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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, 2014, we did not have any unresolved comments with the staff of the SEC.

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## ITEM 2. PROPERTIES

## Our Portfolio

## General

As of December 31, 2014, we owned or held interests in 23 consolidated and seven unconsolidated commercial office buildings encompassing approximately 18.4 million rentable square feet and approximately 3.5 million rentable square feet, respectively, for a total of approximately 21.9 million rentable square feet, located primarily in midtown Manhattan. Certain of these buildings include at least a small amount of retail space on the lower floors, as well as basement/storage space. As of December 31, 2014, our portfolio also included ownership interests in 27 consolidated and four unconsolidated commercial office buildings encompassing approximately 4.4 million rentable square feet and approximately 1.2 million rentable square feet, respectively, located in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey. We refer to these buildings as our Suburban properties.

As of December 31, 2014, we also owned investments in 17 prime retail properties encompassing approximately 735,400 square feet, 17 buildings in some stage of development or redevelopment encompassing approximately 4,077,300 square feet, four residential buildings encompassing 892 units (approximately 802,200 square feet) and two land interests under improvement encompassing approximately 783,500 square feet. In addition, we manage one office building owned by a third party encompassing approximately 336,201 square feet and held debt and preferred equity investments with a book value of \$1.4 billion.

The following tables set forth certain information with respect to each of the Manhattan and Suburban office, prime retail, residential, development and redevelopment properties and land interest in the portfolio as of December 31, 2014:

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
<b>CONSOLIDATED OFFICE PROPERTIES</b>									
<b>"Same Store"</b>									
100 Church Street	1959/2010	Downtown	1,047,500	4%	98.7 %	\$38,229,624	3%	18	\$35.42
110 East 42nd Street	1921	Grand Central	215,400	1	98.8 %	10,364,856	1	22	\$51.15
120 West 45th Street	1998	Midtown	440,000	2	95.6 %	24,519,168	2	40	\$57.52
125 Park Avenue	1923/2006	Grand Central	604,245	2	80.4 %	29,298,864	2	22	\$58.83
220 East 42nd Street	1929	Grand Central	1,135,000	4	92.2 %	48,059,376	4	32	\$45.27
304 Park Avenue South	1930	Midtown South	215,000	1	91.9 %	11,976,660	1	13	\$62.03
420 Lexington Ave (Graybar)(5)	1927/1999	Grand Central North	1,188,000	4	96.5 %	70,997,604	6	215	\$50.78
461 Fifth Avenue(5)	1988	Midtown Grand	200,000	1	96.5 %	16,606,080	1	12	\$82.60
485 Lexington Avenue	1956/2006	Grand Central North	921,000	3	100.0 %	56,904,228	5	24	\$61.58
555 West 57th Street	1971		941,000	3	99.9 %	37,381,476	3	10	\$36.82

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609 Fifth Avenue	1925/1990	Midtown West Rockefeller Center	160,000	1	81.3 %	14,085,768	1	13	\$114.46
625 Madison Avenue(5)	1956/2002	Plaza District	563,000	2	92.1 %	47,157,372	4	21	\$88.43
641 Sixth Avenue	1902	Midtown South	163,000	1	92.1 %	8,521,524	1	7	\$56.20
711 Third Avenue—50.00%(5)(6)	1955	Grand Central North	524,000	2	80.6 %	24,748,644	2	17	\$54.94
750 Third Avenue	1958/2006	Grand Central North	780,000	3	96.7 %	43,606,644	4	30	\$56.21
810 Seventh Avenue	1970	Times Square	692,000	2	81.0 %	36,652,068	3	41	\$62.07
919 Third Avenue—51.00%	1970	Grand Central North	1,454,000	5	90.3 %	84,800,004	4	11	\$64.24
1185 Avenue of the Americas(5)	1969	Rockefeller Center	1,062,000	4	99.9 %	87,476,904	7	19	\$81.13
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	96.9 %	39,094,293	3	36	\$69.07
1515 Broadway	1972	Times Square Park	1,750,000	6	99.6 %	111,268,968	9	12	\$64.94
1 Madison Avenue	1960/2002	Avenue South	1,176,900	4	100.0 %	68,520,156	6	2	\$57.89
Subtotal / Weighted Average			15,794,045	57%	94.8 %	\$910,270,281	72%	617	

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Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
"Non Same Store"									
388-390 Greenwich Street(7)	1986/1990	Downtown	2,635,000	10	100.0%	\$111,016,908	9	1	\$42.13
Subtotal / Weighted Average			2,635,000	10%	100.0%	\$111,016,908	9%	1	
Total / Weighted Average Manhattan Consolidated Office Properties			18,429,045	67%	95.5 %	\$1,021,287,189	81%	618	
UNCONSOLIDATED OFFICE PROPERTIES									
"Same Store"									
3 Columbus Circle—48.90%	1927/2010	Columbus Circle	530,981	2%	79.5 %	\$34,575,816	1%	24	\$81.89
100 Park Avenue—49.90%	1950/1980	Grand Central South Times Square	834,000	3	96.0 %	57,406,716	2	39	\$66.70
315 West 36th Street—35.50%	1926	Grand Central South	147,619	1	99.2 %	5,129,700	1	6	\$35.03
521 Fifth Avenue—50.50%	1929/2000	Grand Central	460,000	2	99.3 %	27,807,180	1	45	\$57.92
600 Lexington Avenue—55.00%	1983/2009	East side	303,515	1	89.2 %	20,617,776	1	35	\$77.91
800 Third Avenue—42.95%	1972/2006	Grand Central North	526,000	2	94.8 %	30,160,800	1	39	\$57.24
1745 Broadway—56.88%	2003	Midtown	674,000	2	100.0%	40,227,156	2	1	\$62.41
Total / Weighted Average Unconsolidated Office Properties			3,476,115	13%	94.0 %	\$215,925,144	9%	189	
Manhattan Office Grand Total / Weighted Average			21,905,160	80%	95.3 %	\$1,237,212,333		807	
Manhattan Office Grand Total—SLG share of Annualized Rent						\$1,088,380,812	90%		
Manhattan Office Same Store Occupancy %—Combined			19,270,160	88%	94.7 %				

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Suburban Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
<b>CONSOLIDATED OFFICE PROPERTIES</b>									
<b>"Same Store" Westchester, NY</b>									
1100 King Street	1983-1986	Rye Brook, Westchester	540,000	3%	60.2 %	\$8,694,168	1%	27	\$26.15
520 White Plains Road	1979	Tarrytown, Westchester	180,000	1	76.2 %	3,550,248	0	11	\$27.38
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	1	75.1 %	2,753,964	0	10	\$23.09
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	1	72.9 %	4,372,248	0	10	\$24.53
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	1	80.2 %	4,645,920	1	8	\$24.51
500 Summit Lake Drive	1986	Valhalla, Westchester	228,000	1	97.8 %	4,987,236	1	7	\$25.29
140 Grand Street	1991	White Plains, Westchester	130,100	0	100.0%	4,123,920	0	15	\$34.81
360 Hamilton Avenue	2000	White Plains, Westchester	384,000	1	92.3 %	12,840,336	1	19	\$36.02
Westchester, NY Subtotal/Weighted Average			2,135,100	9%	78.8 %	\$45,968,040	4%	107	
<b>"Same Store" Connecticut</b>									
Landmark Square	1973-1984	Stamford, Connecticut	862,800	2%	83.2 %	\$19,604,244	2%	117	\$32.85
680 Washington Boulevard—51.00%	1989	Stamford, Connecticut	133,000	0	80.9 %	4,646,412	0	9	\$43.71
750 Washington Boulevard—51.00%	1989	Stamford, Connecticut	192,000	1	97.8 %	7,721,700	0	11	\$41.09
1055 Washington Boulevard(5)	1987	Stamford, Connecticut	182,000	1	89.2 %	6,279,972	1	23	\$37.01
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400	1	77.1 %	3,601,092	0	23	\$34.54
500 West Putnam Avenue	1973	Greenwich, Connecticut	121,500	0	53.8 %	2,978,136	0	10	\$45.29
Connecticut Subtotal/Weighted Average			1,634,700	5%	83.6 %	\$44,831,556	3%	193	
<b>"Same Store" New Jersey</b>									
125 Chubb Way	2008		278,000	1%	62.4 %	\$3,851,880	0%	5	\$23.37

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		Lyndhurst, New Jersey								
New Jersey Subtotal/Weighted Average	278,000	1%	62.4	%	\$3,851,880	0%	5			
"Non Same Store" Brooklyn, NY										
16 Court Street	1927-1928	Brooklyn, New York	317,600	1%	94.7	%	\$11,572,848	1%	67	\$39.98
Brooklyn, NY Subtotal/Weighted Average	317,600	1%	94.7	%	\$11,572,848	1%	67			
Total / Weighted Average Consolidated	4,365,400	16%	80.7	%	\$106,224,324	8%	372			
Office Properties										
UNCONSOLIDATED										
OFFICE PROPERTIES										
"Same Store"										
The		Rutherford, New Jersey								
Meadows—50.00%	1981		582,100	2%	91.4	%	\$13,645,932	1%	56	\$29.00
Jericho		Jericho, New York								
Plaza—20.26%	1980		640,000	2	86.0	%	19,101,132	0	36	\$36.27
Total / Weighted Average Unconsolidated			1,222,100	4%	88.6	%	\$32,747,064	1%	92	
Office Properties										
Suburban Grand Total / Weighted Average	5,587,500	20%	82.4	%	\$138,971,388		464			
Suburban Office Grand Total—SLG share of										
Annualized Rent						\$110,856,804	9%			
Suburban Office Same Store Occupancy	5,269,900	94%	81.7	%						
%—Combined										
Portfolio Office Grand Total	27,492,660	100%				\$1,376,183,721		1,271		
Portfolio Office Grand Total—SLG Share of										
Annualized Rent						\$1,199,237,616	100%			

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	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
<b>PRIME RETAIL</b>									
<b>"Same Store"</b>									
<b>Prime Retail</b>									
11 West 34th Street—30.00%	1920/2010	Herald Square/Penn Station	17,150	2%	100.0%	\$2,450,412	1%	1	\$219.77
19-21 East 65th Street—80.00%	1928-1940	Plaza District	23,610	3	66.0%	1,214,687	2	19	\$204.63
21 East 66th Street—32.28%	1921	Plaza District	13,069	2	100.0%	3,204,888	2	1	\$245.23
131-137 Spring Street	1891	Soho	68,342	9	92.0%	4,548,411	8	11	\$72.37
717 Fifth Avenue—10.92%	1958/2000	Midtown/Plaza District	119,550	16	89.4%	36,132,888	7	7	\$337.90
724 Fifth Avenue—50.00%	1921	Plaza District	65,010	9	74.8%	21,149,304	19	7	\$435.14
752 Madison Avenue—80.00%	1996/2012	Plaza District	21,124	3	100.0%	3,949,404	6	1	\$186.96
762 Madison Avenue—80.00%	1910	Plaza District	6,109	1	100.0%	1,709,127	3	5	\$279.77
Williamsburg Terrace	2010	Brooklyn, New York	52,000	7	100.0%	1,560,492	3	3	\$30.01
Subtotal/Weighted Average			385,964	52%	89.0%	\$75,919,613	51%	55	
<b>"Non Same Store"</b>									
<b>Prime Retail</b>									
102 Greene Street	1910	SoHo	9,200	1%	100.0%	\$633,132	1%	3	\$68.82
115 Spring Street	1900	SoHo	5,218	1	100.0%	935,748	2	1	\$179.33
121 Greene Street—50.00%	1887	SoHo	7,131	1	100.0%	1,327,320	1	2	\$186.13
315 West 33rd Street— The Olivia	2000	Penn Station	270,132	37	100.0%	15,199,764	27	10	\$56.27
1552-1560 Broadway—50.00%	1926/2014	Time Square	57,718	8	67.5%	19,363,968	18	2	\$496.93
Subtotal/Weighted Average			349,399	48%	94.6%	\$37,459,932	49%	18	
Total / Weighted Average Prime Retail Properties			735,363	100%	91.7%	\$113,379,545	100%	73	
<b>DEVELOPMENT/REDEVELOPMENT</b>									
150 Grand Street	1962/2001	White Plains, New York	85,000	2%	43.8%	\$962,544	2%	20	\$25.83
	2008		65,641	2	67.7%	1,451,376	1	8	\$32.65

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7 Renaissance Square—50.00%		White Plains, New York								
33 Beekman Street—45.90%	2008	Downtown	—	—	—	%	—	—	—	\$—
180 Maiden Lane—49.90%	1984	Financial East	1,090,000	27	22.9	%	12,495,012	10	4	\$49.98
280 Park Avenue—49.50%	1961	Park Avenue	1,219,158	30	55.4	%	67,136,640	52	28	\$99.47
51 East 42 street	1913	Grand Central	142,000	3	10.1	%	1,146,816	2	1	\$79.90
317 Madison Avenue	1922	Grand Central	450,000	11	18.6	%	7,093,848	11	7	\$84.53
331 Madison Avenue	1923	Grand Central	114,900	3	19.6	%	2,841,372	4	7	\$125.99
635 Sixth Avenue	1902	Midtown South	104,000	2	72.5	%	5,441,412	8	1	\$72.12
10 East 53rd Street—55.00%	1972/2014	Plaza District	354,300	9	30.1	%	6,344,820	5	13	\$59.44
Fifth Avenue Retail Assemblage	1920	Plaza District	66,962	2	63.7	%	1,224,600	2	1	\$28.72
650 Fifth Avenue—50.00%	1977-1978	Plaza District	32,324	0	10.5	%	1,337,316	1	2	\$394.26
719 Seventh Avenue—75.00%	1927	Time Square	6,000	0	100.0	%	1,397,256	2	2	\$232.88
175-225 Third Avenue—95.00%	1972/1998	Brooklyn, New York	—	—	—	%	—	—	—	\$—
55 West 46th Street—25.00%	2009	Midtown	347,000	9	—	%	—	—	—	\$—
Total / Weighted Average Development/Redevelopment Properties			4,077,285	100%	33.4	%	\$108,873,012	100%	94	

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Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
<b>LAND</b>								
635 Madison Avenue	Plaza District	176,530	23%	100.0 %	\$3,677,574	18%		\$20.83
885 Third Avenue	Midtown/Plaza District	607,000	77	100.0 %	16,652,406	82%		\$27.43
Total / Weighted Average Land		783,530	100%	100.0 %	\$20,329,980	100%		
			Useable Sq. Feet	Total Units	Percent Occupied (1)	Annualized Cash Rent (2)	Average Monthly Rent Per Unit	
<b>RESIDENTIAL</b>								
400 East 57th Street—80.00%	Upper East Side	290,482	261	94.3	% \$10,935,990		\$3,128	
400 East 58th Street—80.00%	Upper East Side	140,000	125	96.8	% 4,968,417		\$3,089	
1080 Amsterdam—87.50%	Upper West Side	82,250	96	97.9	% 4,320,780		\$3,607	
248-252 Bedford Avenue—90.00%	Brooklyn, New York	66,611	77	89.6	% 3,360,631		\$4,059	
315 West 33rd Street	Penn Station	222,855	333	95.8	% 14,324,721		\$3,754	
Total / Weighted Average Residential Properties		802,198	892	95.2	% \$37,910,539			

(1) Excludes leases signed but not yet commenced as of December 31, 2014.

Annualized Cash Rent represents the monthly contractual rent under existing leases as of December 31, 2014 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, (2) which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2014 for the 12 months ending December 31, 2015 will reduce cash rent by \$98.2 million for our consolidated properties and \$17.5 million for our unconsolidated properties.

(3) Includes our share of unconsolidated joint venture annualized cash rent.

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

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

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

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

**Historical Occupancy**

Historically we have achieved consistently higher occupancy rates in our Manhattan portfolio as compared to the overall midtown markets, as shown over the last five years in the following table:

Percent of	Occupancy Rate of	Occupancy Rate of
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	Manhattan Portfolio Leased(1)	Class A Office Properties in the midtown Markets(2)(3)	Class B Office Properties in the midtown Markets(2)(3)	
December 31, 2014	95.3	% 89.4	% 91.6	%
December 31, 2013	94.3	% 88.3	% 89.1	%
December 31, 2012	94.3	% 89.1	% 90.0	%
December 31, 2011	92.5	% 89.7	% 91.3	%
December 31, 2010	92.9	% 88.6	% 90.9	%

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

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

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 (3) 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 frequently obtain the highest rental rates within their markets.

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Historically we have achieved consistently higher occupancy rates in our Westchester County and Connecticut portfolios in comparison to the overall Westchester County and Stamford, Connecticut, CBD markets, as shown over the last five years in the following table:

	Percent of Westchester Portfolio Leased(1)	Occupancy Rate of Class A Office Properties in the Westchester Market(2)	Percent of Connecticut Portfolio Leased(1)	Occupancy Rate of Class A Office Properties in the Stamford CBD Market(2)	
December 31, 2014	78.8	% 76.6	% 83.6	% 75.7	%
December 31, 2013	78.1	% 79.4	% 80.5	% 74.7	%
December 31, 2012	79.2	% 78.5	% 80.7	% 73.7	%
December 31, 2011	80.6	% 80.1	% 80.3	% 73.8	%
December 31, 2010	80.0	% 80.3	% 84.3	% 77.6	%

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

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

## 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, 2019, the average annual rollover at our Manhattan consolidated and unconsolidated operating properties is expected to be approximately 0.9 million square feet and approximately 0.3 million square feet, respectively, representing an average annual expiration rate of approximately 5.1% and approximately 8.2%, 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 operating properties, respectively, with respect to leases in place as of December 31, 2014 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 Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet	Annualized Cash Rent of Expiring Leases(2)	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2015 <sup>(4)</sup>	81	582,568	3.2	% \$33,867,372	\$58.13
2016	77	876,017	4.8	55,245,734	\$63.06
2017	87	1,536,033	8.5	87,928,958	\$57.24
2018	65	673,863	3.7	50,333,628	\$74.69
2019	66	972,016	5.4	61,806,989	\$63.59
2020	49	2,398,379	13.2	141,850,140	\$59.14
2021	45	1,733,869	9.6	99,386,343	\$57.32
2022	36	867,102	4.8	52,263,411	\$60.27

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2023	30	635,376	3.5	33,887,852	\$53.34
2024 & thereafter	89	5,210,537	28.8	293,699,854	\$56.37
Sub-Total/weighted average	625	15,485,760	85.5	% \$910,270,281	\$58.78
	1 <sup>(5)</sup>	2,634,670	14.5	111,016,908	\$42.14
Total/weighted average	626	18,120,430	100.0	% \$1,021,287,189	\$56.36

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(1) Tenants may have multiple leases.

Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2014 multiplied by 12. This amount reflects total rent before any rent abatements and includes

(2) expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2014 for the 12 months ending December 31, 2015 will reduce cash rent by \$95.0 million for the properties.

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

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(4) Includes approximately 44,391 square feet and annualized cash rent of \$3.0 million occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2014.

(5) Represents Citigroup's net lease at 388-390 Greenwich Street, which expires in 2035. The net rent as of December 31, 2014 is approximately \$42.13 per square foot with annual CPI escalation.

Manhattan Unconsolidated Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet	Annualized Cash Rent of Expiring Leases(2)	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2015	29	300,702	9.0	% \$15,993,528	\$53.19
2016	20	168,492	5.0	9,921,012	\$58.88
2017	17	198,116	5.9	15,158,796	\$76.51
2018	24	463,194	13.8	32,253,042	\$69.63
2019	23	240,923	7.2	16,959,384	\$70.39
2020	12	268,545	8.0	13,882,788	\$51.70
2021	11	183,170	5.5	12,771,528	\$69.72
2022	10	134,335	4.0	7,890,972	\$58.74
2023	16	777,138	23.2	48,302,310	\$62.15
2024 & thereafter	32	610,978	18.4	42,791,784	\$70.04
Total/weighted average	194	3,345,593	100.0	% \$215,925,144	\$64.54

(1) Tenants may have multiple leases.

Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2014 multiplied by 12. This amount reflects total rent before any rent abatements and includes

(2) expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2014 for the 12 months ending December 31, 2015 will reduced cash rent by \$15.4 million for the joint venture properties.

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, 2019, the average annual rollover at our Suburban consolidated and unconsolidated operating properties is expected to be approximately 0.3 million square feet and approximately 0.1 million square feet, respectively, representing an average annual expiration rate of approximately 10.6% and approximately 8.4% 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 operating properties, respectively, with respect to leases in place as of December 31, 2014 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 Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet	Annualized Cash Rent of Expiring Leases(2)	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2015 <sup>(4)</sup>	72	353,717	10.7	% \$12,381,216	\$35.00
2016	55	445,211	13.5	16,069,524	\$36.09
2017	46	194,654	5.9	7,811,844	\$40.13
2018	46	287,367	8.7	10,066,406	\$35.03
2019	41	549,246	16.6	15,415,632	\$28.07
2020	26	330,411	10.0	10,620,828	\$32.14
2021	19	288,599	8.7	7,134,156	\$24.72
2022	12	57,303	1.7	1,878,972	\$32.79
2023	16	187,572	5.7	6,029,844	\$32.15
2024 & thereafter	38	612,449	18.5	18,815,902	\$30.72
Total/weighted average	371	3,306,529	100.0	% \$106,224,324	\$32.13

(1) Tenants may have multiple leases.

Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2014 multiplied by 12. This amount reflects total rent before any rent abatements and includes

(2) expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2014 for the 12 months ending December 31, 2015 will reduce cash rent by \$3.2 million for the properties.

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

(4) Includes approximately 84,845 square feet and annualized cash rent of \$3.1 million occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2014.

Suburban Unconsolidated Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet	Annualized Cash Rent of Expiring Leases(2)	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2015 <sup>(4)</sup>	17	178,868	17.5	% \$6,432,936	\$35.97
2016	10	52,656	5.1	1,612,860	\$30.63
2017	10	91,939	9.0	3,075,132	\$33.45
2018	10	97,314	9.5	3,412,032	\$35.06

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2019	20	115,878	11.3	3,456,612	\$29.83
2020	3	41,357	4.0	1,473,468	\$35.63
2021	6	101,097	9.9	3,472,944	\$34.35
2022	—	—	—	—	\$—
2023	3	88,750	8.7	2,879,340	\$32.44
2024 & thereafter	9	255,543	25.0	6,931,740	\$27.13
Total/weighted average	88	1,023,402	100.0	% \$32,747,064	\$32.00

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(1) Tenants may have multiple leases.

Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2014 multiplied by 12. This amount reflects total rent before any rent abatements and includes

(2) expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2014 for the 12 months ending December 31, 2015 will reduce cash rent by \$2.1 million for the joint venture properties.

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

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(4) Includes approximately 108,656 square feet and annualized cash rent of \$4.1 million occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2014.

## Tenant Diversification

At December 31, 2014, our Manhattan and Suburban office properties were leased to 1,271 tenants, which are engaged in a variety of businesses, including professional services, financial services, media, apparel, business services and government/non-profit. The following table sets forth information regarding the leases with respect to the 30 largest tenants in our Manhattan and Suburban office properties, which are not intended to be representative of our tenants as a whole, based on the amount of square footage leased by our tenants as of December 31, 2014:

Tenant	Properties	Lease Expiration	Total Leased Square Feet	Percentage of Aggregate Portfolio Leased Square Feet	Percentage of SL Green's Share of Aggregate Portfolio Annualized Cash Rent
Citigroup, N.A.	388-390 Greenwich Street, 485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue, 750 Washington Blvd	Various	3,023,423	11.0 %	10.9 %
Viacom International, Inc.	1515 Broadway	2031	1,330,735	4.8	7.2
Credit Suisse Securities (USA), Inc.	1 Madison Avenue, 280 Park Avenue & 1055 Washington	2019 & 2020	1,149,406	4.2	5.6
Random House, Inc.	1745 Broadway	2018 & 2023	644,598	2.3	1.9
Debevoise & Plimpton, LLP	919 Third Avenue	2021	619,353	2.3	1.8
The City of New York	16 Court Street & 100 Church Street	2014, 2017 & 2034	541,787	2.0	1.5
Omnicom Group, Inc.	220 East 42nd Street	2017	493,560	1.8	1.7
Ralph Lauren Corporation	625 Madison Avenue	2019	339,381	1.2	2.0
Advance Magazine Group, Fairchild Publications	750 Third Avenue & 485 Lexington Avenue	2021	339,195	1.2	1.3
C.B.S. Broadcasting, Inc.	555 West 57th Street	2023	295,226	1.1	1.0
Metro-North Commuter Railroad Company	420 Lexington Avenue	2034	273,170	1.0	1.1
Schulte, Roth & Zabel LLP	919 Third Avenue	2036	263,186	1.0	0.7
HF Management Services LLC	100 Church Street & 521 Fifth Avenue	2015 & 2032	252,762	0.9	0.7
BMW of Manhattan	555 West 57th Street	2022	227,782	0.8	0.5
The City University of New York - CUNY	555 West 57th Street & 16 Court Street	2020, 2023 & 2030	227,622	0.8	0.7
Stroock, Stroock & Lavan LLP	180 Maiden Lane	2023	223,434	0.8	0.5
Amerada Hess Corp.	1185 Avenue of the Americas	2027	181,569	0.7	1.1
The Travelers Indemnity Company	485 Lexington Avenue & 2 Jericho Plaza	2021	173,278	0.6	0.8
Verizon		Various	172,502	0.6	0.4

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120 West 45th Street, 1100  
 King Street Bldg 1,  
 1 Landmark Square, 2  
 Landmark Square & 500  
 Summit Lake Drive

United Nations	220 East 42nd Street	2017, 2021 & 2022	171,091	0.6	0.7
News America Incorporated	1185 Avenue of the Americas	2020	161,722	0.6	1.2
King & Spalding	1185 Avenue of the Americas	2025	159,943	0.6	1.2
Young & Rubicam, Inc.	3 Columbus Circle	2033	159,292	0.6	0.4
Amazon Corporate LLC	1185 Avenue of the Americas & 1350 Avenue of the Americas	2016, 2019 & 2023	158,688	0.6	0.9
Bloomingtons, Inc.	919 Third Avenue	2024	157,961	0.6	0.4
National Hockey League	1185 Avenue of the Americas	2022	148,217	0.5	1.1

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Beth Israel Medical Center & The Mount Sinai Hospital	555 West 57th Street & 625 Madison Avenue	2016 & 2030	147,613	0.5	0.6
Banque National De Paris	919 Third Avenue	2016	145,834	0.5	0.4
Eisner Amper, LLP	750 Third Avenue	2020	141,546	0.5	0.8
RSM McGladrey, Inc.	1185 Avenue of the Americas	2018	129,008	0.5	0.8
Total			12,452,884	45.2	% 49.9 %

**Environmental Matters**

We engaged independent environmental consulting firms to perform Phase I environmental site assessments on our portfolio, in order to assess existing environmental conditions. All of the Phase I assessments met the American Society for Testing and Materials (ASTM) Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, an historical record review, a review of regulatory agency data bases and records, and interviews with on-site personnel, with the purpose of identifying potential environmental concerns associated with real estate. These environmental site assessments did not reveal any known environmental liability that we believe will have a material adverse effect on our results of operations or financial condition.

**ITEM 3. LEGAL PROCEEDINGS**

As of December 31, 2014, the Company and the Operating Partnership were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

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## PART II

## ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## SL GREEN REALTY CORP.

SL Green's common stock trades on the New York Stock Exchange, or the NYSE, under the symbol "SLG." On February 17, 2015, the reported closing sale price per share of common stock on the NYSE was \$128.41 and there were 306 holders of record of SL Green's common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the dividends declared by us with respect to the periods indicated.

Quarter Ended	2014			2013		
	High	Low	Dividends	High	Low	Dividends
March 31	\$100.62	\$90.96	\$0.50	\$86.29	\$78.16	\$0.33
June 30	\$112.79	\$99.31	\$0.50	\$94.21	\$84.36	\$0.33
September 30	\$111.86	\$101.32	\$0.50	\$95.61	\$85.40	\$0.33
December 31	\$123.10	\$101.23	\$0.60	\$98.15	\$87.63	\$0.50

If dividends are declared in a quarter, those dividends are generally paid during the subsequent quarter. We expect to continue our policy of distributing our taxable income through regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements and financial condition. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Dividends," for additional information regarding our dividends.

## UNITS

At December 31, 2014, there were 3,973,016 units of limited partnership interest of the Operating Partnership outstanding and held by persons other than the Company, which received distributions per unit in the same manner as dividends per share were distributed to common stockholders.

## SL GREEN OPERATING PARTNERSHIP, L.P.

There is no established public trading market for the common units of the Operating Partnership. On February 17, 2015, there were 54 holders of record and 102,556,254 common units outstanding, 98,625,888 of which were held by SL Green. The table below sets forth the quarterly distributions paid by the Operating Partnership to holders of its common units with respect to the periods indicated.

Quarter Ended	Distributions	
	2014	2013
March 31	\$0.50	\$0.33
June 30	\$0.50	\$0.33
September 30	\$0.50	\$0.33
December 31	\$0.60	\$0.50

SL Green expects to pay dividends to its stockholders on a quarterly basis based on the distributions from the Operating Partnership to it primarily from property revenues net of operating expenses or, if necessary, from working capital or borrowings. If SL Green declares a dividend, such dividend is generally paid in the subsequent quarter. In order for SL Green to maintain its qualification as a REIT, it must make annual distributions to its stockholders of at least 90% of its taxable income (not including net capital gains). SL Green has adopted a policy of paying regular quarterly dividends on its common stock, and the Operating Partnership has adopted a policy of paying regular quarterly distributions to its common units corresponding to dividends paid by SL Green. Cash distributions have been paid on the common stock of SL Green and the common units of the Operating Partnership since the initial public offering of SL Green. Distributions are declared at the discretion of the board of directors of SL Green and depend on actual and anticipated cash from operations, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors SL Green's board of directors may consider relevant.

Each time SL Green issues shares of stock (other than in exchange for common units of limited partnership interest of the Operating Partnership, or OP Units, when such OP Units are presented for redemption), it contributes the proceeds of such issuance

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to the Operating Partnership in return for an equivalent number of units of limited partnership interest with rights and preferences analogous to the shares issued.

**ISSUER PURCHASES OF EQUITY SECURITIES**

None.

**SALE OF UNREGISTERED AND REGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES**

During the years ended December 31, 2014, 2013, and 2012, we issued 315,054, 238,867 and 1,096,384 shares of SL Green's common stock, respectively, to holders of units of limited partnership interest in the Operating Partnership upon the redemption of such units pursuant to the partnership agreement of the Operating Partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(a)(2) thereof for transactions not involving a public offering. The units were converted into an equal number of shares of SL Green's common stock.

The following table summarizes information, as of December 31, 2014, relating to our equity compensation plans pursuant to which shares of SL Green's common stock or other equity securities may be granted from time to time.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
	(a)	(b)	(c)	(4)
Equity compensation plans approved by security holders <sup>(1)</sup>	4,014,400	(2) \$87.98	(3) 2,986,530	(4)
Equity compensation plans not approved by security holders	—	—	—	
Total	4,014,400	\$87.98	2,986,530	

(1) Includes our 2014 Outperformance Plan, Third Amended and Restated 2005 Stock Option and Incentive Plan, Amended 1997 Stock Option and Incentive Plan, as amended and 2008 Employee Stock Purchase Plan.

(2) Includes (i) 1,462,700 shares of common stock issuable upon the exercise of outstanding options (429,000 of which are vested and exercisable), (ii) 136,900 restricted stock units and 75,600 phantom stock units that may be settled in shares of common stock (70,200 of which are vested), (iii) 2,058,200 LTIP units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to us for redemption and acquired by us for shares of SL Green's common stock (713,800 of which are vested) and (iv) shares of common stock reserved in connection with LTIP units issued pursuant to the 2014 Outperformance Plan, all of which remain subject to performance-based vesting and a dollar value limitation on the number of LTIP units that may be earned based on SL Green's common stock price when the LTIP units are earned.

(3) Because there is no exercise price associated with restricted stock units, phantom stock units or LTIP units, these awards are not included in the weighted-average exercise price calculation.

(4) Balance is after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding

LTIP Units issued under our 2011 Long-Term Outperformance Plan, which remain subject to performance-based vesting. The number of securities remaining available consists of shares remaining available for issuance under our 2008 Employee Stock Purchase Plan and Third Amended and Restated 2005 Stock Option and Incentive Plan and 2014 Outperformance Plan.

In December 2014, we acquired additional interests in one of our unconsolidated joint ventures through the issuance of \$25.0 million of our common units of limited partnership interest of the Operating Partnership. The units were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act. We may satisfy redemption requests for common units of limited partnership interests issued to the seller as a portion of the consideration, or upon conversion of convertible preferred units issued as a portion of the consideration, as applicable, with shares of the Company's common stock, on a one-for-one basis, pursuant to the partnership agreement of the Operating Partnership, or the Operating Partnership Agreement.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and should be read in conjunction with our Financial Statements and notes thereto included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" in this Form 10-K.

In connection with this Annual Report on Form 10-K, we are restating our historical audited consolidated financial statements as a result of the sale of certain properties. As a result, we have reported revenue and expenses from these properties as discontinued operations for each period presented in our Annual Report on Form 10-K. These reclassifications had no effect on our reported net income or funds from operations.

We are also providing updated summary selected financial information, which is included below, reflecting the prior period reclassification as discontinued operations of the properties sold during 2014 and as of December 31, 2014.

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## SL GREEN REALTY CORP.

Operating Data (in thousands, except per share data)	Year Ended December 31,				
	2014	2013	2012	2011	2010
Total revenue	\$1,519,978	\$1,371,065	\$1,290,052	\$1,196,737	\$1,052,215
Operating expenses	282,283	276,589	275,872	251,693	216,688
Real estate taxes	217,843	203,076	194,371	168,322	140,757
Ground rent	32,307	31,951	31,504	29,074	27,334
Interest expense, net of interest income	317,400	310,894	309,681	270,728	226,358
Amortization of deferred finance costs	22,377	15,855	18,558	13,915	8,983
Depreciation and amortization	371,610	324,461	311,860	268,505	218,167
Loan loss and other investment reserves, net of recoveries	—	—	564	6,722	17,751
Transaction related costs, net of recoveries	8,707	3,985	5,402	5,500	11,825
Marketing, general and administrative	92,488	86,192	82,840	80,103	75,946
Total expenses	1,345,015	1,253,003	1,230,652	1,094,562	943,809
Equity in net income from unconsolidated joint ventures	26,537	9,921	76,418	1,583	39,607
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	123,253	3,601	37,053	2,918	128,921
Purchase price fair value adjustment	67,446	(2,305)	—	498,195	—
Gain (loss) on sale of investment in marketable securities	3,895	(65)	4,940	4,866	490
Depreciable real estate reserves	—	—	—	(5,789)	(2,750)
(Loss) gain on early extinguishment of debt	(32,365)	(18,518)	(6,978)	904	(1,900)
Income from continuing operations	363,729	110,696	170,833	604,852	272,774
Discontinued operations	182,134	40,587	38,867	72,270	46,382
Net income	545,863	151,283	209,700	677,122	319,156
Net income attributable to noncontrolling interest in the Operating Partnership	(18,467)	(3,023)	(5,597)	(14,629)	(4,574)
Net income attributable to noncontrolling interests in other partnerships	(6,590)	(10,629)	(5,591)	(15,083)	(14,007)
Preferred unit distributions	(2,750)	(2,260)	(2,107)	—	—
Net income attributable to SL Green	518,056	135,371	196,405	647,410	300,575
Preferred stock redemption costs	—	(12,160)	(10,010)	—	—
Perpetual preferred stock dividends	(14,952)	(21,881)	(30,411)	(30,178)	(29,749)
Net income attributable to SL Green common stockholders	\$503,104	\$101,330	\$155,984	\$617,232	\$270,826
Net income per common share—Basic	\$5.25	\$1.10	\$1.75	\$7.37	\$3.47
Net income per common share—Diluted	\$5.23	\$1.10	\$1.74	\$7.33	\$3.45
Cash dividends declared per common share	\$2.10	\$1.49	\$1.08	\$0.55	\$0.40
Basic weighted average common shares outstanding	95,774	92,269	89,319	83,762	78,101
Diluted weighted average common shares and common share equivalents outstanding	99,696	95,266	92,873	86,244	79,761



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Balance Sheet Data (in thousands)	As of December 31,				
	2014	2013	2012	2011	2010
Commercial real estate, before accumulated depreciation	\$ 14,069,141	\$ 12,333,780	\$ 11,662,953	\$ 11,147,151	\$ 8,890,064
Total assets	17,096,587	14,959,001	14,386,296	13,483,881	11,301,540
Mortgages and other loans payable, revolving credit facility, term loan and senior unsecured notes and trust preferred securities	8,178,787	6,919,908	6,520,420	6,035,397	5,251,013
Noncontrolling interests in the Operating Partnership	469,524	265,476	212,907	195,030	84,338
Total equity	7,459,216	7,016,876	6,907,103	6,453,309	5,397,544
Other Data (in thousands)	Year Ended December 31,				
	2014	2013	2012	2011	2010
Funds from operations available to all stockholders(1)	\$ 583,034	\$ 491,597	\$ 490,255	\$ 413,813	\$ 389,161
Net cash provided by operating activities	490,381	386,203	346,753	307,118	318,518
Net cash (used in) provided by investing activities	(796,835 )	(628,435 )	(1,163,403 )	(733,855 )	21,355
Net cash provided by (used in) financing activities	381,171	258,940	868,442	232,099	(350,758 )

Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and as subsequently amended, defines FFO as net income (loss) (computed in accordance with generally accepted accounting principles, or GAAP), excluding gains (or losses) from debt restructurings, sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

(1) A reconciliation of FFO to net income computed in accordance with GAAP is included in Item 7, of "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations."



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## SL GREEN OPERATING PARTNERSHIP, L.P.

Operating Data (in thousands, except per unit data)	Year Ended December 31,				
	2014	2013	2012	2011	2010
Total revenue	\$1,519,978	\$1,371,065	\$1,290,052	\$1,196,737	\$1,052,215
Operating expenses	282,283	276,589	275,872	251,693	216,688
Real estate taxes	217,843	203,076	194,371	168,322	140,757
Ground rent	32,307	31,951	31,504	29,074	27,334
Interest expense, net of interest income	317,400	310,894	309,681	270,728	226,358
Amortization of deferred finance costs	22,377	15,855	18,558	13,915	8,983
Depreciation and amortization	371,610	324,461	311,860	268,505	218,167
Loan loss and other investment reserves, net of recoveries	—	—	564	6,722	17,751
Transaction related costs, net of recoveries	8,707	3,985	5,402	5,500	11,825
Marketing, general and administrative	92,488	86,192	82,840	80,103	75,946
Total expenses	1,345,015	1,253,003	1,230,652	1,094,562	943,809
Equity in net income from unconsolidated joint ventures	26,537	9,921	76,418	1,583	39,607
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	123,253	3,601	37,053	2,918	128,921
Purchase price fair value adjustment	67,446	(2,305)	—	498,195	—
Gain (loss) on sale of investment in marketable securities	3,895	(65)	4,940	4,866	490
Depreciable real estate reserves	—	—	—	(5,789)	(2,750)
(Loss) gain on early extinguishment of debt	(32,365)	(18,518)	(6,978)	904	(1,900)
Income from continuing operations	363,729	110,696	170,833	604,852	272,774
Discontinued operations	182,134	40,587	38,867	72,270	46,382
Net income	545,863	151,283	209,700	677,122	319,156
Net income attributable to noncontrolling interests in other partnerships	(6,590)	(10,629)	(5,591)	(15,083)	(14,007)
Preferred unit distributions	(2,750)	(2,260)	(2,107)	—	—
Net income attributable to SLGOP	536,523	138,394	202,002	662,039	305,149
Preferred unit redemption costs	—	(12,160)	(10,010)	—	—
Perpetual preferred unit distributions	(14,952)	(21,881)	(30,411)	(30,178)	(29,749)
Net income attributable to SLGOP common stockholders	\$521,571	\$104,353	\$161,581	\$631,861	\$275,400
Net income per common unit—Basic	\$5.25	\$1.10	\$1.75	\$7.37	\$3.47
Net income per common unit—Diluted	\$5.23	\$1.10	\$1.74	\$7.33	\$3.45
Cash dividends declared per common unit	\$2.10	\$1.49	\$1.08	\$0.55	\$0.40
Basic weighted average common units outstanding	99,288	95,004	92,526	79,422	71,965
Diluted weighted average common units and common units equivalents outstanding	99,696	95,266	92,873	79,761	72,044
	As of December 31,				
Balance Sheet Data (in thousands)	2014	2013	2012	2011	2010
	\$14,069,141	\$12,333,780	\$11,662,953	\$11,147,151	\$8,890,064

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Commercial real estate, before accumulated depreciation					
Total assets	17,096,587	14,959,001	14,386,296	13,483,881	11,301,540
Mortgages and other loans payable, revolving credit facility, term loan and senior unsecured notes and trust preferred securities	8,178,787	6,919,908	6,520,420	6,035,397	5,251,013
Total capital	7,928,740	7,282,352	6,650,339	5,481,882	4,997,747

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

SL Green Realty Corp., which is referred to as SL Green or the Company, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Company is a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions and dispositions, financing, development and redevelopment, construction and leasing. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership, Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P. or ROP, are wholly-owned subsidiaries of the Operating Partnership.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in Item 8 of this Annual Report on Form 10-K.

The New York City commercial real estate market continued to strengthen in 2014, and we took advantage of this strengthening market in improving occupancies and deploying capital in the borough of Manhattan to strategically position the Company for future growth.

Leasing and Operating

In 2014, our Manhattan office property occupancy on same-store properties based on leases signed increased to 95.7% from 95.3% in the prior year. We signed office leases in Manhattan encompassing approximately 2.1 million square feet, of which approximately 1.3 million square feet represented office leases that replaced previously occupied space. Our mark-to-market on these approximately 1.3 million square feet of signed Manhattan office leases that replaced previously occupied space was 14.9% for 2014. The highlight of our leasing activity during 2014 was the signing of a new long-term lease covering approximately 200,000 square feet with TD Bank to become the office and retail anchor tenant at One Vanderbilt, the Company's proposed tower adjacent to Grand Central Terminal.

New leasing activity in Manhattan in 2014 totaled approximately 32.8 million square feet, the highest level of activity since 1998. Of the total 2014 leasing activity in Manhattan, the Midtown submarket accounted for approximately 19.5 million square feet, or approximately 59.5%. Midtown's overall office vacancy decreased from 11.2% at December 31, 2013 to 9.3% at December 31, 2014.

Manhattan overall asking rents increased 6.8% year-over-year to \$67.70 per square foot. Midtown asking rents, at \$75.14 per square foot, exceeded \$75.00 per square foot for the first time since January 2009. The Midtown South average asking rent fell 3.0% year-over-year to \$60.72 per square foot as higher priced space was absorbed.

Downtown overall asking rents reached a record \$51.04 per square foot as the completion of One World Trade Center drove asking rents in the World Trade submarket to the highest rent ever recorded in any Downtown submarket.

Acquisition and Disposition Activity

Sales volume in Manhattan in 2014 increased 20.2% to \$38.6 billion compared to \$32.1 billion in 2013. Nevertheless, consistent with our multi-faceted approach to property acquisitions, we were able to source transactions that provide value enhancement opportunities, including the acquisition of consolidated interests in three retail properties, one office property and two fee interests during 2014, representing total investments of \$2.1 billion. In addition, we invested in two retail properties, one office property, and acquired additional fee interest in two unconsolidated joint ventures.

We also continued to take advantage of the improving market conditions and increased interest by institutions and individuals seeking ownership interests in Manhattan properties to sell assets, disposing of properties with more limited growth opportunities, and raising efficiently priced capital for reinvestment or debt repayments. During the year, we sold our interest in 2 Herald Square, 985-987 Third Avenue, and 673 First Avenue.

Debt and Preferred Equity

In 2013 and 2014, we focused on the origination of financings, typically in the form of preferred equity and mezzanine debt, for owners or acquirers seeking higher leverage than was available from traditional lending sources lending at modest leverage levels. This provided us with an opportunity to fill a need for additional debt by providing more modest amounts of leverage. The typical investments made by us during 2013 and 2014 were to reputable owners or acquirers, and at leverage levels which are senior to sizable equity investments by the sponsors. During 2014, our debt and preferred equity activities included purchases and originations, inclusive of accretion of reserves, previous discounts and pay-in-kind interest, of \$680.1 million, and sales, redemption and participations of \$576.1 million.

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For descriptions of significant activities in 2014, refer to "Part I, Item 1. Business - Highlights from 2014".

**Critical Accounting Policies**

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

**Investment in Commercial Real Estate Properties**

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the values of any of our consolidated properties were impaired at December 31, 2014.

We also evaluate our real estate properties for potential impairment when a real estate property has been classified as held for sale. Real estate assets held for sale are valued at the lower of their carrying value or fair value less costs to sell. In June 2013, we recorded a \$2.2 million impairment charge in connection with the sale of 300 Main Street in Stamford, Connecticut. We do not believe that the value of our real estate property held for sale was impaired at December 31, 2014.

We incur a variety of costs in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include, but are not limited to, pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

We recognize the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests in an acquired entity at their fair values on the acquisition date. We expense acquisition-related transaction costs as incurred, which are included in transaction related costs on our consolidated statements of income.

When we acquire our partner's equity interest in an existing unconsolidated joint venture and gain control over the investment, we record the consolidated investment at fair value. The difference between the book value of our equity investment on the purchase date and our share of the fair value of the investment's purchase price is recorded as a purchase price fair value adjustment in our consolidated statements of income. In May 2014, we recognized a purchase price fair value adjustment of \$71.4 million in connection with the consolidation of 388-390 Greenwich Street. In April 2013, we recognized a purchase price fair value adjustment of \$(2.3) million in connection with the consolidation of 16 Court Street. These acquisitions were previously accounted for as investments in unconsolidated joint ventures.

We allocate the purchase price of real estate to land and building (inclusive of tenant improvements) and, if determined to be material, intangibles, such as the value of the above-and below-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building (inclusive of tenant improvements) over their estimated useful lives, which generally range from three to 40 years. We amortize the amount allocated to the above- and below-market leases over the remaining term of the associated lease, which generally range from one to 14 years, and record it as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income. We amortize the amount allocated to the values associated with in-place leases over the expected term of the associated lease, which generally ranges from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. To the extent acquired

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leases contain fixed rate renewal options that are below-market and determined to be material, we amortize such below-market lease value into rental income over the renewal period.

**Investments in Unconsolidated Joint Ventures**

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for \$18.4 million which we guarantee at one joint ventures and performance guarantees under master leases at two other joint ventures. See Note 6, "Investments in Unconsolidated Joint Ventures," in the accompanying consolidated financial statements.

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at December 31, 2014.

We may originate loans for real estate acquisition, development and construction where we expect to receive some or all of the residual profit from such projects. When the risk and rewards of these arrangements are essentially the same as an investor or joint venture partner, we account for these arrangements as real estate investments under the equity method of accounting for investments. Otherwise, we account for these arrangements consistent with our loan accounting for our debt and preferred equity investments.

**Revenue Recognition**

Rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the consolidated balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the consolidated balance sheets is net of such allowance.

We record a gain on sale of real estate when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and we have no substantial economic involvement with the buyer.

Interest income on debt and preferred equity investments is accrued based on the outstanding principal amount and contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest is ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Deferred origination fees, original issue discounts and loan origination costs, if any, are recognized as a reduction to the interest income over the terms of the related investments using the effective interest method. Fees received in connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of

the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity investment becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received.

We may syndicate a portion of the loans that we originate or sell these loans individually. When a transaction meets the criteria of sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income

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on the consolidated statement of income. Any fees received at the time of sale or syndication are recognized as part of investment income.

Asset management fees are recognized on a straight-line basis over the term of the asset management agreement.

**Allowance for Doubtful Accounts**

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required.

**Reserve for Possible Credit Losses**

The expense for possible credit losses in connection with debt and preferred equity investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses on each individual investment. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If the additional information obtained reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during the years ended December 31, 2014 and 2013. We recorded loan loss reserves of \$3.0 million on investments held to maturity during the year ended December 31, 2012, partially offset by recoveries of \$2.4 million.

Debt and preferred equity investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

**Derivative Instruments**

In the normal course of business, we use a variety of commonly used derivative instruments, such as interest rate swaps, caps, collar and floors, to manage, or hedge, interest rate risk. Effectiveness is essential for those derivatives that we intend to qualify for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

To determine the fair values of derivative instruments, we use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

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## Results of Operations

Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

The following comparison for the year ended December 31, 2014, or 2014, to the year ended December 31, 2013, or 2013, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2013 and still owned by us at December 31, 2014 and totaled 57 of our 76 consolidated operating properties, representing 80% of our share of annualized cash rent, (ii) the effect of the “Acquisition Properties,” which represents all properties or interests in properties acquired in 2014 and 2013 and all non-Same-Store Properties, including properties that are under development, redevelopment or deconsolidated during the period, and (iii) “Other,” which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Any assets sold or held for sale are excluded from the income from continuing operations and from the following discussion.

(in millions)	Same-Store				Acquisition				Other				Consolidated			
	2014	2013	\$ Change	% Change	2014	2013	2014	2013	2014	2013	2014	2013	\$ Change	% Change		
Rental revenue	\$983.2	\$955.9	\$27.3	2.9 %	\$136.9	\$42.8	\$0.9	\$(1.9)	\$1,121.0	\$996.8	\$124.2	12.5 %				
Escalation and reimbursement	153.4	148.0	5.4	3.6 %	9.6	7.2	1.4	0.8	164.4	156.0	8.4	5.4 %				
Investment income	—	—	—	— %	0.3	—	178.5	193.8	178.8	193.8	(15.0)	(7.7) %				
Other income	5.1	5.7	(0.6)	(10.5) %	0.3	0.5	50.4	18.3	55.8	24.5	31.3	127.8 %				
Total revenues	1,141.7	1,109.6	32.1	2.9 %	147.1	50.5	231.2	211.0	1,520.0	1,371.1	148.9	10.9 %				
Property operating expenses	483.0	472.3	10.7	2.3 %	35.8	26.4	13.6	13.0	532.4	511.7	20.7	4.0 %				
Transaction related costs, net of recoveries	0.1	0.1	0.0	0.0 %	4.7	3.3	3.9	0.6	8.7	4.0	4.7	117.5 %				
Marketing, general and administrative	—	—	—	— %	—	—	92.5	86.2	92.5	86.2	6.3	7.3 %				
	483.1	472.4	10.7	2.3 %	40.5	29.7	110.0	99.8	633.6	601.9	31.7	5.3 %				
Net operating income	\$658.6	\$637.2	\$21.4	3.4 %	\$106.6	\$20.8	\$121.2	\$111.2	\$886.4	\$769.2	\$117.2	15.2 %				
Other income (expenses):																
Interest expense, net of interest income									(339.8)	(326.7)	(13.1)	4.0 %				
Depreciation and amortization									(371.6)	(324.5)	(47.1)	14.5 %				

Equity in net income from unconsolidated joint ventures	26.5	9.9	16.6	167.7	%
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	123.3	3.6	119.7	3,325.0	%
Purchase price fair value adjustment	67.4	(2.3 )	69.7	3,030.4	%
Gain on sale of investment in marketable securities	3.9	—	3.9	100.0	%
Loss on early extinguishment of debt	(32.4 )	(18.5 )	(13.9 )	75.1	%
Income from continuing operation	363.7	110.7	253.0	228.5	%
Net income from discontinued operations	19.1	25.7	(6.6 )	(25.7 )	%
Gain on sale of discontinued operations	163.1	14.9	148.2	994.6	%
Net income	\$545.9	\$151.3	\$394.6	260.8	%

In May 2014, we acquired our joint venture partner's interest in 388-390 Greenwich Street thereby assuming full ownership of this triple net lease property. As a result of this acquisition, we have consolidated the results of operations of this property beginning in May 2014. Prior to May 2014, we had accounted for our investments in 388-390 Greenwich Street under the equity method of accounting.

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## Rental, Escalation and Reimbursement Revenues

Rental revenues increased primarily as a result of the properties acquired (\$103.9 million), which included the consolidation of 388-390 Greenwich Street (\$71.7 million), and an increase in occupancy at our Same-Store Properties (\$27.3 million), as discussed below, partially offset by a reduction in revenues from operating properties that went into development or redevelopment during 2014 (\$8.9 million).

Escalation and reimbursement revenue increased primarily as a result of higher recoveries at the Same-Store Properties (\$5.4 million) and the Acquisition Properties (\$2.4 million). The increase in escalation and reimbursement revenue at the Same-Store Properties was primarily a result of higher real estate recoveries (\$7.0 million), partially offset by lower operating expense escalations and electric reimbursements (\$1.6 million).

Occupancy in our Same-Store consolidated office properties increased to 91.7% at December 31, 2014 as compared to 90.8% at December 31, 2013. Occupancy in our Same-Store Manhattan consolidated office portfolio, excluding leases signed but not yet commenced, increased to 94.8% at December 31, 2014 as compared to 94.2% at December 31, 2013. Occupancy for our Suburban office consolidated portfolio, excluding leases signed but not yet commenced, increased to 80.7% at December 31, 2014 as compared to 78.5% at December 31, 2013.

The following table presents a summary of the leasing activity for the year ended December 31, 2014 in our Manhattan and Suburban portfolio:

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) (1)	Prev. Escalated Rent (per rentable SF) (2)	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
<b>Manhattan</b>							
Vacancy at beginning of year	1,155,271						
Sold vacancies	(3,653 )						
Properties under development	(61,123 )						
Properties placed in service	155,684						
Space which became available during the year(3)							
• Office	873,422						
• Retail	14,649						
• Storage	3,299						
	891,370						
Total space available	2,137,549						
Space leased during the year:							
• Office(4)	1,083,254	1,185,062	\$56.27	\$50.66	\$63.32	4.5	9.1
• Retail	21,077	21,321	\$113.17	\$116.99	\$38.93	5.0	14.4
• Storage	3,013	3,317	\$26.03	\$27.57	\$5.36	—	9.1
Total space leased	1,107,344	1,209,700	\$57.19	\$51.39	\$62.73	4.5	9.2
Total available space at end of year	1,030,205						
<b>Early renewals</b>							
• Office	607,074	655,513	\$67.77	\$56.93	\$45.34	1.2	10.5
• Retail	20,973	21,214	\$151.90	\$120.21	\$25.44	0.20	10.6
• Storage	8,120	8,087	\$30.85	\$25.39	\$2.86	—	9.6

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Total early renewals	636,167	684,814	\$69.94	\$58.52	\$44.22	1.2	10.5
Total commenced leases, including replaced previous vacancy							
• Office		1,840,575	\$60.37	\$53.65	\$56.92	3.3	9.6
• Retail		42,535	\$132.49	\$119.30	\$32.20	2.6	12.5
• Storage		11,404	\$29.45	\$25.67	\$3.59	—	9.4
Total commenced leases		1,894,514	\$61.80	\$54.85	\$56.04	3.3	9.7

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	Useable SF	Rentable SF	New Cash Rent (per rentable SF) (1)	Prev. Escalated Rent (per rentable SF) (2)	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Suburban							
Vacancy at beginning of period	1,069,848						
Properties placed in service	112,921						
Space which became available during the year(3)							
• Office	425,313						
• Retail	1,385						
• Storage	1,362						
	428,060						
Total space available	1,610,829						
Space leased during the year:							
• Office(5)	476,392	485,900	\$30.16	\$30.34	\$39.14	5.5	8.0
• Retail	2,583	2,583	\$23.23	\$23.23	\$1.00	6.0	10.5
• Storage	3,130	3,205	\$6.90	\$11.27	\$—	—	3.9
Total space leased	482,105	491,688	\$29.97	\$30.19	\$38.68	5.4	8.0
Total available space at end of the year	1,128,724						
Early renewals							
• Office	176,691	180,037	\$33.52	\$33.82	\$24.61	7.1	8.7
• Retail	50,247.00	50,247	\$17.78	\$16.79	\$—	—	5.0
• Storage	625	625	\$18.00	\$14.00	\$—	—	10.0
Total early renewals	227,563	230,909	\$30.06	\$30.06	\$19.19	5.50	7.9
Total commenced leases, including replaced previous vacancy							
• Office		665,937	\$31.07	\$31.99	\$35.21	5.9	8.2
• Retail		52,830	\$18.05	\$17.10	\$—	0.3	5.3
• Storage		3,830	\$8.71	\$12.61	\$—	—	4.9
Total commenced leases		722,597	\$30.00	\$30.12	\$32.45	5.5	8.0

(1) Annual initial base rent.

(2) Escalated rent is calculated as total annual income less electric charges.

(3) Includes expiring space, relocating tenants and move-outs where tenants vacated. Excludes lease expirations where tenants held over.

Average starting office rent excluding new tenants replacing vacancies was \$54.44 per rentable square feet for (4) 717,498 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$60.80 per rentable square feet for 1,373,011 rentable square feet.

(5)

Average starting office rent excluding new tenants replacing vacancies was \$30.65 per rentable square feet for 199,436 rentable square feet. Average starting office rent for office space (leased and early renewals, excluding new tenants replacing vacancies) was \$32.01 per rentable square feet for 379,473 rentable square feet.

At December 31, 2014, 3.0% and 8.1% of the office space leased at our consolidated Manhattan and Suburban operating properties, respectively, is expected to expire during 2015. Based on our estimates at December 31, 2014, the current market asking rents on these expected 2015 lease expirations at our consolidated Manhattan operating properties are 15.9% higher than the existing in-place fully escalated rents while the current market asking rents on all our consolidated Manhattan operating properties are 13.6% higher than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years. Based on our estimates at December 31, 2014, the current market asking rents on these expected 2015 lease expirations at our consolidated Suburban operating properties are 0.5% higher than the existing in-place fully escalated rents while the current market asking rents on all our consolidated Suburban operating properties are 3.2% higher than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

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## Investment Income

Investment income decreased primarily as a result of a lower weighted average yield on the debt and preferred equity portfolio, a gain on sale of 50% of our interest in one of our debt investments in 2013 (\$12.9 million) and additional income from the repayment of one of our debt investments in 2013 (\$6.4 million), partially offset by a higher investment balance in 2014 and additional income recognized on a mezzanine investment when the underlying property was sold in June 2014 (\$10.1 million). The weighted average investment balance outstanding and weighted average yield were \$1.4 billion and 10.5%, respectively, for the year ended December 31, 2014 as compared to 1.3 billion and 11.2%, respectively, for the year ended December 31, 2013. As of December 31, 2014, our debt and preferred equity investments had a weighted average term to maturity of 2.0 years.

## Other Income

Other income increased primarily as a result of a higher contribution from Service Corporation (\$15.4 million), promote income earned in connection with the sale of our joint venture interests in 747 Madison Avenue and 180 Broadway (\$13.6 million), incentive income received from a joint venture investment (\$7.6 million) and a fee earned in connection with the restructuring of one of our debt investments (\$5.7 million), partially offset by income from expense reimbursements in 2013 (\$4.2 million).

## Property Operating Expenses

Property operating expenses increased primarily as a result of higher operating expenses at the Acquisition Properties (\$16.7 million) and the Same-Store Properties (\$10.8 million), partially offset by lower operating expenses from operating properties that went into development or redevelopment during 2014 (\$6.8 million). The increase in property operating expenses at the Same-Store Properties was mainly a result of higher real estate taxes (\$9.9 million), which was driven by higher assessed values and tax rates, and payroll costs (\$2.5 million), partially offset by lower repairs and maintenance (\$1.0 million) and utility expenses (\$0.7 million).

## Transaction Related Costs, Net of Recoveries

Transaction related costs, net of recoveries, increased primarily as a result of a higher volume of investment activity during the year ended December 31, 2014 and the reimbursement of transaction costs in 2013.

## Marketing, General and Administrative Expenses

Marketing, general and administrative expenses for the year ended December 31, 2014 were \$92.5 million, or 5.3% of total revenues including our share of joint venture revenues, and 49 basis points of total assets including our share of joint venture assets compared to \$86.2 million, or 5.3% of total revenues including our share of joint venture revenues, and 50 basis points of total assets including our share of joint venture assets for the year ended December 31, 2013.

## Interest Expense, Net of Interest Income

Interest expense, net of interest income, increased as a result of the acquisition of our joint venture partner's interest and a new mortgage at 388-390 Greenwich Street (\$27.9 million) and increased borrowings on the 2012 credit facility (\$6.1 million), partially offset by an increase in capitalization of interest relating to properties under development or redevelopment (\$8.1 million), decreased borrowings on our MRA (\$1.8 million), the repayment of 5.875% senior notes in August 2014 (\$1.7 million) and the refinancing of 220 East 42nd Street at a lower rate in October 2013 (\$1.3 million). The weighted average debt balance outstanding increased from \$6.8 billion during the year ended December 31, 2013 to \$8.1 billion during the year ended December 31, 2014. The weighted average interest rate decreased from 4.81% for the year ended December 31, 2013 to 4.24% for the year ended December 31, 2014.

## Depreciation and Amortization

Depreciation and amortization increased mainly as a result of the Acquisition Properties (\$36.0 million), which included the consolidation of 388-390 Greenwich Street (\$18.3 million), and a write-off of certain tenant improvements and value for in-place leases associated with a former tenant in 2014 (\$3.4 million). The remaining increase is primarily a result of increased capital expenditures at certain properties, partially offset by a write-off of certain tenant improvements and value for in-place leases associated with a former tenant in 2013 (\$4.7 million).

Equity in Net Income From Unconsolidated Joint Ventures

Equity in net income from unconsolidated joint ventures increased primarily as a result of net loss recognized in 2013 from the West Coast Office portfolio (\$18.7 million), which interests were sold in March 2014, a debt and preferred equity investment that was originated in the first quarter of 2014 (\$6.9 million), which has been accounted for as an equity investment, and the commencement of leases following the completion of redevelopment in June 2013 at 180 Broadway (\$1.3 million), which interests were sold in September 2014. This increase was partially offset by lower net income contributions from 388-390 Greenwich Street (\$13.5 million) as a result of our acquisition of our joint venture partner's interest in May 2014 and the early redemption of our preferred equity investment in Herald Center (\$3.9 million) in December 2013.

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Occupancy at our unconsolidated Manhattan office properties was 94.0% at December 31, 2014 and 90.7% at December 31, 2013. Occupancy at our unconsolidated Suburban office properties was 88.6% at December 31, 2014 and 87.2% at December 31, 2013. At December 31, 2014, 9.0% and 6.9% of the space leased at our unconsolidated Manhattan and Suburban operating properties, respectively, are expected to expire in 2015. At December 31, 2014, we estimate that current market asking rents on these expected 2015 lease expirations at our unconsolidated Manhattan and Suburban office properties are 14.1% higher and 2.1% lower, respectively, than then existing in-place fully escalated rents.

Equity in Net Gain on Sale of Interest in Unconsolidated Joint Ventures

During the year ended December 31, 2014, we recognized gains on the sale of a portfolio of offices properties primarily in Southern California, or the "West Coast Office portfolio" (\$85.6 million), the sale of partnership interests in 21 West 34th Street (\$20.9 million), the sale of the joint venture property at 180 Broadway (\$16.5 million) and the sale of condominium units at 248 Bedford Avenue, Brooklyn (\$1.5 million). During the year ended December 31, 2013, we recognized gains on the sale of our partnership interest in 27-29 West 34th Street (\$7.6 million) and from the sale of three properties in the West Coast Office portfolio (\$2.1 million).

Purchase Price Fair Value Adjustment

The purchase price fair value adjustment we recognized for the year ended December 31, 2014 was attributable to the acquisition of our joint venture partner's interest in 388-390 Greenwich Street (\$71.4 million), offset by the purchase price adjustment we recognized on the acquisition of the ground tenancy position at 752 Madison Avenue (\$4.0 million). The purchase price fair value adjustment we recognized for the year ended December 31, 2013 was attributable to the acquisition of 16 Court Street, Brooklyn (\$2.3 million).

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt for the year ended December 31, 2014 was primarily attributable to the refinancing of the mortgage at 420 Lexington Avenue (\$24.5 million) and early repayment of the mortgage at 625 Madison Avenue (\$6.9 million). Loss on early extinguishment of debt for the year ended December 31, 2013 was attributable to the refinancing of the mortgage at 1515 Broadway.

Discontinued Operations

Discontinued operations for the year ended December 31, 2014 includes the gains recognized on the sale of 673 First Avenue (\$117.6 million), 985-987 Third Avenue (\$29.8 million), and 2 Herald Square (\$18.8 million), and the results of operations of these properties and other properties that were held for sale or sold as of December 31, 2014.

Discontinued operations for the year ended December 31, 2013 includes the gains recognized on the sale of 333 West 34th (\$13.8 million) and 44 West 55th Street (\$1.1 million). Prior period's results of operations of these held for sale or sold properties were included in the net income from discontinued operations to conform to the current presentation.

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Comparison of the year ended December 31, 2013 to the year ended December 31, 2012

The following comparison for the year ended December 31, 2013, or 2013, to the year ended December 31, 2012, or 2012, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2012 and still owned by us at December 31, 2013 and totaled 46 of our 74 consolidated operating properties, representing 77.9% of our share of annualized cash rent, (ii) the effect of the “Acquisitions,” which represents all properties or interests in properties acquired in 2013 and 2012 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) “Other,” which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Any assets sold or held for sale are excluded from the income from continuing operations and from the following discussion.

(in millions)	Same-Store				Acquisition				Other				Consolidated			
	2013	2012	\$ Change	% Change	2013	2012	2013	2012	2013	2012	2013	2012	\$ Change	% Change		
Rental revenue	\$899.3	\$887.6	\$ 11.7	1.3 %	\$99.3	\$84.5	\$(1.8 )	\$12.0	\$996.8	\$984.1	\$12.7	1.3 %				
Escalation and reimbursement	144.1	138.9	5.2	3.7 %	11.2	10.3	0.7	2.0	156.0	151.2	4.8	3.2 %				
Investment and preferred equity income	—	—	—	— %	—	—	193.8	119.2	193.8	119.2	74.6	62.6 %				
Other income	5.5	10.7	(5.2 )	(48.6 )%	0.5	0.4	18.5	24.5	24.5	35.6	(11.1 )	(31.2 )%				
Total revenues	1,048.9	1,037.2	11.7	1.1 %	111.0	95.2	211.2	157.7	1,371.1	1,290.1	81.0	6.3 %				
Property operating expenses	447.1	434.4	12.7	2.9 %	51.6	49.6	13.0	17.7	511.7	501.7	10.0	2.0 %				
Loan loss and other investment reserves, net of recoveries	—	—	—	— %	—	—	—	0.6	—	0.6	(0.6 )	(100.0)%				
Transaction related costs, net of recoveries	—	(0.2 )	0.2	(100.0)%	3.4	4.6	0.6	1.0	4.0	5.4	(1.4 )	(25.9 )%				
Marketing, general and administrative	—	—	—	— %	—	—	86.2	82.8	86.2	82.8	3.4	4.1 %				
	447.1	434.2	12.9	3.0 %	55.0	54.2	99.8	102.1	601.9	590.5	11.4	1.9 %				
Net operating income	\$601.8	\$603.0	\$(1.2 )	(0.2 )%	\$56.0	\$41.0	\$111.4	\$55.6	\$769.2	\$699.6	\$69.6	9.9 %				
Other income (expenses):													(326.7 )	(328.2 ) 1.5 (0.5 )%		

Interest expense, net of interest income					
Depreciation and amortization	(324.5 )	(311.9 )	(12.6 )	4.0	%
Equity in net income from unconsolidated joint ventures	9.9	76.4	(66.5 )	(87.0 )	%
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	3.6	37.1	(33.5 )	(90.3 )	%
Purchase price fair value adjustment	(2.3 )	—	(2.3 )	(100.0)	%
Gain on sale of investment in marketable securities	—	4.9	(4.9 )	(100.0)	%
Loss on early extinguishment of debt	(18.5 )	(7.0 )	(11.5 )	164.3	%
Income from continuing operation	110.7	170.9	(60.2 )	(35.2 )	%
Net income from discontinued operations	25.7	32.2	(6.5 )	(20.2 )	%
Gain on sale of discontinued operations	14.9	6.6	8.3	125.8	%
Net income	\$151.3	\$209.7	\$(58.4)	(27.8 )	%

#### Rental, Escalation and Reimbursement Revenues

Rental revenues increased primarily as a result of an increase in occupancy at our Same-Store properties (\$11.7 million) as discussed below and for properties acquired subsequent to May 2012 (\$34.5 million). This increase was partially offset by our reduced ownership and deconsolidation of 521 Fifth Avenue (\$20.8 million) and the West Coast Office portfolio (\$14.1 million). In November 2012, we sold 49.5% of our partnership interest in 521 Fifth Avenue. As we no longer control its activities, we deconsolidated the entity effective November 30, 2012 and have accounted for our remaining investment under the equity method of accounting. In late September 2012, we formed a joint venture for the recapitalization of the West Coast Office portfolio. Prior to the recapitalization, we consolidated the investment for the months of August and September 2012 as a result of our 63.18% ownership interest and control over its activities. Immediately following the recapitalization, our ownership interest was 27.63%.

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The change in ownership resulted in a change in the accounting from consolidating the investment to accounting for the joint venture under the equity method of accounting. As of December 31, 2013, we had a 43.74% effective ownership interest in the West Coast Office portfolio. For further details, see Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying consolidated financial statements.

Escalation and reimbursement revenue increased primarily as a result of higher recoveries at the Same-Store Properties (\$5.2 million) and for properties acquired subsequent to May 2012 (\$3.2 million). The increase was partially offset by the change in accounting for 521 Fifth Avenue (\$2.0 million) and the West Coast Office portfolio (\$1.7 million), as discussed above. The increase in escalation and reimbursement revenue at the Same-Store Properties was primarily a result of higher operating expense escalations (\$4.0 million) and real estate recoveries (\$3.3 million), partially offset by lower electric reimbursements (\$2.1 million).

Occupancy in the Same-Store consolidated properties increased to 91.2% at December 31, 2013 as compared to 90.8% at December 31, 2012. Occupancy for our Same-Store Manhattan consolidated portfolio increased to 94.1% at December 31, 2013 as compared to 93.7% at December 31, 2012. Occupancy for our Suburban consolidated portfolio increased to 79.8% at December 31, 2013 as compared to 79.6% at December 31, 2012.

At December 31, 2013, 9.0% and 10.9% of the office space leased at our consolidated Manhattan and Suburban office properties, respectively, expired in 2014. Based on our estimates, at December 31, 2013, the current market asking rents on these expected 2014 lease expirations at our consolidated Manhattan office properties would have been 14.6% higher than the existing in-place fully escalated rents while the current market asking rents on all our consolidated Manhattan office properties would have been 15.4% higher than the existing in-place fully escalated rents on leases scheduled to expire in all future years. Based on our estimates, at December 31, 2013, the current market asking rents on these 2014 lease expirations at our consolidated Suburban office properties would have been 3.7% lower than the existing in-place fully escalated rents while the current market asking rents on all our consolidated Suburban office properties would have been 3.4% higher than the existing in-place fully escalated rents on leases scheduled to expire in all future years.

**Investment Income**

Investment income increased primarily as a result of additional income recognized from the sale of a 50% interest in one investment (\$12.9 million), additional income associated with the repayment of one investment (\$6.4 million), and the remaining increase is primarily attributable to a higher average investment balance and weighted average yield for the year ended December 31, 2013. In 2012, an entity that held a property in London, which served as collateral for one of our loan positions, was determined to be a VIE under a reconsideration event and we were determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012. We recognized additional income of \$5.2 million in 2012 as a result of this transaction. The weighted average investment balance outstanding and weighted average yield were \$1.3 billion and 11.2%, respectively, for the year ended December 31, 2013 as compared to \$1.1 billion and 9.8%, respectively, for the year ended December 31, 2012. As of December 31, 2013, our debt and preferred equity investments had a weighted average term to maturity of 2.2 years.

**Other Income**

Other income decreased primarily as a result of lower other income at the Same-Store Properties (\$5.2 million), lower asset management fee (\$3.2 million), one-time acquisition fees (\$2.1 million) earned in 2012 in connection with our investments in 33 Beekman and 10 East 53rd Street and a pre-development fee at 180 Broadway (\$1.5 million) which was terminated in December 2012. This decrease was partially offset by an expense reimbursement received in 2013 (\$4.2 million). The decrease in Same-Store Properties was primarily a result of lower lease buy-out income (\$3.6 million) and real estate tax refunds received in 2012 (\$1.6 million).

**Property Operating Expenses**

Property operating expenses increased primarily as a result of higher operating expenses at properties acquired subsequent to May 2012 (\$13.2 million) and for the Same-Store Properties (\$12.7 million), partially offset by the

change in accounting for the West Coast Office portfolio (\$9.0 million) and 521 Fifth Avenue (\$8.6 million), as discussed above. The increase in property operating expenses at the Same-Store Properties was mainly a result of higher real estate taxes (\$8.0 million), payroll costs (\$2.7 million) and insurance (\$1.0 million), partially offset by lower utility expenses (\$3.2 million).

**Transaction Related Costs, Net of Recoveries**

Transaction related costs, net of recoveries, decreased primarily as a result of a reimbursement of expenses previously incurred.

**Marketing, General and Administrative Expenses**

Marketing, general and administrative expenses for the year ended December 31, 2013 were \$86.2 million, or 5.3% of total revenues including our share of joint venture revenues and 50 basis points of total assets including our share of joint venture assets

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compared to \$82.8 million, or 5.5% of total revenues including our share of joint venture revenues and 50 basis points of total assets including our share of joint venture assets for the year ended December 31, 2012.

**Interest Expense, Net of Interest Income**

Interest expense, net of interest income, increased primarily as a result of the issuance of a \$200.0 million aggregate principal amount of 4.5% senior notes in November 2012 (\$8.1 million), the refinancing of 1515 Broadway (\$5.9 million) and 100 Church (\$5.1 million), increased borrowings from our MRA facility (\$4.8 million) and 2012 credit facility (\$2.2 million). This increase was partially offset by the repayment of debt balances at 609 Fifth Avenue (\$6.2 million) and 110 East 42nd Street (\$3.7 million) and the change in accounting in the West Coast Office portfolio (\$6.6 million) and 521 Fifth Avenue (\$4.4 million), as discussed above. The weighted average debt balance outstanding increased from \$6.5 billion during the year ended December 31, 2012 to \$6.8 billion during the year ended December 31, 2013. The weighted average interest rate slightly decreased from 4.87% for the year ended December 31, 2012 to 4.81% for the year ended December 31, 2013.

**Depreciation and Amortization**

Depreciation and amortization increased mainly as a result of assets acquired subsequent to May 2012 (\$12.5 million), the write-off of tenant improvements and in-place leases relating to a former tenant that filed for bankruptcy in August 2013 (\$4.7 million) and an increase in capital expenditures at the properties. This increase was partially offset by the change in accounting for the West Coast Office portfolio (\$14.5 million) and in 521 Fifth Avenue (\$6.8 million), as discussed above.

**Equity in Net Income From Unconsolidated Joint Ventures**

Equity in net income from unconsolidated joint ventures decreased primarily as a result of additional income recognized in 2012 due to the recapitalization of 717 Fifth Avenue (\$67.9 million), the repayment of outstanding debt at a discount for the Meadows (\$10.8 million) and the net loss associated with the change in ownership interest and accounting in the West Coast portfolio (\$16.0 million), as discussed above. The decrease was partially offset by higher net income contributions from 388-390 Greenwich Street (\$14.1 million) primarily as a result of reducing the interest rate on its fixed rate loan from 5.2% to 3.2% beginning December 2012 via an interest rate swap and Herald Center (\$3.9 million) as a result of the early redemption of its preferred equity investment.

Occupancy at our unconsolidated Manhattan office properties was 96.6% at December 31, 2013 and 95.0% at December 31, 2012. Occupancy at our unconsolidated Suburban office properties was at 87.2% December 31, 2013 and 84.7% at December 31, 2012. At December 31, 2013, approximately 7.2% and 18.3% of the space leased at our Manhattan and Suburban joint venture office properties, respectively, were expected to expire during the remainder of 2014. At December 31, 2013, we estimated that current market asking rents on those expected 2014 lease expirations at our Manhattan and Suburban joint venture office properties would have been approximately 26.1% higher and 5.4% lower, respectively, than then existing in-place fully escalated rents.

**Equity in Net Gain on Sale of Interest in Unconsolidated Joint Ventures**

During the year ended December 31, 2013, we recognized gains on the sale of our partnership interest in 27-29 West 34th Street (\$7.6 million) and from the sale of three properties in the West Coast Office portfolio (\$2.1 million), partially offset by additional post closing costs related to the sale of 49.5% of our partnership interest in 521 Fifth Avenue (\$2.8 million). During the year ended December 31, 2012, we recognized gains in connection with the sale of the properties located at 141 Fifth Avenue (\$7.3 million), 379 West Broadway (\$6.5 million), and One Court Square (\$1.0 million). Additionally, we recognized a gain on sale of interests in the property located at 717 Fifth Avenue (\$3.0 million).

**Loss on Early Extinguishment of Debt**

Loss on early extinguishment of debt for the year ended December 31, 2013 relates mainly to the refinancing of the mortgage at 1515 Broadway. Loss on early extinguishment of debt for the year ended December 31, 2012 was a result of the repurchase of a portion of certain senior notes (\$3.8 million) and repayment of debt for 609 Fifth Avenue (\$3.1 million).

Discontinued Operations

Discontinued operations for the year ended December 31, 2013 includes the gain on sale recognized for 333 West 34th Street (\$13.8 million), which closed in August 2013, and 44 West 55th Street (\$1.1 million), which closed in February 2013, and the results of operations of these properties and other properties that were held for sale as of December 31, 2014. Also, included in the results of operations is an impairment charge of \$2.2 million for 300 Main Street, which was recorded in the second quarter of 2013. Discontinued operations for the year ended December 31, 2012 included the gain on sale recognized for 292 Madison Avenue (\$6.6 million), which was sold in February 2012. Prior period's results of operations of these held for sale or sold properties were included in net income from discontinued operations to conform to the current presentation.

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## Reconciliation of Same-Store Operating Income to Net Operating Income

We present Same-Store net operating income, or Same-Store NOI, because we believe that this measure provides investors with useful information regarding the operating performance of properties that are comparable for the periods presented. We determine Same-Store net operating income by subtracting Same-Store property operating expenses and ground rent from Same-Store rental revenues income and other income. Our method of calculation may be different from methods used by other REITs, and, accordingly, may not be comparable to such other REITs. None of these measures is an alternative to net income (determined in accordance with GAAP) and Same-Store performance should not be considered an alternative to GAAP net income performance.

## Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

For properties owned since January 1, 2013 and still owned and operated at December 31, 2014, Same-Store NOI is determined as follows (in millions):

	2014	2013
Rental revenues	\$1,136.6	\$1,103.9
Other income	5.1	5.7
Total revenues	1,141.7	1,109.6
Property operating expenses	483.0	472.3
Operating income	658.7	637.3
Less: Non-building revenue	1.0	1.7
Same-Store NOI	\$657.7	\$635.6

Same-Store NOI increased by \$22.1 million, or 3.5%, from \$635.6 million for the year ended December 31, 2013 to \$657.7 million for the year ended December 31, 2014.

## Comparison of the year ended December 31, 2013 to the year ended December 31, 2012

For properties owned since January 1, 2012 and still owned and operated at December 31, 2013, Same-Store NOI is determined as follows (in millions):

	2013	2012
Rental revenues	\$1,043.4	\$1,026.5
Other income	5.5	10.7
Total revenues	1,048.9	1,037.2
Property operating expenses	447.1	434.4
Operating income	601.8	602.8
Less: Non-building revenue	2.2	3.2
Same-Store NOI	\$599.6	\$599.6

Same-Store NOI remained flat at \$599.6 million in the years ended December 31, 2013 and 2012.

## Liquidity and Capital Resources

We currently expect that our principal sources of funds to meet our short-term and long-term liquidity requirements for working capital and funds for acquisition and development or redevelopment of properties, tenant improvements, leasing costs, repurchases or repayments of outstanding indebtedness (which may include exchangeable debt) and for debt and preferred equity investments will include:

- (1) Cash flow from operations;
- (2) Cash on hand;
- (3) Borrowings under the 2012 credit facility;
- (4) Other forms of secured or unsecured financing;
- (5) Net proceeds from divestitures of properties and redemptions, participations and dispositions of debt and preferred equity investments; and



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Proceeds from common or preferred equity or debt offerings by the Company, the Operating Partnership (including (6) issuances of units of limited partnership interest in the Operating Partnership and Trust preferred securities) or ROP.

Cash flow from operations is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates achieved on our leases, the collectability of rent, operating escalations and recoveries from our tenants and the level of operating and other costs. Additionally, we believe that our debt and preferred equity investment program will continue to serve as a source of operating cash flow.

The combined aggregate principal maturities of our property mortgages and other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2014 are as follows (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Property mortgages and other loans	\$ 159,353	\$ 392,809	\$ 956,392	\$ 80,462	\$ 99,450	\$ 4,052,185	\$ 5,740,651
MRA facility	100,000	—	—	—	—	—	100,000
Corporate obligations	7	255,308	355,008	635,000	833,000	550,000	2,628,323
Joint venture debt-our share	44,700	640,176	572,003	28	94,890	266,191	1,617,988
Total	\$ 304,060	\$ 1,288,293	\$ 1,883,403	\$ 715,490	\$ 1,027,340	\$ 4,868,376	\$ 10,086,962

As of December 31, 2014, we had \$320.8 million of consolidated cash on hand, inclusive of \$39.4 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may seek to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us at efficient levels or at all. Management believes that these sources of liquidity, if we are able to access them, along with potential refinancing opportunities for secured debt, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

We also have investments in several real estate joint ventures with various partners who we consider to be financially stable and who have the ability to fund a capital call when needed. Most of our joint ventures are financed with non-recourse debt. We believe that property level cash flows along with unfunded committed indebtedness and proceeds from the refinancing of outstanding secured indebtedness will be sufficient to fund the capital needs of our joint venture properties.

#### Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in "Item 8. Financial Statements" and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Cash and cash equivalents were \$281.4 million and \$206.7 million at December 31, 2014 and 2013, respectively, representing an increase of \$74.7 million. The increase was a result of the following changes in cash flows (in thousands):

	Year ended December 31,		Increase (Decrease)
	2014	2013	
Net cash provided by operating activities	\$ 490,381	\$ 386,203	\$ 104,178
Net cash used in investing activities	\$(796,835)	\$(628,435)	\$(168,400)
Net cash provided by financing activities	\$ 381,171	\$ 258,940	\$ 122,231

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating

expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2014, our Manhattan and Suburban consolidated office portfolios were 95.5% and 80.7% occupied, respectively. Our debt and preferred equity and joint venture investments also provide a steady stream of operating cash flow to us.

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Cash is used in investing activities to fund acquisitions, development or redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the year ended December 31, 2014, when compared to the year ended December 31, 2013, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	\$(444,935 )
Capital expenditures and capitalized interest	(173,316 )
Escrow cash-capital improvements/acquisition deposits	(789 )
Joint venture investments	(231,736 )
Distributions from joint ventures	193,461
Proceeds from sales of real estate/partial interest in property	592,984
Debt and preferred equity and other investments	(104,069 )
Increase in net cash used in investing activities	\$(168,400 )

Funds spent on capital expenditures, which comprise building and tenant improvements, increased from \$196.6 million for the year ended December 31, 2013 to \$369.9 million for the year ended December 31, 2014. The increased capital expenditures relate primarily to increased costs incurred in connection with the redevelopment of properties and new leasing activity.

We generally fund our investment activity through property-level financing, our 2012 credit facility, MRA facility, senior unsecured notes, convertible or exchangeable securities, construction loans, sale of real estate and from time to time, Company issued common or preferred stock, or the Operating Partnership may issue common or preferred units of limited partnership interest. During the year ended December 31, 2014, when compared to the year ended December 31, 2013, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	\$1,638,431
Repayments under our debt obligations	(1,533,302 )
Noncontrolling interests, contributions in excess of distributions	26,412
Other financing activities	(35,898 )
Proceeds from issuance of common and preferred stock	(105,378 )
Redemption of preferred stock	190,533
Dividends and distributions paid	(58,567 )
Increase in net cash provided by financing activities	\$122,231

Capitalization  
As of December 31, 2014, SL Green had 97,325,200 shares of common stock, 3,973,016 common units of limited partnership interest in the Operating Partnership held by persons other than the Company, and 9,200,000 shares of SL Green's 6.50% Series I Cumulative Redeemable Preferred Stock, or Series I Preferred Stock, outstanding. In addition, persons other than the Company held Preferred Units of limited partnership interests in the Operating Partnership having an aggregate liquidation preference of \$71.1 million.

At-The-Market Equity Offering Program

In July 2011, the Company, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$250.0 million of SL Green's common stock. During the year ended December 31, 2014, we sold 25,659 shares of our common stock out of the remaining balance of the ATM Program for aggregate net proceeds of \$2.8 million. The net proceeds from these offerings were contributed to the Operating Partnership in exchange for 25,659 units of limited partnership interest of the Operating Partnership.

In June 2014, the Company, along with the Operating Partnership, entered into a new ATM Program to sell an aggregate of \$300.0 million of SL Green's common stock. During the year ended December 31, 2014, we sold 1,626,999 shares of our common stock for aggregate net proceeds of \$182.9 million. The net proceeds from these offerings were contributed to the Operating Partnership in exchange for 1,626,999 units of limited partnership interest

of the Operating Partnership. In January 2015, the Company sold the remaining common stock available for issuance under the new ATM program. See Note 25, "Subsequent Events" in the accompanying consolidated financial statements for further details.

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Dividend Reinvestment and Stock Purchase Plan

In March 2012, the Company filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRSP, which automatically became effective upon filing. The Company registered 3,500,000 shares of SL Green's common stock under the DRSP. The DRSP commenced on September 24, 2011.

During the years ended December 31, 2014, 2013 and 2012 the Company issued 608, 761 and 1,300,000 shares, respectively, of SL Green's common stock and received \$63,720, \$66,600 and \$99.6 million of proceeds, respectively, from dividend reinvestments and/or stock purchases under the DRSP. DRSP shares may be issued at a discount to the market price.

Third Amended and Restated 2005 Stock Option and Incentive Plan

The Third Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by the Company's board of directors in April 2013 and its stockholders in June 2013 at the Company's annual meeting of stockholders. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 17,130,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the 2005 Plan. As of December 31, 2014, 2.6 million fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan.

2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients could earn, in the aggregate, from \$15.0 million up to \$75.0 million of LTIP Units in the Operating Partnership based on the Company's stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, \$25.0 million of awards could be earned at any time after the beginning of the second year and an additional \$25.0 million of awards could be earned at any time after the beginning of the third year. In order to achieve maximum performance under the 2010 Long-Term Compensation Plan, the Company's aggregate stock price appreciation during the performance period had to equal or exceed 50%. The compensation committee determined that maximum performance had been achieved at or shortly after the beginning of each of the second and third years of the performance period and for the full performance period and, accordingly, 366,815 LTIP Units, 385,583 LTIP Units and 327,416 LTIP Units were earned under the 2010 Long-Term Compensation Plan in December 2010, 2011 and 2012, respectively. Substantially in accordance with the original terms of the program, 50% of these LTIP Units vested on December 17, 2012 (accelerated from the original January 1, 2013 vesting date), 25% of these LTIP Units vested on December 11, 2013 (accelerated from the original January 1, 2014 vesting date) and the remainder vested on January 1, 2015 based on continued employment. In accordance with the terms of the 2010 Long-Term Compensation Plan, distributions were not paid on any LTIP Units until they were earned, at which time we paid all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period.

The cost of the 2010 Long-Term Compensation Plan (\$31.7 million, subject to forfeitures) was amortized into earnings through the final vesting period. We recorded compensation expense of \$2.7 million, \$4.5 million and \$10.7 million during the years ended December 31, 2014, 2013 and 2012, respectively, related to the 2010 Long-Term Compensation Plan.

2011 Outperformance Plan

In August 2011, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2011 Outperformance Plan, or the 2011 Outperformance Plan. Participants in the 2011 Outperformance Plan could earn, in the aggregate, up to \$85.0 million of LTIP Units in the Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2011. Under the 2011

Outperformance Plan, participants were entitled to share in a "performance pool" comprised of LTIP Units with a value equal to 10% of the amount by which our total return to stockholders during the three-year period exceeded a cumulative total return to stockholders of 25%, subject to the maximum of \$85.0 million of LTIP Units; provided that if maximum performance was achieved, one-third of each award could be earned at any time after the beginning of the second year and an additional one-third of each award could be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan are subject to continued vesting requirements, with 50% of any awards earned vested on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants were not entitled to distributions with respect to LTIP Units granted under the 2011 Outperformance Plan unless and until they were earned. For LTIP Units that were earned, each participant was also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of additional LTIP Units. Thereafter, distributions are to be paid currently with respect to all earned LTIP Units, whether vested or unvested. In June 2014, the compensation committee determined that

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maximum performance had been achieved during the third year of the performance period and, accordingly, 560,908 LTIP Units, representing two-thirds of each award, were earned, subject to vesting, under the 2011 Outperformance Plan. In September 2014, the compensation committee determined that maximum performance had been achieved for the full three-year performance period and, accordingly, 280,454 LTIP units, representing the final third of each award, were earned, subject to vesting, under the 2011 Outperformance Plan.

The cost of the 2011 Outperformance Plan (\$27.0 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of \$8.6 million, \$8.0 million and \$5.5 million during the years ended December 31, 2014, 2013 and 2012, respectively, related to the 2011 Outperformance Plan.

**2014 Outperformance Plan**

In August 2014, the compensation committee of the Company's board of directors approved the general terms of the SL Green Realty Corp. 2014 Outperformance Plan, or the 2014 Outperformance Plan. Participants in the 2014 Outperformance Plan may earn, in the aggregate, up to 610,000 LTIP Units in our Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2014. For each individual award, two-thirds of the LTIP Units may be earned based on the Company's absolute total return to stockholders and one-third of the LTIP Units may be earned based on relative total return to stockholders compared to the constituents of the MSCI REIT Index. Awards earned based on absolute total return to stockholders will be determined independently of awards earned based on relative total return to stockholders. In the event the Company's performance reaches either threshold before the end of the three-year performance period, a pro-rata portion of the maximum award may be earned. For each component, if the Company's performance reaches the maximum threshold beginning with the 19th month of the performance period, participants will earn one-third of the maximum award that may be earned for that component. If the Company's performance reaches the maximum threshold during the third year of the performance period for a component, participants will earn two-thirds (or an additional one-third) of the maximum award that may be earned for that component. LTIP Units earned under the 2014 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2017 and the remaining 50% vesting on August 31, 2018, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2014 Outperformance Plan unless and until they are earned. If LTIP Units are earned, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of cash or additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

The cost of the 2014 Outperformance Plan (\$17.1 million, subject to forfeitures), based on the portion of the 2014 Outperformance Plan granted as of December 31, 2014, will be amortized into earnings through the final vesting period. We recorded compensation expense of \$0.2 million during the year ended December 31, 2014 related to the 2014 Outperformance Plan.

**Deferred Compensation Plan for Directors**

Under our Non-Employee Director's Deferral Program, which commenced July 2004, the Company's non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees, meeting fees and annual stock grant. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The program provides that a director's phantom stock units generally will be settled in an equal number of shares of common stock upon the earlier of (i) the January 1 coincident with or next following such director's termination of service from the Board of Directors or (ii) a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of SL Green's common stock on the first business day of the respective quarter. Each participating non-employee director is also credited with dividend equivalents or phantom stock units based on the dividend rate for each quarter, which are either paid in cash currently or credited to the director's account as additional phantom stock units.

During the year ended December 31, 2014, 9,305 phantom stock units were earned and 7,701 shares of common stock were issued to our board of directors. We recorded compensation expense of \$1.6 million during the year ended December 31, 2014 related to the Deferred Compensation Plan. As of December 31, 2014, there were 75,649 phantom stock units outstanding pursuant to our Non-Employee Director's Deferral Program.

#### Employee Stock Purchase Plan

In 2007, the Company's board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase the Company's shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. The Company filed a registration

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statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2014, 80,437 shares of SL Green's common stock had been issued under the ESPP.

**Market Capitalization**

At December 31, 2014, borrowings under our mortgages and other loans payable, 2012 credit facility, senior unsecured notes, trust preferred securities and our share of joint venture debt represented 44.8% of our combined market capitalization of \$22.4 billion (based on a common stock price of \$119.02 per share, the closing price of SL Green's common stock on the NYSE on December 31, 2014). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in the Operating Partnership, and our share of joint venture debt.

**Indebtedness**

The table below summarizes our consolidated mortgages and other loans payable, 2012 credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2014 and 2013, (amounts in thousands).

	December 31,		
	2014	2013	
<b>Debt Summary:</b>			
Balance			
Fixed rate	\$5,098,741	\$5,561,749	
Variable rate—hedged	1,042,045	38,211	
Total fixed rate	6,140,786	5,599,960	
Variable rate <sup>(1)</sup>	1,572,124	774,301	
Variable rate—supporting variable rate assets	719,819	545,647	
Total variable rate	2,291,943	1,319,948	
Total	\$8,432,729	\$6,919,908	
<b>Percent of Total Debt:</b>			
Total fixed rate	72.8	% 80.9	%
Variable rate	27.2	% 19.1	%
Total	100.0	% 100.0	%
<b>Effective Interest Rate for the Year:</b>			
Fixed rate	4.97	% 5.33	%
Variable rate	1.90	% 2.39	%
Effective interest rate	4.24	% 4.81	%

(1)Includes the mortgage at 180 Maiden Lane, which is included in liabilities related to assets held for sale.

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.17% at both December 31, 2014 and 2013). Our consolidated debt at December 31, 2014 had a weighted average term to maturity of 5.78 years.

Certain of our debt and equity investments, with a carrying value of \$719.8 million at December 31, 2014, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt.

**Mortgage Financing**

As of December 31, 2014, our total mortgage debt (excluding our share of joint venture mortgage debt of \$1.6 billion) consisted of \$4.7 billion of fixed rate debt, including swapped variable rate debt, with an effective weighted average interest rate of 4.67% and \$1.1 billion of variable rate debt with an effective weighted average interest rate of 2.11%.

Corporate Indebtedness

2012 Credit Facility

In March 2014, we entered into an amendment to the \$1.6 billion credit facility entered into by the Company in November 2012, or the 2012 credit facility, which among other things, increased the term loan portion of the facility by \$383.0 million to \$783.0 million, decreased the interest-rate margin applicable to the term loan portion of the facility by 25 basis points and extended

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the maturity of the term loan portion of the facility from March 30, 2018 to June 30, 2019. In November 2014, we increased the term loan portion of the facility by \$50.0 million to \$833.0 million. As of December 31, 2014, the 2012 credit facility, as amended, consists of a \$1.2 billion revolving credit facility, or the revolving credit facility, and an \$833.0 million term loan, or the term loan facility. In January 2015, we entered into a second amended and restated credit agreement, which decreased the interest-rate margin and facility fee applicable to the revolving credit facility by 20 basis points and five basis points, respectively, and extended the maturity date of the revolving credit facility to March 29, 2019 with an as-of-right extension through March 29, 2020. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to \$1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our existing lenders and other financial institutions.

As of December 31, 2014, the 2012 credit facility bore interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 95 basis points to 190 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. At December 31, 2014, the applicable spread was 145 basis points for revolving credit facility and 140 basis points for the term loan facility. At December 31, 2014, the effective interest rate was 1.61% for the revolving credit facility and 1.67% for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point facility fee on the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. As of December 31, 2014, the facility fee was 30 basis points. As of December 31, 2014, we had \$113.2 million of outstanding letters of credit, \$385.0 million drawn under the revolving credit facility and \$833.0 million outstanding under the term loan facility, with total undrawn capacity of \$701.8 million under the 2012 credit facility.

In connection with the amendment of the 2012 credit facility, we incurred debt origination and other loan costs of \$3.0 million. We evaluated the modification pursuant to ASC 470 and determined that the terms of the amendment were not substantially different from the terms of the previous 2012 credit facility. As a result, these deferred costs and the unamortized balance of the costs previously incurred are amortized through the extended maturity date of the term loan facility.

The Company, the Operating Partnership and ROP are all borrowers jointly and severally obligated under the 2012 credit facility. None of our other subsidiaries are obligors under the 2012 credit facility.

The 2012 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

#### 2011 Revolving Credit Facility

The 2012 credit facility replaced our \$1.5 billion revolving credit facility, or the 2011 revolving credit facility, which was terminated concurrently with the entering into the 2012 credit facility. The 2011 revolving credit facility bore interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP, and required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility. The 2011 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2011 revolving credit facility and as of November 2012, we were in compliance with all such restrictions and covenants.

#### Master Repurchase Agreement

The Master Repurchase Agreement, as amended in December 2013, or MRA, provides us an ability to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a certain date or on demand. This MRA has a maximum facility capacity of \$300.0 million and bears interest ranging from 250 and 325 basis points over one-month LIBOR depending on the pledged collateral. At December 31, 2014, we had \$100.0 million outstanding under this facility included in mortgages and other loans payable on the consolidated balance sheets.



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## Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures as of December 31, 2014 and 2013, by scheduled maturity date (dollars in thousands):

Issuance	December 31, 2014 Unpaid Principal Balance	December 31, 2014 Accreted Balance	December 31, 2013 Accreted Balance	Coupon Rate <sup>(1)</sup>	Effective Rate	Term (in Years)	Maturity Date
March 31, 2006 <sup>(2)</sup>	\$255,308	\$255,250	\$255,206	6.00	% 6.00	% 10	March 31, 2016
October 12, 2010 <sup>(3)</sup>	345,000	309,069	297,837	3.00	% 3.00	% 7	October 15, 2017
August 5, 2011 <sup>(4)</sup>	250,000	249,744	249,681	5.00	% 5.00	% 7	August 15, 2018
March 16, 2010 <sup>(4)</sup>	250,000	250,000	250,000	7.75	% 7.75	% 10	March 15, 2020
November 15, 2012 <sup>(4)</sup>	200,000	200,000	200,000	4.50	% 4.50	% 10	December 1, 2022
June 27, 2005 <sup>(2)(5)</sup>	7	7	7	4.00	% 4.00	% 20	June 15, 2025
March 26, 2007 <sup>(6)</sup>	10,008	10,008	10,701	3.00	% 3.00	% 20	March 30, 2027
August 13, 2004 <sup>(2)(7)</sup>	—	—	75,898				
	\$1,310,323	\$1,274,078	\$1,339,330				

(1) Interest on the senior unsecured notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates.

(2) Issued by ROP.

Issued by the Operating Partnership. Interest on these exchangeable notes is payable semi-annually on April 15 and October 15. The notes had an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of SL Green's common stock on October 6, 2010, or \$85.81. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 12.1163 shares of SL Green's common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the

(3) Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of SL Green's common stock, if any, at our option. As a result of meeting specified events (as defined in the Indenture Agreement), these notes are exchangeable commencing January 1, 2015 and will remain exchangeable through March 31, 2015. The notes are guaranteed by ROP. On the issuance date, \$78.3 million of the debt balance was recorded in equity. As of December 31, 2014, \$35.9 million remained to be amortized into the debt balance.

(4) Issued by the Company, the Operating Partnership and ROP, as co-obligors.

Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the

(5) occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of SL Green's common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491.

(6) Issued by the Operating Partnership. Interest on these remaining exchangeable notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of the Company's common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 5.7952

shares of SL Green's common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of SL Green's common stock, if any, at our option. The notes are currently redeemable at the Operating Partnership's option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events.

(7) In August 2014, these notes were repaid at maturity.

#### Restrictive Covenants

The terms of the 2012 credit facility, as amended, and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends, make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable the Company to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2014 and 2013, we were in compliance with all such covenants.

#### Junior Subordinate Deferrable Interest Debentures

In June 2005, the Company and the Operating Partnership issued \$100.0 million in unsecured trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of the Operating Partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015. Thereafter, the interest rate will float at 125 basis points over the three-month LIBOR. Interest payments may be deferred for a period of up to eight consecutive quarters if the Operating Partnership exercises its right to defer such payments. The Trust preferred securities are redeemable at the option of the Operating Partnership, in whole or in part, with no prepayment premium. We do not

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consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our consolidated balance sheets and the related payments are classified as interest expense.

**Interest Rate Risk**

We are exposed to changes in interest rates primarily from our variable rate debt. Our exposure to interest rate changes are managed through either the use of interest rate derivatives instruments and/or through our variable rate debt and preferred equity investments. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2014 would have increased our annual interest cost, net of interest income from variable rate debt and preferred equity investments, by \$15.2 million and would have increased our share of joint venture annual interest cost by \$8.1 million.

We recognize most derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If a derivative is considered a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Our long-term debt of \$6.1 billion bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. Our variable rate debt and variable rate joint venture debt as of December 31, 2014 bore interest based on a spread of LIBOR plus 90 basis points to LIBOR plus 935 basis points.

**Contractual Obligations**

The combined aggregate principal maturities of mortgages and other loans payable, the 2012 credit facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options and put options, estimated interest expense, and our obligations under our capital lease and ground leases, as of December 31, 2014 are as follows (in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Property mortgages and other loans	\$ 159,353	\$ 392,809	\$ 956,392	\$ 80,462	\$ 99,450	\$ 4,052,185	\$ 5,740,651
Revolving credit facility	—	—	—	385,000	—	—	385,000
Unsecured term loan	—	—	—	—	833,000	—	833,000
Senior unsecured notes	7	255,308	355,008	250,000	—	450,000	1,310,323
Trust preferred securities	—	—	—	—	—	100,000	100,000
Capital lease	145	170	291	291	315	56,569	57,781
Ground leases	30,491	30,612	30,845	30,845	30,862	720,698	874,353
Estimated interest expense	333,249	324,493	277,267	249,965	227,414	546,059	1,958,447
Joint venture debt	44,700	640,176	572,003	28	94,890	266,191	1,617,988
<b>Total</b>	<b>\$ 567,945</b>	<b>\$ 1,643,568</b>	<b>\$ 2,191,806</b>	<b>\$ 996,591</b>	<b>\$ 1,285,931</b>	<b>\$ 6,191,702</b>	<b>\$ 12,877,543</b>

**Off-Balance Sheet Arrangements**

We have off-balance sheet investments, including joint ventures and debt and preferred equity investments. These investments all have varying ownership structures. Substantially all of our joint venture arrangements are accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control, over

the operating and financial decisions of these joint venture arrangements. Our off-balance sheet arrangements are discussed in Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures" in the accompanying consolidated financial statements. Additional information about the debt of our unconsolidated joint ventures is included in "Contractual Obligations" above.

#### Capital Expenditures

We estimate that for the year ending December 31, 2015, we expect to incur \$259.3 million of recurring capital expenditures and \$138.1 million of development or redevelopment expenditures, net of loan reserves, (including tenant improvements and leasing commissions) on existing consolidated properties, and our share of capital expenditures at our joint venture properties, net of loan reserves, will be \$88.7 million. We expect to fund these capital expenditures with operating cash flow, additional property level mortgage financings and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect our capital needs over the next twelve months and thereafter will be met through a

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combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

**Dividends/Distributions**

We expect to pay dividends to our stockholders based on the distributions we receive from our Operating Partnership primarily from property revenues net of operating expenses or, if necessary, from working capital.

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of \$2.40 per share, we would pay \$236.7 million in dividends to SL Green's common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under the 2012 credit facility and senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

**Related Party Transactions**

**Cleaning/ Security/ Messenger and Restoration Services**

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 partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Income earned from profit participation, which is included in other income on the consolidated statements of income, was \$3.8 million, \$3.5 million and \$4.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. We also recorded expenses of \$21.5 million, \$23.4 million and \$20.5 million for the years ended December 31, 2014, 2013 and 2012, respectively, for these services (excluding services provided directly to tenants).

**Management Fees**

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. We received management fees from such entity of \$444,300, \$441,100 and \$384,900 for the years ended December 31, 2014, 2013 and 2012, respectively.

**Insurance**

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within three property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of \$950.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio and expires December 31, 2015. The second portfolio maintains a limit of \$700.0 million per occurrence, including terrorism, for several New York City properties and the majority of the Suburban properties and expires December 31, 2015. Each of these policies includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. A third blanket property policy covers most of our residential assets and maintains a limit of \$300 million per occurrence, including terrorism, for our residential properties and expires January 31, 2016. We maintain two liability policies which cover all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2015 and January 31, 2016 and cover our commercial and residential, respectively. Additional coverage may be purchased on a stand-alone basis for certain assets.

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 is a

subsidiary of ours. 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.

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed December 31, 2005 and again on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. TRIPRA was not renewed by Congress and expired on December 31, 2014. However, on January 12, 2015, TRIPRA was reauthorized until December 31, 2020 (Terrorism Insurance Program Reauthorization and Extension Act of 2015). The law extends the federal Terrorism Insurance Program that requires insurance companies to offer

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terrorism coverage and provides for compensation for insured losses resulting from acts of certified terrorism, subject to the current program trigger of \$100.0 million, which will increase by \$20 million per annum, commencing December 31, 2015. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2012 credit facility, senior unsecured notes and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, 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 allowing 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 prevail in asserting that we are required to maintain full coverage for these risks, it could result in substantially higher insurance premiums.

We own Belmont and the accounts of Belmont are part of our consolidated financial statements. If Belmont experiences a loss and 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.

We monitor all properties that are subject to triple net leases to ensure that tenants are providing adequate coverage. Certain joint ventures may be covered under policies separate from our policies, at coverage limits which we deem to be adequate. We continually monitor these policies. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, we may not have sufficient coverage to replace certain properties.

#### Funds From Operations

Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and as subsequently amended, defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles, or GAAP), excluding gains (or losses) from debt restructurings, sales of properties and real estate related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties.

We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

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FFO for the years ended December 31, 2014, 2013 and 2012, are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net income attributable to SL Green common stockholders	\$503,104	\$101,330	\$155,984
Add:			
Depreciation and amortization	371,610	324,461	311,860
Discontinued operations depreciation adjustments	5,581	16,443	20,250
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	33,487	51,266	35,593
Net income attributable to noncontrolling interests	25,057	13,652	11,188
Less:			
Gain on sale of discontinued operations	163,059	14,900	6,627
Equity in net gain on sale of joint venture property/ interest	123,253	3,601	37,053
Purchase price fair value adjustment	67,446	(2,305)	) —
Depreciable real estate reserves	—	(2,150)	) —
Depreciation and amortization on non-rental real estate assets	2,047	1,509	940
Funds from Operations	\$583,034	\$491,597	\$490,255
Cash flows provided by operating activities	\$490,381	\$386,203	\$346,753
Cash flows used in investing activities	\$(796,835)	) \$(628,435)	) \$(1,163,403)
Cash flows provided by financing activities	\$381,171	\$258,940	\$868,442

**Inflation**

Substantially all of our office leases provide for separate real estate tax and operating expense escalations as well as operating expense recoveries based on increases in the Consumer Price Index or other measures such as porters' wage. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases will be at least partially offset by the contractual rent increases and expense escalations described above.

**Accounting Standards Updates**

The Accounting Standards Updates are discussed in Note 2, "Significant Accounting Policies-Accounting Standards Updates" in the accompanying consolidated financial statements.

**Forward-Looking Information**

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provisions thereof. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), development trends of the real estate industry and the Manhattan, Brooklyn, Westchester County, Connecticut, Long Island and New Jersey office markets, business strategies, expansion and growth of our operations and other similar matters, are forward-looking statements. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate.

Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially, and we caution you not to place undue reliance on such statements. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or the negative of these words, or other similar words or terms.

Forward-looking statements contained in this report are subject to a number of risks and uncertainties that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by forward-looking statements made by us. These risks and uncertainties include:

the effect of general economic, business and financial conditions, and their effect on the New York City real estate market in particular;  
dependence upon certain geographic markets;

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risks of real estate acquisitions, dispositions, developments and redevelopment, including the cost of construction delays and cost overruns;

risks relating to debt and preferred equity investments;

availability and creditworthiness of prospective tenants and borrowers;

bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;

adverse changes in the real estate markets, including reduced demand for office space, increasing vacancy, and increasing availability of sublease space;

availability of capital (debt and equity);

unanticipated increases in financing and other costs, including a rise in interest rates;

our ability to comply with financial covenants in our debt instruments;

our ability to maintain its status as a REIT;

risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;

the threat of terrorist attacks;

- our ability to obtain adequate insurance coverage at a reasonable cost and the potential for losses in excess of our insurance coverage, including as a result of environmental contamination; and,

legislative, regulatory and/or safety requirements adversely affecting REITs and the real estate business including costs of compliance with the Americans with Disabilities Act, the Fair Housing Act and other similar laws and regulations.

Other factors and risks to our business, many of which are beyond our control, are described in other sections of this report and in our other filings with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

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## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Rate Risk" for additional information regarding our exposure to interest rate fluctuations.

The table below presents the principal cash flows based upon maturity dates of our debt obligations and debt and preferred equity investments and the weighted-average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2014 (in thousands):

	Long-Term Debt			Debt and Preferred Equity Investments(1)			
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate	Amount	Weighted Yield	
2015	\$150,555	4.92	% \$108,805	2.99	% \$374,188	10.39	%
2016	402,980	4.87	% 245,138	3.39	% 516,492	11.07	
2017	1,311,215	4.77	% 186	3.76	% 327,796	9.39	
2018	330,119	4.83	% 385,343	3.84	% 70,162	15.25	
2019	100,978	3.67	% 831,471	2.14	% 66,736	7.39	
Thereafter	3,881,184	3.82	% 721,000	0.95	% 53,430	8.79	
Total	\$6,177,031	4.40	% \$2,291,943	3.09	% \$1,408,804	10.51	%
Fair Value	\$6,565,236		\$2,315,952				

(1) Our debt and preferred equity investments had an estimated fair value ranging between \$1.5 billion and \$1.8 billion at December 31, 2014.

The table below presents the principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the weighted-average interest rates by expected maturity dates as of December 31, 2014 (in thousands):

	Long Term Debt				
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate	
2015	\$4,772	5.63	% \$39,928	3.15	%
2016	351,558	5.58	% 288,618	3.50	%
2017	244,290	5.52	% 327,713	3.81	%
2018	—	5.74	% 28	3.48	%
2019	85,850	5.84	% 9,040	3.64	%
Thereafter	87,587	7.16	% 178,604	4.74	%
Total	\$774,057	6.10	% \$843,931	3.37	%
Fair Value	\$775,168		\$844,857		

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The table below lists our consolidated derivative instruments, which are hedging variable rate debt, and their related fair values as of December 31, 2014 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap - Sold	Mortgage	LIBOR	\$504,000	4.750 %	May 2014	May 2016	\$4
Interest Rate Cap	Mortgage	LIBOR	504,000	4.750 %	May 2014	May 2016	(4 )
Interest Rate Cap	Mortgage	LIBOR	500,000	4.750 %	October 2014	May 2016	4
Interest Rate Cap - Sold	Mortgage	LIBOR	500,000	4.750 %	November 2014	May 2016	(4 )
Interest Rate Cap	Mortgage	LIBOR	446,000	4.750 %	October 2014	May 2016	3
Interest Rate Cap	Mortgage	LIBOR	263,426	6.000 %	November 2013	November 2015	—
Interest Rate Cap	Mortgage	LIBOR	137,500	4.000 %	October 2013	September 2015	—
Interest Rate Swap	Mortgage	LIBOR	200,000	0.938 %	October 2014	December 2017	871
Interest Rate Swap	Mortgage	LIBOR	150,000	0.940 %	October 2014	December 2017	647
Interest Rate Swap	Mortgage	LIBOR	150,000	0.940 %	October 2014	December 2017	645
Interest Rate Swap	Mortgage	LIBOR	144,000	2.236 %	December 2012	December 2017	(4,757 )
Interest Rate Swap	Mortgage	LIBOR	86,400	1.948 %	December 2012	December 2017	(2,124 )
Interest Rate Swap	Mortgage	LIBOR	72,000	2.310 %	December 2012	December 2017	(2,533 )
Interest Rate Swap	Mortgage	LIBOR	72,000	1.345 %	December 2012	December 2017	(506 )
Interest Rate Swap	Mortgage	LIBOR	72,000	2.310 %	December 2012	December 2017	(2,534 )
Interest Rate Swap	Mortgage	LIBOR	57,600	1.990 %	December 2012	December 2017	(1,487 )
Interest Rate Swap	Credit facility	LIBOR	30,000	2.295 %	July 2010	June 2016	(774 )
Interest Rate Swap	Mortgage	LIBOR	8,500	0.740 %	February 2012	February 2015	(5 )
Total Consolidated Hedges							\$(12,554)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps had no value at December 31, 2014. We also swapped certain floating rate debt at some of our joint ventures. These swaps represented in aggregate an asset and obligation of \$0.2 million and \$0.5 million, respectively, at December 31, 2014.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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FINANCIAL STATEMENTS OF SL GREEN REALTY CORP.

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<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012</u>	<u>74</u>
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FINANCIAL STATEMENTS OF SL GREEN OPERATING PARTNERSHIP, L.P.

<u>Report of Independent Registered Public Accounting Firm</u>	<u>79</u>
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<u>Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2014, 2013 and 2012</u>	<u>137</u>
<u>Schedule III Real Estate and Accumulated Depreciation as of December 31, 2014</u>	<u>138</u>

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

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SL Green Realty Corp.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of SL Green Realty Corp.

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 23, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

February 23, 2015

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## SL Green Realty Corp.

## Consolidated Balance Sheets

(in thousands, except per share data)

	December 31, 2014	December 31, 2013
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$3,844,518	\$3,032,526
Building and improvements	8,778,593	7,884,663
Building leasehold and improvements	1,418,585	1,366,281
Properties under capital lease	27,445	50,310
	14,069,141	12,333,780
Less: accumulated depreciation	(1,905,165)	(1,646,240)
	12,163,976	10,687,540
Assets held for sale		
Cash and cash equivalents	462,430	—
Restricted cash	281,409	206,692
Investment in marketable securities	149,176	142,051
Tenant and other receivables, net of allowance of \$18,068 and \$17,325 in 2014 and 2013, respectively	39,429	32,049
Related party receivables	57,369	60,393
Deferred rents receivable, net of allowance of \$27,411 and \$30,333 in 2014 and 2013, respectively	11,735	8,530
Debt and preferred equity investments, net of discounts and deferred origination fees of \$19,172 and \$18,593 in 2014 and 2013, respectively, and allowance of \$1,000 in 2013	374,944	386,508
Investments in unconsolidated joint ventures	1,408,804	1,304,839
Deferred costs, net	1,172,020	1,113,218
Other assets	327,962	267,058
Total assets	647,333	750,123
	\$17,096,587	\$14,959,001
Liabilities		
Mortgages and other loans payable	\$5,586,709	\$4,860,578
Revolving credit facility	385,000	220,000
Term loan and senior unsecured notes	2,107,078	1,739,330
Accrued interest payable and other liabilities	137,634	114,622
Accounts payable and accrued expenses	173,246	145,889
Deferred revenue	187,148	263,261
Capitalized lease obligations	20,822	47,671
Deferred land leases payable	1,215	22,185
Dividend and distributions payable	64,393	52,255
Security deposits	66,614	61,308
Liabilities related to assets held for sale	266,873	—
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	9,096,732	7,627,099
Commitments and contingencies	—	—

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Noncontrolling interests in Operating Partnership	469,524	265,476
Preferred Units	71,115	49,550

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## Equity

## SL Green stockholders' equity:

Series I Preferred Stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at December 31, 2014 and 2013, respectively	221,932	221,932
Common stock, \$0.01 par value, 160,000 shares authorized and 100,928 and 98,563 issued and outstanding at December 31, 2014 and 2013, respectively (including 3,603 and 3,570 shares held in Treasury at December 31, 2014 and 2013, respectively)	1,010	986
Additional paid-in-capital	5,289,479	5,015,904
Treasury stock at cost	(320,471)	(317,356)
Accumulated other comprehensive loss	(6,980)	(15,211)
Retained earnings	1,752,404	1,619,150
Total SL Green stockholders' equity	6,937,374	6,525,405
Noncontrolling interests in other partnerships	521,842	491,471
Total equity	7,459,216	7,016,876
Total liabilities and equity	\$17,096,587	\$14,959,001

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

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## SL Green Realty Corp.

## Consolidated Statements of Income

(in thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Revenues			
Rental revenue, net	\$1,121,066	\$996,782	\$984,079
Escalation and reimbursement	164,376	155,965	151,187
Investment income	178,815	193,843	119,155
Other income	55,721	24,475	35,631
Total revenues	1,519,978	1,371,065	1,290,052
Expenses			
Operating expenses, including \$19,308 (2014), \$19,152 (2013) and \$17,645 (2012) of related party expenses	282,283	276,589	275,872
Real estate taxes	217,843	203,076	194,371
Ground rent	32,307	31,951	31,504
Interest expense, net of interest income	317,400	310,894	309,681
Amortization of deferred financing costs	22,377	15,855	18,558
Depreciation and amortization	371,610	324,461	311,860
Loan loss and other investment reserves, net of recoveries	—	—	564
Transaction related costs, net of recoveries	8,707	3,985	5,402
Marketing, general and administrative	92,488	86,192	82,840
Total expenses	1,345,015	1,253,003	1,230,652
Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, purchase price fair value adjustment, gain (loss) on sale of investment in marketable securities and loss on early extinguishment of debt	174,963	118,062	59,400
Equity in net income from unconsolidated joint ventures	26,537	9,921	76,418
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	123,253	3,601	37,053
Purchase price fair value adjustment	67,446	(2,305)	) —
Gain (loss) on sale of investment in marketable securities	3,895	(65)	) 4,940
Loss on early extinguishment of debt	(32,365)	) (18,518)	) (6,978)
Income from continuing operations	363,729	110,696	170,833
Net income from discontinued operations	19,075	25,687	32,240
Gain on sale of discontinued operations	163,059	14,900	6,627
Net income	545,863	151,283	209,700
Net income attributable to noncontrolling interests:			
Noncontrolling interests in the Operating Partnership	(18,467)	) (3,023)	) (5,597)
Noncontrolling interests in other partnerships	(6,590)	) (10,629)	) (5,591)
Preferred units distributions	(2,750)	) (2,260)	) (2,107)
Net income attributable to SL Green	518,056	135,371	196,405
Preferred stock redemption costs	—	(12,160)	) (10,010)
Perpetual preferred stock dividends	(14,952)	) (21,881)	) (30,411)
Net income attributable to SL Green common stockholders	\$503,104	\$101,330	\$155,984

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Amounts attributable to SL Green common stockholders:

Income from continuing operations before gains on sale and discontinued operations	143,466	60,654	82,696
Purchase price fair value adjustment	65,059	(2,239)	—
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	118,891	3,497	35,769
Net income from discontinued operations	18,400	24,947	31,122
Gain on sale of discontinued operations	157,288	14,471	6,397
Net income attributable to SL Green common stockholders	\$503,104	\$101,330	\$155,984

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Basic earnings per share:			
Income from continuing operations before gains on sale and discontinued operations	\$2.18	\$0.64	\$0.93
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.24	0.04	0.40
Net income from discontinued operations	0.19	0.27	0.35
Gain on sale of discontinued operations	1.64	0.15	0.07
Net income attributable to SL Green common stockholders	\$5.25	\$1.10	\$1.75
Diluted earnings per share:			
Income from continuing operations before gains on sale and discontinued operations	\$2.17	\$0.63	\$0.92
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.24	0.04	0.40
Net income from discontinued operations	0.19	0.27	0.35
Gain on sale of discontinued operations	1.63	0.16	0.07
Net income attributable to SL Green common stockholders	\$5.23	\$1.10	\$1.74
Basic weighted average common shares outstanding	95,774	92,269	89,319
Diluted weighted average common shares and common share equivalents outstanding	99,696	95,266	92,873

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

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## SL Green Realty Corp.

## Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,			
	2014	2013	2012	
Net income	\$545,863	\$ 151,283	\$209,700	
Other comprehensive income (loss):				
Change in net unrealized gain on derivative instruments, including SL Green's share of joint venture net unrealized gain on derivative instruments	10,643	13,490	2,127	
Change in unrealized (loss) gain on marketable securities	(2,237	) 1,497	(3,657	)
Other comprehensive income (loss)	8,406	14,987	(1,530	)
Comprehensive income	554,269	166,270	208,170	
Net income attributable to noncontrolling interests	(27,807	) (15,912	) (13,295	)
Other comprehensive (income) loss attributable to noncontrolling interests	(175	) (611	) 388	
Comprehensive income attributable to SL Green	\$526,287	\$ 149,747	\$ 195,263	

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

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SL Green Realty Corp.

Consolidated Statements of Equity

(in thousands, except per share data)

SL Green Realty Corp. Stockholders

	Series C Preferred Stock	Series D Preferred Stock	Series I Preferred Stock	Common Stock Shares	Par Value	Additional Paid- In-Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2011	\$274,022	\$96,321	\$—	85,783	\$892	\$4,236,959	\$(308,708)	\$(28,445)	\$1,704,506	\$477,762	\$6,453,300
Net income									196,405	5,591	201,996
Other comprehensive income								(1,142 )			(1,142 )
Preferred dividends									(30,411 )		(30,411 )
DRIP proceeds				1,305	13	99,557					99,570
Conversion of units of the Operating Partnership to common stock				1,096	11	87,502					87,513
Redemption of preferred stock	(93,682 )	(96,321 )							(10,010 )		(200,013 )
Reallocation of noncontrolling interest in the operating partnership									(61,238 )		(61,238 )
Deferred compensation plan and stock award, net				43	3	719	(14,150 )				(13,428 )
Amortization of deferred compensation plan						28,742					28,742
Net proceeds from preferred stock offering				221,965							221,965
				2,640	27	201,252					201,279

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Issuance of common stock										
Proceeds from stock options exercised			383	4	13,169					13,173
Contributions to consolidated joint venture interest								25,894		25,894
Cash distributions to noncontrolling interests								(21,946)		(21,946)
Cash distribution declared (\$1.08 per common share, none of which represented a return of capital for federal income tax purposes)								(98,160)		(98,160)
Balance at December 31, 2012	180,340	—	221,916	350,950	4,667,900	(322,858)	(29,587)	1,701,092	487,301	6,907,103
Net income								135,371	10,629	146,000
Other comprehensive income							14,376			14,376
Preferred dividends								(21,881)		(21,881)
DRIP proceeds					67					67
Conversion of units of the Operating Partnership to common stock			239	2	17,285					17,287
Redemption of preferred stock	(180,340)							(12,160)		(192,500)
Preferred stock issuance costs			(33)							(33)
Reallocation of noncontrolling interest in the Operating Partnership								(45,618)		(45,618)
Deferred compensation plan and stock			135	2	752	(588)				166

award, net

75

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Amortization of deferred compensation plan				26,329				26,329
Issuance of common stock	3,062	30		290,669				290,699
Proceeds from stock options exercised	224	2		12,902				12,904
Sale of treasury stock	83				6,090		1,030	7,120
Contributions to consolidated joint venture interest							8,164	8,164
Cash distributions to noncontrolling interests							(14,623 )	(14,623 )
Cash distribution declared (\$1.49 per common share, none of which represented a return of capital for federal income tax purposes)							(138,684 )	(138,684 )
Balance at December 31, 2013	221,932	94,993	986	5,015,904	(317,356 )	(15,211 )	1,619,150	491,471
Net income							518,056	6,590
Other comprehensive income						8,231		8,231
Preferred dividends							(14,952 )	(14,952 )
DRIP proceeds				64				64
Conversion of units of the Operating Partnership to common stock	315	3		31,650				31,653
							(168,439 )	(168,439 )

Reallocation of noncontrolling interest in the Operating Partnership															
Deferred compensation plan and stock award, net	15		1,601	(3,115	)			(1,514	)						
Amortization of deferred compensation plan			29,749					29,749							
Issuance of common stock	1,654	17	185,304					185,321							
Proceeds from stock options exercised	348	4	25,207					25,211							
Contributions to consolidated joint venture interests							30,800	30,800							
Cash distributions to noncontrolling interests							(7,019	)	(7,019						
Cash distributions declared (\$2.10 per common share, none of which represented a return of capital for federal income tax purposes)						(201,411	)	(201,411	)						
Balance at December 31, 2014	\$	\$	\$221,932	97,325	\$	1,010	\$5,289,479	\$(320,471)	\$(6,980)	\$	1,752,404	\$	521,842	\$	7,459,216

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

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## SL Green Realty Corp.

## Consolidated Statements of Cash Flows

(in thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Operating Activities			
Net income	\$545,863	\$151,283	\$209,700
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	400,001	357,599	351,539
Equity in net income from unconsolidated joint ventures	(26,537)	) (9,921	) (76,418)
Distributions of cumulative earnings from unconsolidated joint ventures	28,859	34,997	91,145
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(123,253)	) (3,601	) (37,053)
Purchase price fair value adjustment	(71,446)	) 2,305	—
Depreciable real estate reserves	—	2,150	—
Gain on sale of discontinued operations	(163,059)	) (14,900	) (6,627)
Loan loss and other investment reserves, net of recoveries	—	—	564
Gain on sale of investments in marketable securities	(3,895)	) —	(4,940)
Loss on early extinguishment of debt	32,365	10,963	6,978
Deferred rents receivable	(56,362)	) (56,739	) (66,079)
Other non-cash adjustments	(28,559)	) (37,843	) (18,868)
Changes in operating assets and liabilities:			
Restricted cash—operations	861	2,037	(13,812)
Tenant and other receivables	1,978	(7,570)	) (10,998)
Related party receivables	(3,673)	) (917	) (3,529)
Deferred lease costs	(53,333)	) (52,228	) (48,368)
Other assets	9,340	2,904	(35,932)
Accounts payable, accrued expenses and other liabilities and security deposits	(7,796)	) (1,473	) 9,389
Deferred revenue and land leases payable	9,027	7,157	62
Net cash provided by operating activities	490,381	386,203	346,753
Investing Activities			
Acquisitions of real estate property	(1,039,530)	) (594,595	) (544,568)
Additions to land, buildings and improvements	(369,887)	) (196,571	) (148,148)
Escrowed cash—capital improvements/acquisition deposits	(8,461)	) (7,672	) (70,080)
Investments in unconsolidated joint ventures	(382,010)	) (150,274	) (215,174)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	236,181	42,720	127,876
Proceeds from disposition of real estate/joint venture interest	820,599	227,615	178,485
Proceeds from sale of marketable securities	8,248	2,370	11,070
Purchases of marketable securities	(14,364)	) (11,493	) (6,660)
Other investments	(7,448)	) (43,163	) (36,750)
Origination of debt and preferred equity investments	(617,090)	) (555,137	) (645,229)
Repayments or redemption of debt and preferred equity investments	576,927	657,765	185,775
Net cash used in investing activities	(796,835)	) (628,435	) (1,163,403)



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	Year Ended December 31,		
	2014	2013	2012
<b>Financing Activities</b>			
Proceeds from mortgages and other loans payable	\$2,151,603	\$1,257,172	\$1,230,167
Repayments of mortgages and other loans payable	(2,201,999 )	(1,085,220 )	(684,954 )
Proceeds from revolving credit facility and senior unsecured notes	1,908,000	1,164,000	1,751,480
Repayments of revolving credit facility and senior unsecured notes	(1,386,588 )	(1,020,215 )	(1,577,756 )
Payment of debt extinguishment costs	(50,150 )	—	(6,909 )
Proceeds from stock options exercised and DRIP issuance	25,275	12,971	112,743
Net proceeds from sale of common stock	185,321	290,699	201,279
Net proceeds from sale of preferred stock	—	—	221,965
Redemption of preferred stock	(2,000 )	(192,533 )	(200,013 )
Sale or purchase of treasury stock	—	7,120	(14,150 )
Distributions to noncontrolling interests in other partnerships	(7,019 )	(14,623 )	(21,946 )
Contributions from noncontrolling interests in other partnerships	30,675	8,164	25,894
Distributions to noncontrolling interests in the Operating Partnership	(7,849 )	(4,146 )	(3,296 )
Dividends paid on common and preferred stock	(206,974 )	(148,407 )	(121,238 )
Other obligations related to mortgage loan participations	—	—	5,000
Deferred loan costs and capitalized lease obligation	(57,124 )	(16,042 )	(49,824 )
Net cash provided by financing activities	381,171	258,940	868,442
Net increase in cash and cash equivalents	74,717	16,708	51,792
Cash and cash equivalents at beginning of year	206,692	189,984	138,192
Cash and cash equivalents at end of year	\$281,409	\$206,692	\$189,984
<b>Supplemental cash flow disclosures:</b>			
Interest paid	\$348,230	\$325,903	\$322,469
Income taxes paid	4,056	2,666	17
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>			
Issuance of common stock as deferred compensation	\$1,601	\$164	\$722
Issuance of units in the Operating Partnership	56,469	24,750	42,239
Redemption of units in the Operating Partnership	31,653	17,287	87,513
Derivative instruments at fair value	11,230	636	92
Assignment of debt investment to joint venture	—	—	25,362
Mortgage assigned to joint venture	150,000	—	—
Tenant improvements and capital expenditures payable	9,408	502	1,738
Fair value adjustment to noncontrolling interest in the Operating Partnership	168,439	45,618	61,238
Assumption of mortgage loans	16,000	84,642	—
Consolidation of real estate investments and other adjustments	1,316,591	90,934	—
Repayment of mezzanine loans	—	—	13,750
Redemption of Series E units	—	—	31,698
Repayment of financing receivable	—	—	28,195
Investment in joint venture	88,957	—	5,135
Capital leased asset	—	9,992	28,132

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Deconsolidation of a subsidiary	112,095	—	104,107
Transfer to net assets held for sale	462,430	—	4,901
Transfer to liabilities related to net assets held for sale	266,873	—	136
Transfer of financing receivable to debt investment	19,675	—	—
Deferred leasing payable	8,667	5,024	91
Issuance of preferred units	27,565	—	47,550

In December 2014, 2013 and 2012, the Company declared quarterly distributions per share of \$0.60, \$0.50 and \$0.33, respectively. These distributions were paid in January 2015, 2014 and 2013, respectively.

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

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SL Green Operating Partnership, L.P.

Report of Independent Registered Public Accounting Firm

The Partners of SL Green Operating Partnership, L.P.

We have audited the accompanying consolidated balance sheets of SL Green Operating Partnership, L.P. (the "Operating Partnership") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, capital and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and schedules are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Operating Partnership at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Operating Partnership's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 23, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York  
February 23, 2015

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SL Green Operating Partnership, L.P.  
 Consolidated Balance Sheets  
 (in thousands, except per share data)

	December 31, 2014	December 31, 2013
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$3,844,518	\$3,032,526
Building and improvements	8,778,593	7,884,663
Building leasehold and improvements	1,418,585	1,366,281
Properties under capital lease	27,445	50,310
	14,069,141	12,333,780
Less: accumulated depreciation	(1,905,165)	(1,646,240)
	12,163,976	10,687,540
Assets held for sale	462,430	—
Cash and cash equivalents	281,409	206,692
Restricted cash	149,176	142,051
Investment in marketable securities	39,429	32,049
Tenant and other receivables, net of allowance of \$18,068 and \$17,325 in 2014 and 2013, respectively	57,369	60,393
Related party receivables	11,735	8,530
Deferred rents receivable, net of allowance of \$27,411 and \$30,333 in 2014 and 2013, respectively	374,944	386,508
Debt and preferred equity investments, net of discounts and deferred origination fees of \$19,172 and \$18,593 in 2014 and 2013, respectively, and allowance of \$1,000 in 2013	1,408,804	1,304,839
Investments in unconsolidated joint ventures	1,172,020	1,113,218
Deferred costs, net	327,962	267,058
Other assets	647,333	750,123
Total assets	\$17,096,587	\$14,959,001
Liabilities		
Mortgages and other loans payable	\$5,586,709	\$4,860,578
Revolving credit facility	385,000	220,000
Term loan and senior unsecured notes	2,107,078	1,739,330
Accrued interest payable and other liabilities	137,634	114,622
Accounts payable and accrued expenses	173,246	145,889
Deferred revenue	187,148	263,261
Capitalized lease obligations	20,822	47,671
Deferred land leases payable	1,215	22,185
Dividend and distributions payable	64,393	52,255
Security deposits	66,614	61,308
Liabilities related to assets held for sale	266,873	—
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	9,096,732	7,627,099
Commitments and contingencies	—	—

Preferred Units

71,115

49,550

80

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## Capital

## SLGOP partners' capital:

Series I Preferred Units, \$25.00 liquidation preference, 9,200 issued and outstanding at both December 31, 2014 and 2013	221,932	221,932
SL Green partners' capital (1,013 and 979 general partner common units and 96,312 and 94,014 limited partner common units outstanding at December 31, 2014 and 2013, respectively)	7,078,924	6,506,747
Limited partner interests in SLGOP (3,973 and 2,902 limited partner common units outstanding at December 31, 2014 and 2013, respectively)	113,298	77,864
Accumulated other comprehensive loss	(7,256	) (15,662 )
Total SLGOP partners' capital	7,406,898	6,790,881
Noncontrolling interests in other partnerships	521,842	491,471
Total capital	7,928,740	7,282,352
Total liabilities and capital	\$17,096,587	\$14,959,001

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

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SL Green Operating Partnership, L.P.  
Consolidated Statements of Income  
(in thousands, except per unit amounts)

	Year Ended December 31,		
	2014	2013	2012
Revenues			
Rental revenue, net	\$ 1,121,066	\$ 996,782	\$ 984,079
Escalation and reimbursement	164,376	155,965	151,187
Investment income	178,815	193,843	119,155
Other income	55,721	24,475	35,631
Total revenues	1,519,978	1,371,065	1,290,052
Expenses			
Operating expenses, including \$19,308 (2014), \$19,152 (2013) and \$17,645 (2012) of related party expenses	282,283	276,589	275,872
Real estate taxes	217,843	203,076	194,371
Ground rent	32,307	31,951	31,504
Interest expense, net of interest income	317,400	310,894	309,681
Amortization of deferred financing costs	22,377	15,855	18,558
Depreciation and amortization	371,610	324,461	311,860
Loan loss and other investment reserves, net of recoveries	—	—	564
Transaction related costs, net of recoveries	8,707	3,985	5,402
Marketing, general and administrative	92,488	86,192	82,840
Total expenses	1,345,015	1,253,003	1,230,652
Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, purchase price fair value adjustment, gain (loss) on sale of investment in marketable securities and loss on early extinguishment of debt	174,963	118,062	59,400
Equity in net income from unconsolidated joint ventures	26,537	9,921	76,418
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	123,253	3,601	37,053
Purchase price fair value adjustment	67,446	(2,305)	) —
Gain (loss) on sale of investment in marketable securities	3,895	(65)	) 4,940
Loss on early extinguishment of debt	(32,365)	) (18,518)	) (6,978)
Income from continuing operations	363,729	110,696	170,833
Net income from discontinued operations	19,075	25,687	32,240
Gain on sale of discontinued operations	163,059	14,900	6,627
Net income	545,863	151,283	209,700
Net income attributable to noncontrolling interests in other partnerships	(6,590)	) (10,629)	) (5,591)
Preferred unit distributions	(2,750)	) (2,260)	) (2,107)
Net income attributable to SLGOP	536,523	138,394	202,002
Preferred unit redemption costs	—	(12,160)	) (10,010)
Perpetual preferred unit distributions	(14,952)	) (21,881)	) (30,411)
Net income attributable to SLGOP common unitholders	\$ 521,571	\$ 104,353	\$ 161,581
Amounts attributable to SLGOP common unitholders:			
	\$ 148,738	\$ 62,470	\$ 85,661

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Income from continuing operations before gains on sale and discontinued operations			
Purchase price fair value adjustment	67,446	(2,305)	) —
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	123,253	3,601	37,053
Net income from discontinued operations	19,075	25,687	32,240
Gain on sale of discontinued operations	163,059	14,900	6,627
Net income attributable to SLGOP common unitholders	\$521,571	\$104,353	\$161,581
Basic earnings per unit:			
Income from continuing operations before gains on sale and discontinued operations	\$2.18	\$0.64	\$0.93
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.24	0.04	0.40
Net income from discontinued operations	0.19	0.27	0.35
Gain on sale of discontinued operations	1.64	0.15	0.07
Net income attributable to SLGOP common unitholders	\$5.25	\$1.10	\$1.75

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Diluted earnings per unit:			
Income from continuing operations before gains on sale and discontinued operations	\$2.17	\$0.63	\$0.92
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	1.24	0.04	0.40
Net income from discontinued operations	0.19	0.27	0.35
Gain on sale of discontinued operations	1.63	0.16	0.07
Net income attributable to SLGOP common unitholders	\$5.23	\$1.10	\$1.74
Basic weighted average common units outstanding	99,288	95,004	92,526
Diluted weighted average common units and common unit equivalents outstanding	99,696	95,266	92,873

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

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SL Green Operating Partnership, L.P.  
 Consolidated Statements of Comprehensive Income  
 (in thousands)

	Year Ended December 31,			
	2014	2013	2012	
Net income	\$545,863	\$151,283	\$209,700	
Other comprehensive income (loss):				
Change in net unrealized gain on derivative instruments, including SLGOP's share of joint venture net unrealized gain on derivative instruments	10,643	13,490	2,127	
Change in unrealized (loss) gain on marketable securities	(2,237	) 1,497	(3,657	)
Other comprehensive income (loss)	8,406	14,987	(1,530	)
Comprehensive income	554,269	166,270	208,170	
Net income attributable to noncontrolling interests	(6,590	) (10,629	) (5,591	)
Comprehensive income attributable to SLGOP	\$547,679	\$155,641	\$202,579	

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

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SL Green Operating Partnership, L.P.  
Consolidated Statements of Capital  
(in thousands, except per unit data)

	SL Green Operating Partnership Unitholders							Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total
	Series C Preferred Units	Series D Preferred Units	Series I Preferred Units	Common Unitholders	Common Unitholders	Common Unitholders	Common Unitholders			
Balance at December 31, 2011	\$274,022	\$96,321	\$—	85,783	\$5,714,856	2,765	\$114,497	\$(29,119)	\$477,762	\$6,648,339
Net income	20,290	4,266	5,855	165,994		5,597		5,591	207,593	
Other comprehensive loss								(1,530 )	(1,530 )	
Preferred distributions	(20,290 )	(4,266 )	(5,855)						(30,411 )	
Issuance of common units						801	42,239			42,239
DRIP proceeds			1,305	99,570						99,570
Redemption of units			1,096	87,513	(1,096)	(87,513 )				—
Redemption of preferred units	(93,682 )	(96,321 )		(10,010 )						(200,013 )
Deferred compensation plan and stock award, net			43	(13,428 )	290					(13,428 )
Amortization of deferred compensation plan				28,742						28,742
Contribution to consolidated joint venture interest									25,894	25,894
Contributions—net proceeds from preferred stock offering			221,965							221,965
Contributions—net proceeds from common stock offering			2,640	201,279						201,279
Contributions—proceeds from stock options exercised			383	13,173						13,173
Distributions to noncontrolling interests					(98,160 )	(3,296 )			(21,946 )	(21,946 )

Cash distribution declared (\$1.08 per common unit, none of which represented a return of capital for federal income tax purposes)

Balance at December 31, 2012	180,340	—	221,963	250,618	6,189,529	2,760	71,524	(30,649 )	487,301	7,120,010
Net income	6,932		14,949		113,490		3,023		10,629	149,023
Other comprehensive income								14,987		14,987
Preferred distributions	(6,932 )		(14,949 )							(21,881 )
Issuance of common units						381	24,750			24,750
DRIP proceeds			—		67					67
Redemption of units			239		17,287	(239 )	(17,287 )			—
Redemption of preferred units	(180,340 )				(12,160 )					(192,500 )
Preferred units issuance costs			(33)							(33 )
Deferred compensation plan and stock award, net			135		166					166
Amortization of deferred compensation plan					26,329					26,329
Contribution to consolidated joint venture interest									8,164	8,164
Contributions—net proceeds from common stock offering			3,062		290,699					290,699

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Contributions-treasury shares	83	7,120							7,120	
Contributions—proceeds from stock options exercised	224	12,904							12,904	
Distributions to noncontrolling interests							(14,623 )	(14,623 )		
Cash distribution declared (\$1.49 per common unit, none of which represented a return of capital for federal income tax purposes)			(138,684 )		(4,146 )				(142,830 )	
Balance at December 31, 2013	—	—	221,932	94,993	6,506,747	2,902	77,864	(15,662 )	491,471	7,282,352
Net income		14,952		503,104		18,467		6,590		543,113
Other comprehensive loss							8,406			8,406
Preferred distributions		(14,952 )								(14,952 )
Issuance of common units						1,386	56,469			56,469
DRIP proceeds				64						64
Redemption of units		315		31,653		(315 )	(31,653 )			—
Deferred compensation plan and stock award, net		15		(1,514 )						(1,514 )
Amortization of deferred compensation plan				29,749						29,749
Contribution to consolidated joint venture interest								30,800		30,800
Contributions - net proceeds from common stock offering		1,654		185,321						185,321
Contributions - proceeds from stock options exercised		348		25,211						25,211
Cash distributions to noncontrolling interests								(7,019 )	(7,019 )	
Cash distribution declared (\$2.10 per				(201,411 )		(7,849 )				(209,260 )

common unit, none of  
 which represented a  
 return of capital for  
 federal income tax  
 purposes)

Balance at December 31, 2014	\$—	\$—	\$221,932	97,325	\$7,078,924	3,973	\$113,298	\$(7,256)	\$521,842	\$7,928,740
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The accompanying notes are an integral part of these financial statements.

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SL Green Operating Partnership, L.P.  
Consolidated Statements of Cash Flows  
(in thousands)

	Years Ended December 31,		
	2014	2013	2012
Operating Activities			
Net income	\$545,863	\$ 151,283	\$209,700
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	400,001	357,599	351,539
Equity in net income from unconsolidated joint ventures	(26,537	) (9,921	) (76,418
Distributions of cumulative earnings from unconsolidated joint ventures	28,859	34,997	91,145
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(123,253	) (3,601	) (37,053
Purchase price fair value adjustment	(71,446	) 2,305	—
Depreciable real estate reserves	—	2,150	—
Gain on sale of discontinued operations	(163,059	) (14,900	) (6,627
Loan loss and other investment reserves, net of recoveries	—	—	564
Gain on sale of investments in marketable securities	(3,895	) —	(4,940
Loss on early extinguishment of debt	32,365	10,963	6,978
Deferred rents receivable	(56,362	) (56,739	) (66,079
Other non-cash adjustments	(28,559	) (37,843	) (18,868
Changes in operating assets and liabilities:			
Restricted cash—operations	861	2,037	(13,812
Tenant and other receivables	1,978	(7,570	) (10,998
Related party receivables	(3,673	) (917	) (3,529
Deferred lease costs	(53,333	) (52,228	) (48,368
Other assets	9,340	2,904	(35,932
Accounts payable, accrued expenses and other liabilities and security deposits	(7,796	) (1,473	) 9,389
Deferred revenue and land leases payable	9,027	7,157	62
Net cash provided by operating activities	490,381	386,203	346,753
Investing Activities			
Acquisitions of real estate property	(1,039,530	) (594,595	) (544,568
Additions to land, buildings and improvements	(369,887	) (196,571	) (148,148
Escrowed cash—capital improvements/acquisition deposits	(8,461	) (7,672	) (70,080
Investments in unconsolidated joint ventures	(382,010	) (150,274	) (215,174
Distributions in excess of cumulative earnings from unconsolidated joint ventures	236,181	42,720	127,876
Net proceeds from disposition of real estate/joint venture interest	820,599	227,615	178,485
Proceeds from sale of marketable securities	8,248	2,370	11,070
Purchases of marketable securities	(14,364	) (11,493	) (6,660
Other investments	(7,448	) (43,163	) (36,750
Origination of debt and preferred equity investments	(617,090	) (555,137	) (645,229
Repayments or redemption of debt and preferred equity investments	576,927	657,765	185,775
Net cash used in investing activities	(796,835	) (628,435	) (1,163,403



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	Years Ended December 31,		
	2014	2013	2012
<b>Financing Activities</b>			
Proceeds from mortgages and other loans payable	\$2,151,603	\$1,257,172	\$1,230,167
Repayments of mortgages and other loans payable	(2,201,999 )	(1,085,220 )	(684,954 )
Proceeds from revolving credit facility, term loan and senior unsecured notes	1,908,000	1,164,000	1,751,480
Repayments of revolving credit facility, term loan and senior unsecured notes	(1,386,588 )	(1,020,215 )	(1,577,756 )
Payments of debt extinguishment costs	(50,150 )	—	(6,909 )
Contributions of proceeds from stock options exercised and DRIP issuance	25,275	12,971	112,743
Contributions of net proceeds from sale of common stock	185,321	290,699	201,279
Contributions of net proceeds from sale of preferred stock	—	—	221,965
Redemption of preferred stock	(2,000 )	(192,533 )	(200,013 )
Sale or purchase of treasury stock	—	7,120	(14,150 )
Distributions to noncontrolling interests in other partnerships	(7,019 )	(14,623 )	(21,946 )
Contributions from noncontrolling interests in other partnerships	30,675	8,164	25,894
Distributions paid on common and preferred units	(214,823 )	(152,553 )	(124,534 )
Other obligations related to mortgage loan participations	—	—	5,000
Deferred loan costs and capitalized lease obligation	(57,124 )	(16,042 )	(49,824 )
Net cash provided by financing activities	381,171	258,940	868,442
Net increase in cash and cash equivalents	74,717	16,708	51,792
Cash and cash equivalents at beginning of year	206,692	189,984	138,192
Cash and cash equivalents at end of year	\$281,409	\$206,692	\$189,984
<b>Supplemental cash flow disclosures:</b>			
Interest paid	\$348,230	\$325,903	\$322,469
Income taxes paid	4,056	2,666	17
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>			
Issuance of common stock as deferred compensation	\$1,601	\$164	\$722
Issuance of units in the Operating Partnership	56,469	24,750	42,239
Redemption of units in the Operating Partnership	31,653	17,287	87,513
Derivative instruments at fair value	11,230	636	92
Assignment of debt investment to joint venture	—	—	25,362
Mortgage assigned to joint venture	150,000	—	—
Tenant improvements and capital expenditures payable	9,408	502	1,738
Assumption of mortgage loans	16,000	84,642	—
Consolidation of real estate investments and other adjustments	1,316,591	90,934	—
Repayment of mezzanine loans	—	—	13,750
Redemption of Series E units	—	—	31,698
Repayment of financing receivable	—	—	28,195
Investment in joint venture	88,957	—	5,135
Capital leased asset	—	9,992	28,132

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Deconsolidation of a subsidiary	112,095	—	104,107
Transfer to net assets held for sale	462,430	—	4,901
Transfer to liabilities related to net assets held for sale	266,873	—	136
Transfer of financing receivable to debt investment	19,675	—	—
Deferred leasing payable	8,667	5,024	91
Issuance of preferred units	27,565	—	47,550

In December 2014, 2013 and 2012, SLGOP declared quarterly distributions per common unit of \$0.60, \$0.50 and \$0.33, respectively. These distributions were paid in January 2015, 2014 and 2013, respectively.

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

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SL Green Realty Corp. and SL Green Operating Partnership, L.P.

Notes to Consolidated Financial Statements

December 31, 2014

1. Organization and Basis of Presentation

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation, a consolidated variable interest entity. All of the management, leasing and construction services with respect to the properties that are wholly-owned by us are conducted through SL Green Management LLC which is 100% owned by the Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of December 31, 2014, noncontrolling investors held, in the aggregate, a 3.92% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. See Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements."

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of the Operating Partnership.

As of December 31, 2014, we owned the following interests in commercial office buildings in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Type	Consolidated		Unconsolidated		Total		Weighted Average	
		Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	Number of Properties	Approximate Square Feet (unaudited)	Occupancy(1)	(unaudited)
Commercial:									
Manhattan	Office	23	18,429,045	7	3,476,115	30	21,905,160	95.3	%
	Retail	9	(2) 403,735	7	279,628	16	683,363	91.0	%
	Development/Redevelopment	9	(3) 1,973,862	5	1,952,782	14	3,926,644	32.6	%
	Fee Interest	2	783,530	—	—	2	783,530	100.0	%
		43	21,590,172	19	5,708,525	62	27,298,697	86.3	%
Suburban	Office	27	4,365,400	4	1,222,100	31	5,587,500	82.4	%
	Retail	1	52,000	—	—	1	52,000	100.0	%
	Development/Redevelopment	1	85,000	2	65,641	3	150,641	54.2	%
		29	4,502,400	6	1,287,741	35	5,790,141	81.8	%
Total commercial properties		72	26,092,572	25	6,996,266	97	33,088,838	85.5	%
Residential:									

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Manhattan Residential	3	(2) 735,587	—	—	3	735,587	95.6	%
Suburban Residential	1	66,611	—	—	1	66,611	89.6	%
Total residential properties	4	802,198	—	—	4	802,198	95.2	%
Total portfolio	76	26,894,770	25	6,996,266	101	33,891,036	85.8	%

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The weighted average occupancy for commercial properties represents the total occupied square feet divided by (1) total available rentable square feet. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.

As of December 31, 2014, we owned a building that was comprised of approximately 270,132 square feet (unaudited) of retail space and approximately 222,855 square feet (unaudited) of residential space. For the purpose (2) of this report, we have included the building as part of retail properties and have shown the square footage under its respective classifications.

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SL Green Realty Corp. and SL Green Operating Partnership, L.P.

Notes to Consolidated Financial Statements (cont.)

December 31, 2014

(3)Includes one property which was held for sale as of December 31, 2014 and sold in January 2015.

As of December 31, 2014, we also managed an approximately 336,201 square foot (unaudited) office building owned by a third party and held debt and preferred equity investments with a book value of \$1.4 billion.

Partnership Agreement

In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership Agreement, we allocate all distributions and profits and losses in proportion to the percentage of ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to minimize any Federal income or excise tax at the Company level. Under the Operating Partnership Agreement, each limited partner has the right to redeem units of limited partnership interests for cash, or if we so elect, shares of SL Green's common stock on a one-for-one basis.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as debt and preferred equity investments. See Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures." All significant intercompany balances and transactions have been eliminated. We consolidate a variable interest entity, or VIE, in which we are considered the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Included in commercial real estate properties on our consolidated balance sheets as of December 31, 2014 and 2013 are \$198.4 million and \$605.9 million, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets as of December 31, 2014 and 2013 are \$106.5 million and \$370.9 million, respectively, related to our consolidated VIEs. Also, included in assets held for sale and liabilities related to assets held for sale on our consolidated balance sheet as of December 31, 2014 are \$445.0 million of commercial real estate and \$253.9 million of mortgage related to our consolidated VIEs. A noncontrolling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to us. Noncontrolling interests are required to be presented as a separate component of equity in the consolidated balance sheet and the presentation of net income was modified to present earnings and other comprehensive income attributed to controlling and noncontrolling interests.

We assess the accounting treatment for each joint venture and debt and preferred equity investment. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we and our partner approve, among other things, the annual budget, receive a detailed monthly reporting package from us, meet on a quarterly basis to review the results of the joint venture, review and approve the joint venture's tax return before filing, and approve all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of the joint venture. Our joint venture agreements typically contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

Investment in Commercial Real Estate Properties

Real estate properties are presented at cost less accumulated depreciation and amortization. Costs directly related to the development or redevelopment of properties are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

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December 31, 2014

A property to be disposed of is reported at the lower of its carrying value or its estimated fair value, less its cost to sell. Once an asset is held for sale, depreciation expense is no longer recorded and the historic results are reclassified as discontinued operations. See Note 4, "Properties Held for Sale and Dispositions."

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Category	Term
Building (fee ownership)	40 years
Building improvements	shorter of remaining life of the building or useful life
Building (leasehold interest)	lesser of 40 years or remaining term of the lease
Property under capital lease	remaining lease term
Furniture and fixtures	four to seven years
Tenant improvements	shorter of remaining term of the lease or useful life

Depreciation expense (including amortization of the capital lease asset) amounted to \$338.8 million, \$296.5 million and \$287.5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We do not believe that the values of any of our consolidated properties were impaired at December 31, 2014.

We also evaluate our real estate properties for potential impairment when a real estate property has been classified as held for sale. Real estate assets held for sale are valued at the lower of their carrying value or fair value less costs to sell. In June 2013, we recorded a \$2.2 million impairment charge in connection with the sale of 300 Main Street in Stamford, Connecticut. We do not believe that the value of our real estate property held for sale was impaired at December 31, 2014.

We incur a variety of costs in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include, but are not limited to, pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

Results of operations of properties acquired are included in the consolidated statements of income from the date of acquisition.

We recognize the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests in an acquired entity at their fair values on the acquisition date. We expense acquisition-related transaction costs as incurred, which are included in transaction related costs on our consolidated statements of income.

When we acquire our partner's equity interest in an existing unconsolidated joint venture and gain control over the investment, we record the consolidated investment at fair value. The difference between the book value of our equity investment on the purchase date and our share of the fair value of the investment's purchase price is recorded as a

purchase price fair value adjustment in our consolidated statements of income. In May 2014, we recognized a purchase price fair value adjustment of \$71.4 million in connection with the consolidation of 388-390 Greenwich Street. In April 2013, we recognized a purchase price fair value adjustment of \$(2.3) million in connection with the consolidation of 16 Court Street. These acquisitions were previously accounted for as investments in unconsolidated joint ventures.

We allocate the purchase price of real estate to land and building (inclusive of tenant improvements) and, if determined to be material, intangibles, such as the value of above- and below-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building (inclusive of tenant improvements) over their estimated useful lives, which generally range from three to 40 years. We amortize the amount allocated to the above- and below-market leases over the remaining

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term of the associated lease, which generally range from one to 14 years, and record it as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income. We amortize the amount allocated to the values associated with in-place leases over the expected term of the associated lease, which generally ranges from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. To the extent acquired leases contain fixed rate renewal options that are below-market and determined to be material, we amortize such below-market lease value into rental income over the renewal period. As of December 31, 2014, the weighted average amortization period for above-market leases, below-market leases, and in-place lease costs is 7.03 years, 5.62 years, and 5.96 years, respectively.

We recognized an increase of \$23.3 million, \$18.8 million and \$16.5 million in rental revenue for the years ended December 31, 2014, 2013 and 2012, respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. The increase in rental revenue for the year ended December 31, 2013 is net of \$6.8 million resulting from a write-off of above-market and in-place balances associated with a former tenant. Excluding this non-recurring charge, we recognized an increase of \$25.6 million in rental revenue for the year ended December 31, 2013 for the amortization of aggregate below-market leases in excess of above-market leases and reductions in lease origination costs. We recognized a reduction in interest expense for the amortization of the above-market rate mortgages assumed of \$5.0 million, \$5.0 million and \$1.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2014 and 2013 (in thousands):

	December 31,	
	2014	2013
Identified intangible assets (included in other assets):		
Gross amount	\$664,297	\$746,704
Accumulated amortization	(383,236	) (343,339
Net	\$281,061	\$403,365
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$655,755	\$671,380
Accumulated amortization	(483,948	) (429,138
Net	\$171,807	\$242,242

The estimated annual amortization of acquired above-market leases, net of acquired (below-market) leases (a component of rental revenue), for each of the five succeeding years is as follows (in thousands):

2015	\$1,978
2016	(592
2017	) (1,303
2018	) (3,135
2019	) (3,994



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The estimated annual amortization of all other identifiable assets (a component of depreciation and amortization expense) including tenant improvements for each of the five succeeding years is as follows (in thousands):

2015	\$9,150
2016	5,919
2017	4,442
2018	3,005
2019	2,467

**Cash and Cash Equivalents**

We consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**Fair Value Measurements**

See Note 17, "Fair Value Measurements."

**Investment in Marketable Securities**

We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive income or loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component.

The cost of bonds and marketable securities sold is determined using the specific identification method.

At December 31, 2014 and 2013, we held the following marketable securities (in thousands):

	December 31,	
	2014	2013
Equity marketable securities	\$4,332	\$4,307
Commercial mortgage-backed securities	35,097	24,419
Rake bonds	—	3,323
Total marketable securities available-for-sale	\$39,429	\$32,049

The cost basis of the commercial mortgage-backed securities was \$32.4 million and \$23.0 million at December 31, 2014 and 2013, respectively. These securities mature at various times through 2049. The cost basis of the rake bonds was \$3.6 million at December 31, 2013.

During the year ended December 31, 2014 and 2012, we disposed of marketable securities for aggregate net proceeds of \$4.4 million and \$6.8 million, respectively, and realized gains of \$3.9 million and \$4.9 million, respectively, which are included in gain on sale of investment in marketable securities on the consolidated statements of income. We did not sell any of our marketable securities during the year ended December 31, 2013.

**Investments in Unconsolidated Joint Ventures**

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture

agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment

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December 31, 2014

are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for \$18.4 million which we guarantee at one joint ventures and performance guarantees under master leases at two other joint ventures. See Note 6, "Investments in Unconsolidated Joint Ventures."

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at December 31, 2014.

We may originate loans for real estate acquisition, development and construction, where we expect to receive some or all of the residual profit from such projects. When the risk and rewards of these arrangements are essentially the same as an investor or joint venture partner, we account for these arrangements as real estate investments under the equity method of accounting for investments. Otherwise, we account for these arrangements consistent with our loan accounting for our debt and preferred equity investments.

**Restricted Cash**

Restricted cash primarily consists of security deposits held on behalf of our tenants, interest reserves, as well as capital improvement and real estate tax escrows required under certain loan agreements.

**Deferred Lease Costs**

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. For the years ended December 31, 2014, 2013 and 2012, \$15.1 million, \$12.4 million and \$11.0 million of their compensation, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

**Deferred Financing Costs**

Deferred financing costs represent commitment fees, legal, title and other third party costs associated with obtaining commitments for financing which result in a closing of such financing. These costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period in which it is determined that the financing will not close.

**Revenue Recognition**

Rental revenue is recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes, we record amounts funded to construct the tenant improvements as a capital asset. For these tenant improvements, we record amounts reimbursed by tenants as a reduction of the capital asset. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, we record our contribution towards those improvements as a lease incentive, which is included in deferred costs, net on our consolidated balance sheets and amortized as a reduction to rental revenue on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents

receivable on the consolidated balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the consolidated balance sheets is net of such allowance.

In addition to base rent, our tenants also generally will pay their 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 or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. 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,

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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) are typically 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 outside normal business hours. These escalations are based on actual expenses incurred in the prior calendar year. If the expenses in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

We record a gain on sale of real estate when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and we have no substantial economic involvement with the buyer.

Interest income on debt and preferred equity investments is accrued based on the outstanding principal amount and contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest is ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Deferred origination fees, original issue discounts and loan origination costs, if any, are recognized as a reduction to the interest income over the terms of the related investments using the effective interest method. Fees received in connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Discounts or premiums associated with the purchase of loans are amortized or accreted into interest income as a yield adjustment on the effective interest method based on expected cashflows through the expected maturity date of the related investment. If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount into income as an adjustment to yield over the term of the investment. If we purchase a debt or preferred equity investment at a discount with the intention of foreclosing on the collateral, we do not accrete the discount. For debt investments acquired at a discount for credit quality, the difference between contractual cash flows and expected cash flows at acquisition is not accreted. Anticipated exit fees, the collection of which is expected, are also recognized over the term of the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity investment becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received.

We may syndicate a portion of the loans that we originate or sell these loans individually. When a transaction meets the criteria of sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income on the consolidated statement of income. Any fees received at the time of sale or syndication are recognized as part of investment income.

Asset management fees are recognized on a straight-line basis over the term of the asset management agreement.

**Allowance for Doubtful Accounts**

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment

of its ability to make payments, additional allowances may be required.

#### Reserve for Possible Credit Losses

The expense for possible credit losses in connection with debt and preferred equity investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate, based on Level 3 data, considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses on each individual investment. When it is probable that we will be unable to collect all amounts contractually due, the investment is considered impaired.

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount

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of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If the additional information obtained reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during the years ended December 31, 2014 and 2013. We recorded loan loss reserves of \$3.0 million on investments held to maturity during the year ended December 31, 2012, partially offset by recoveries of \$2.4 million. Debt and preferred equity investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to ASC 820-10. As circumstances change, management may conclude not to sell an investment designated as held for sale. In such situations, the investment will be reclassified at its net carrying value to debt and preferred equity investments held to maturity. For these reclassified investments, the difference between the current carrying value and the expected cash to be collected at maturity will be accreted into income over the remaining term of the investment.

**Rent Expense**

Rent expense is recognized on a straight-line basis over the initial term of the lease. The excess of the rent expense recognized over the amounts contractually due pursuant to the underlying lease is included in the deferred land lease payable on the consolidated balance sheets.

**Income Taxes**

SL Green is taxed as a REIT under Section 856(c) of the Code. As a REIT, SL Green generally is not subject to Federal income tax. To maintain its qualification as a REIT, SL Green must distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. If SL Green fails to qualify as a REIT in any taxable year, we will be subject to Federal income tax on SL Green's taxable income at regular corporate rates. SL Green may also be subject to certain state, local and franchise taxes. Under certain circumstances, Federal income and excise taxes may be due on SL Green's undistributed taxable income.

The Operating Partnership is a partnership and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective income tax returns. The only provision for income taxes included in the consolidated statements of income relates to the Operating Partnership's consolidated taxable REIT subsidiaries. The Operating Partnership may also be subject to certain state, local and franchise taxes.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may elect in the future, to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRSs. In general, TRSs may perform non-customary services for the tenants of the Company, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. The TRSs generate income, resulting in Federal and state income tax liability for these entities.

During the years ended December 31, 2014 and 2013, we recorded Federal, state and local tax provisions of \$7.8 million and \$4.4 million, respectively. There were no Federal, state and local tax provisions for the year ended December 31, 2012.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

**Underwriting Commissions and Costs**

Underwriting commissions and costs incurred in connection with our stock offerings are reflected as a reduction of additional paid-in-capital.

#### Exchangeable Debt Instruments

The initial proceeds from exchangeable debt that may be settled in cash, including partial cash settlements, must be bifurcated between a liability component and an equity component associated with the embedded conversion option. The objective of the accounting guidance is to require the liability and equity components of exchangeable debt to be separately accounted for in a manner such that the interest expense on the exchangeable debt is not recorded at the stated rate of interest but rather at an effective rate that reflects the issuer's conventional debt borrowing rate at the date of issuance. We calculate the liability component of exchangeable debt based on the present value of the contractual cash flows discounted at our comparable market conventional

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debt borrowing rate at the date of issuance. The difference between the principal amount and the fair value of the liability component is reported as a discount on the exchangeable debt that is accreted as additional interest expense from the issuance date through the contractual maturity date using the effective interest method. A portion of this additional interest expense may be capitalized to the development and redevelopment balances qualifying for interest capitalization each period. The liability component of the exchangeable debt is reported net of discounts on our consolidated balance sheets. We calculate the equity component of exchangeable debt based on the difference between the initial proceeds received from the issuance of the exchangeable debt and the fair value of the liability component at the issuance date. The equity component is included in additional paid-in-capital, net of issuance costs, on our consolidated balance sheets. We allocate issuance costs for exchangeable debt between the liability and the equity components based on their relative values.

**Stock-Based Employee Compensation Plans**

We have a stock-based employee compensation plan, described more fully in Note 14, "Share-based Compensation." The Company's stock options are recorded at fair value at the time of issuance. Fair value of the stock options is determined using the Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our plan has characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the employee stock options. Compensation cost for stock options, if any, is recognized ratably over the vesting period of the award. Our policy is to grant options with an exercise price equal to the quoted closing market price of the Company's common stock on the grant date. Awards of stock or restricted stock are expensed as compensation over the benefit period based on the fair value of the stock on the grant date.

For share-based awards with a performance or market measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date the compensation committee of SL Green's board of directors authorizes the award, adopts any relevant performance measures and communicates the award to the employees. For programs with awards that vest based on the achievement of a performance condition or market condition, we determine whether it is probable that the performance condition will be met, and estimate compensation cost based on the fair value of the award at the applicable reporting date estimated using a binomial model or market quotes. For share-based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of the Company's common stock, at the current quoted market price, from certain key employees to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

Awards can also be made in the form of a separate series of units of limited partnership interest in the Operating Partnership called long-term incentive plan units, or LTIP units. LTIP units, which can be granted either as free-standing awards or in tandem with other awards under our stock incentive plan, are valued by reference to the value of the Company's common stock at the time of grant, and are subject to such conditions and restrictions as the compensation committee of the Company's board of directors may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives.

**Derivative Instruments**

In the normal course of business, we use a variety of commonly used derivative instruments, such as interest rate swaps, caps, collar and floors, to manage, or hedge, interest rate risk. Effectiveness is essential for those derivatives

that we intend to qualify for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

To determine the fair values of derivative instruments, we use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost, and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

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In the normal course of business, we are exposed to the effect of interest rate changes and limit these risks by following established risk management policies and procedures including the use of derivatives. To address exposure to interest rates, derivatives are used primarily to fix the rate on debt based on floating-rate indices and manage the cost of borrowing obligations.

We use a variety of commonly used derivative products that are considered plain vanilla derivatives. These derivatives typically include interest rate swaps, caps, collars and floors. We expressly prohibit the use of unconventional derivative instruments and using derivative instruments for trading or speculative purposes. Further, we have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors. We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated.

Hedges that are reported at fair value and presented on the balance sheet could be characterized as cash flow hedges or fair value hedges. Interest rate caps and collars are examples of cash flow hedges. Cash flow hedges address the risk associated with future cash flows of interest payments. For all hedges held by us and which were deemed to be fully effective in meeting the hedging objectives established by our corporate policy governing interest rate risk management, no net gains or losses were reported in earnings. The changes in fair value of hedge instruments are reflected in accumulated other comprehensive income. For derivative instruments not designated as hedging instruments, the gain or loss, resulting from the change in the estimated fair value of the derivative instruments, is recognized in current earnings during the period of change.

**Earnings per Share of the Company**

The Company presents both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. Diluted EPS also includes units of limited partnership interest. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

**Earnings per Unit of the Operating Partnership**

The Operating Partnership presents both basic and diluted earnings per unit, or EPU. Basic EPU excludes dilution and is computed by dividing net income attributable to common unitholders by the weighted average number of common units outstanding during the period. Basic EPU includes participating securities, consisting of unvested restricted units that receive nonforfeitable dividends similar to shares of common units. Diluted EPU reflects the potential dilution that could occur if securities or other contracts to issue common units were exercised or converted into common units, where such exercise or conversion would result in a lower EPU amount. The dilutive effect of unit options is reflected in the weighted average diluted outstanding units calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Concentrations of Credit Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is primarily located in New York City. See Note 5, "Debt and Preferred Equity Investments." We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting a space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. Other than three tenants who account for 10.9%, 7.2% and 5.6% of our share of annualized cash rent, respectively, no other tenant in our portfolio accounted for more than 2.0%

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of our share of annualized cash rent, including our share of joint venture annualized rent, at December 31, 2014. For the year ended December 31, 2014, 9.9%, 9.8%, 7.8% and 7.5% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 388-390 Greenwich Street, 1185 Avenue of the Americas and 919 Third Avenue, respectively. For the year ended December 31, 2013, 10.6%, 7.8%, 7.7% and 6.4% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively. For the year ended December 31, 2012, 10.2%, 8.0%, 7.1%, and 6.2% of our annualized rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively. As of December 31, 2014, 73.4% of our work force is covered by six collective bargaining agreements and 77.6% of our work force which services substantially all of our properties is covered by a collective bargaining agreement which expires in December 2015. See Note 20, "Benefits Plans."

**Reclassification**

Certain prior year balances have been reclassified to conform to our current year presentation primarily in order to eliminate discontinued operations from income from continuing operations.

**Accounting Standards Updates**

In February 2015, the Financial Accounting Standards Board, or FASB, issued new guidance that amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities (Accounting Standards Update, or ASU, No. 2015-02). Under this analysis, limited partnerships and other similar entities will be considered a VIE unless the limited partners hold substantive kick-out rights or participating rights. The guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption of this guidance is permitted. The Company is currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In June 2014, the FASB, issued final guidance that requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement and also eliminates existing guidance for repurchase financings (ASU, No. 2014-11). New disclosures are required for (1) certain transactions accounted for as secured borrowings and (2) transfers accounted for as sales when the transferor also retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The guidance is effective for the first interim or annual period beginning after December 15, 2014, except for the disclosures related to transactions accounted for as secured borrowings, which are effective for periods beginning after March 15, 2015. Early adoption of this guidance is prohibited. The Company will adopt this standard beginning in the first quarter of 2015. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued a new comprehensive revenue recognition guidance which requires us to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services (ASU No. 2014-09). The guidance also requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The guidance is effective for annual and interim periods beginning after December 15, 2016 and early adoption is not permitted. The new guidance can be applied either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In April 2014, the FASB issued new guidance on reporting discontinued operations which raises the threshold for disposals to qualify as discontinued operations (ASU No. 2014-08). The guidance also allows us to have a significant continuing involvement and continuing cash flows with the discontinued operations. Additionally, the guidance requires additional disclosures for discontinued operations and new disclosures for individually material disposal

transactions that do not meet the definition of a discontinued operation. The guidance is effective for calendar year public companies beginning in the first quarter of 2015 and is to be applied on a prospective basis for new disposals. Early adoption of this guidance is permitted. The Company will adopt this standard beginning in the first quarter of 2015. The adoption of this guidance will change the presentation of discontinued operations but will not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued guidance on the presentation and disclosure of reclassification adjustments out of accumulated other comprehensive income, or AOCI (ASU No. 2013-02). The standard requires an entity to present information about significant items reclassified out of AOCI by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to financial statements. The guidance was effective for calendar year-end public companies beginning in the first quarter of 2013 and its adoption did not have a material impact on our consolidated financial statements.

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In December 2011, the FASB issued guidance that concluded when a parent ceases to have a controlling financial interest in a subsidiary that is in-substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity must apply the accounting guidance for sales of real estate to determine whether it should derecognize the in-substance real estate (ASU No. 2011-10). The reporting entity is precluded from derecognizing the real estate until legal ownership has been transferred to the lender to satisfy the debt. The guidance was effective for calendar year-end public and nonpublic companies in 2013 and is to be applied on a prospective basis. Early adoption of the guidance is permitted. Adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued updated guidance on fair value measurement which amends U.S. GAAP to conform to IFRS measurement and disclosure requirements (ASU No. 2011-04). The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value, changes certain fair value measurement principles and enhances disclosure requirements. This guidance was effective as of the first quarter of 2012, and its adoption did not have a material impact on our consolidated financial statements.

## 3. Property Acquisitions

## 2014 Acquisitions

During the year ended December 31, 2014, the properties listed below were acquired from third parties. The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these acquisitions (in thousands):

	102 Greene Street <sup>(1)</sup>	635 Madison Avenue <sup>(1)(4)</sup>	752 Madison Avenue <sup>(1)(2)</sup>	719 Seventh Avenue <sup>(1)(5)</sup>	115 Spring Street <sup>(1)</sup>	388-390 Greenwich Street <sup>(1)(3)</sup>
Acquisition Date	October 2014	September 2014	August 2014	July 2014	July 2014	May 2014
Ownership Type	Fee Interest	Fee Interest	Leasehold Interest	Fee Interest	Fee Interest	Fee Interest
Property Type	Retail	Land	Retail	Development	Retail	Office
Purchase Price Allocation:						
Land	\$11,288	\$153,745	\$282,415	\$14,402	\$15,938	\$558,777
Building and building leasehold	20,962	—	—	26,747	37,187	1,037,729
Above market lease value	—	—	—	—	—	—
Acquired in-place leases	—	—	—	—	—	—
Other assets, net of other liabilities	—	—	—	—	—	6,495
Assets acquired	32,250	153,745	282,415	41,149	53,125	1,603,001
Mark-to-market assumed debt	—	—	—	—	—	—
Below market lease value	—	—	—	—	—	—
Derivatives	—	—	—	—	—	18,001
Liabilities assumed	—	—	—	—	—	18,001

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Purchase price	\$32,250	\$153,745	\$282,415	\$41,149	\$53,125	\$1,585,000
Net consideration funded by us at closing, excluding consideration financed by debt	\$32,250	\$153,745	\$282,415	\$41,149	\$53,125	\$208,614
Equity and/or debt investment held	\$—	\$—	\$—	\$—	\$—	\$148,025
Debt assumed	\$—	\$—	\$—	\$—	\$—	\$1,162,379

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(1) We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets such as above- and below-market lease or in-place leases.

(2) In January 2012, a separate joint venture in which an SL Green entity holds an 80% interest acquired the ground tenancy position.

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In May 2014, we acquired Ivanhoe Cambridge, Inc.'s 49.65% economic interest in this property, thereby consolidating full ownership of the property. The transaction valued the consolidated interests at \$1.585 billion. Simultaneous with the closing, we refinanced the previous mortgage with a \$1.45 billion mortgage. We also (3) assumed the existing derivative instruments, which swapped \$504.0 million of the mortgage to fixed rate. We recognized a purchase price fair value adjustment of \$71.4 million upon closing of this transaction. This property, which we initially acquired in December 2007, was previously accounted for as an investment in unconsolidated joint ventures.

(4) This property was acquired inclusive of the issuance of \$4.0 million aggregate liquidation preference of Series J Preferred Units of limited partnership interest of the Operating Partnership.

We, along with our joint venture partner, acquired this property inclusive of the issuance of \$14.1 million aggregate liquidation preference of Series L Preferred Units of limited partnership interest of the Operating Partnership and \$9.5 million aggregate liquidation preference of Series K Preferred Units of limited partnership interest of the Operating Partnership. We hold a 75.0% controlling interest in this joint venture.

## 2013 Acquisitions

During the year ended December 31, 2013, the properties listed below were acquired from unrelated third parties. The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these acquisitions (in thousands):

	315 West 33rd Street <sup>(1)</sup>	Assemblage of Retail Development Properties on Fifth Avenue <sup>(1)</sup>	16 Court <sup>(2)</sup>	248-252 Bedford Avenue <sup>(3)</sup>
Acquisition Date	November 2013	November 2013	April 2013	March 2013
Ownership Type	Fee Interest	Fee Interest	Fee Interest	Fee Interest
Property Type	Residential	Development	Office	Residential
Purchase Price Allocation:				
Land	\$ 195,834	\$ 135,513	\$ 19,217	\$ 10,865
Building and building leasehold	164,429	10,487	63,210	44,035
Above market lease value	7,084	—	5,122	—
Acquired in-place leases	26,125	—	9,422	—
Other assets, net of other liabilities	1,142	—	3,380	—
Assets acquired	394,614	146,000	100,351	54,900
Mark-to-market assumed debt	—	—	294	—
Below market lease value	7,839	—	3,885	—
Liabilities assumed	7,839	—	4,179	—
Purchase price	\$386,775	\$146,000	\$96,172	\$54,900
Net consideration funded by us at closing, excluding consideration financed by debt	\$386,775	\$146,000	\$4,000	\$21,782
Equity and/or debt investment held	\$—	\$—	\$13,835	\$—
Debt assumed	\$—	\$—	\$84,642	\$—

(1) During the year ended December 31, 2014, we finalized the purchase price allocation based on a third party appraisal and additional facts and circumstances that existed at the acquisition dates. These adjustments did

not have a material impact to our consolidated statement of income for the year ended December 31, 2014.

In April 2013, we acquired interests from our joint venture partner, City Investment Fund, or CIF, in 16 Court Street in Brooklyn for \$4.0 million. We have consolidated the ownership of the building. The transaction valued the consolidated interest at \$96.2 million, inclusive of the \$84.6 million mortgage encumbering the property. In (2) April 2014, we repaid the mortgage. We recognized a purchase price fair value adjustment of \$(2.3) million upon the closing of this transaction. This property, which we initially acquired in July 2007, was previously accounted for as an investment in unconsolidated joint ventures.

In March 2013, we, along with Magnum Real Estate Group, acquired 84 residential units, consisting of 72 apartment units and 12 townhouses, located at 248-252 Bedford Avenue, Williamsburg, Brooklyn for \$54.9 (3) million. Simultaneous with the closing on this property, the joint venture closed on a \$22.0 million mortgage loan which was later refinanced in June 2014. The property is above a commercial property already owned by us. We hold a 90.0% controlling interest in this joint venture.

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## 2012 Acquisitions

During the year ended December 31, 2012, the properties listed below were acquired from unrelated third parties. The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these acquisitions (in thousands):

	985-987 Third Avenue <sup>(1)</sup>	131-137 Spring Street	635-641 Sixth Avenue	304 Park Avenue South <sup>(2)</sup>	Stonehenge Properties <sup>(3)</sup>
Acquisition Date	December 2012	December 2012	September 2012	June 2012	January 2012
Ownership Type	Fee Interest	Fee Interest	Fee Interest	Fee Interest	Interest/Leasehold Interest
Property Type	Development	Retail	Development	Office	Residential/Retail
Purchase Price Allocation:					
Land	\$5,400	\$27,021	\$69,848	\$54,189	\$65,533
Building and building leasehold	12,600	105,342	104,474	75,619	128,457
Above market lease value	—	179	—	2,824	594
Acquired in-place leases	—	7,046	7,727	8,265	9,573
Other assets, net of other liabilities	—	—	—	—	2,190
Assets acquired	18,000	139,588	182,049	140,897	206,347
Fair value adjustment to mortgage note payable	—	—	—	—	—
Below market lease value	—	17,288	9,049	5,897	13,239
Liabilities assumed	—	17,288	9,049	5,897	13,239
Purchase price	\$18,000	\$122,300	\$173,000	\$135,000	\$193,108
Net consideration funded by us at closing, excluding consideration financed by debt	\$18,000	\$122,300	\$173,000	\$135,000	\$78,121
Equity and/or debt investment held	\$—	\$—	\$—	\$—	\$—
Debt assumed	\$—	\$—	\$—	\$—	\$—

(1) This property was subsequently sold in July 2014. See Note 4, "Properties Held for Sale and Dispositions."

(2) This property was acquired with \$102.0 million in cash and \$33.0 million in units of limited partnership interest of the Operating Partnership.

(3) In January 2012, we acquired five retail and two multifamily properties in Manhattan for \$193.1 million. This property was acquired inclusive of the issuance of \$47.6 million aggregate liquidation preference of Series G Preferred Units of limited partnership interest of the Operating Partnership. Simultaneous with the closing, we financed the multifamily component, which encompasses 385 units and approximately 488,000 square feet (unaudited), with an aggregate \$100.0 million fixed rate mortgage which bears interest at 4.1% and one of the retail properties financed with an \$8.5 million fixed rate mortgage. We hold an 80.0% interest in this joint venture which we consolidate as it is a VIE and we have been designated as the primary beneficiary. In February 2013, we sold

one of the retail properties, which is further described in Note 4, "Properties Held for Sale and Dispositions."

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December 31, 2014

## Pro Forma

The following table summarizes, on an unaudited pro forma basis, the results of operations of 388-390 Greenwich Street, which are included in the consolidated statements of income for the years ended December 31, 2014 and 2013 as though the acquisition of our joint venture partner's interest in 388-390 Greenwich Street was completed on January 1, 2013. The supplemental pro forma data is not necessarily indicative of what the actual results of operations would have been assuming the transaction had been completed as set forth above, nor do they purport to represent our results of operations for future periods.

(in thousands, except per share amounts)	Year Ended December 31,	
	2014	2013
Actual revenues since acquisition	\$1,519,978	
Actual net income since acquisition	545,863	
Pro forma revenues	1,562,206	1,481,021
Pro forma income from continuing operations <sup>(1)</sup>	298,679	205,437
Pro forma basic earnings per share	4.60	2.10
Pro forma diluted earnings per share	4.58	2.09
Pro forma basic earnings per unit	4.60	2.10
Pro forma diluted earnings per unit	4.58	2.09

The pro forma income from continuing operations for the years ended December 31, 2014 and 2013 includes the effect of the new financing necessary to complete the acquisition and the preliminary allocation of purchase price in connection with the changes in depreciation and amortization. In addition, the pro forma income from (1) continuing operations for the year ended December 31, 2013 was adjusted to include the purchase price fair value adjustment, as though the acquisition was completed on January 1, 2013. The pro forma income from continuing operations for the year ended December 31, 2014 excludes this purchase price fair value adjustment.

## 4. Properties Held for Sale and Dispositions

As of December 31, 2014, we classified 180 Maiden Lane, with approximately 1,090,000 usable square feet (unaudited), as held for sale. Subsequent to year end, we sold the property for a gross sale price of \$470.0 million. Dispositions

The following table summarizes the properties sold during the years ended December 31, 2014, 2013, and 2012:

Property	Disposition Date	Property Type	Approximate Usable Square Feet (unaudited)	Sales Price (in millions)	Gain (Loss) on Sale <sup>(1)</sup> (in millions)
2 Herald Square	November 2014	Land	354,400	\$365.0	\$18.8
985-987 Third Avenue	July 2014	Development	13,678	68.7	29.8
673 First Avenue	May 2014	Office	422,000	145.0	117.6
300 Main Street	September 2013	Office	130,000	13.5	(2.2)
333 West 34th Street	August 2013	Office	345,400	220.3	13.8
44 West 55th Street	February 2013	Retail	8,557	6.3	1.1
292 Madison Avenue	February 2012	Land	203,800	85.0	6.6

(1) The gain on sale for 2 Herald Square, 985-987 Third Avenue, 673 First Avenue, 333 West 34th Street, and 292 Madison Avenue are net of a \$2.5 million, \$1.3 million, \$3.4 million, \$3.0 million and \$1.5 million employee compensation award, respectively, accrued in connection with the realization of this investment gain as a bonus to

certain employees that were instrumental in realizing the gain on sale. Additionally, amounts do not include adjustments for expense recorded in subsequent periods.

**Discontinued Operations**

Discontinued operations included the results of operations of real estate assets under contract or sold prior to December 31, 2014. This included 180 Maiden Lane, which was held for sale at December 31, 2014, 2 Herald Square, 985-987 Third Avenue and 673 First Avenue, which were sold during 2014, 44 West 55th Street, 333 West 34th Street and 300 Main Street, which were sold in 2013, and 292 Madison Avenue, which was sold in 2012.

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The following table summarizes net income from discontinued operations for the years ended December 31, 2014, 2013 and 2012, respectively (in thousands).

	Year Ended December 31,		
	2014	2013	2012
Revenues			
Rental revenue	\$51,090	\$94,558	\$97,254
Escalation and reimbursement revenues	4,646	14,856	16,232
Other income	23	554	8,295
Total revenues	55,759	109,968	121,781
Operating expenses	7,772	20,568	23,166
Real estate taxes	7,156	16,521	16,190
Ground rent	3,001	7,975	6,362
Interest expense, net of interest income	12,652	19,782	22,298
Depreciable real estate reserves	—	2,150	—
Transaction related costs, net of recoveries	89	2	383
Depreciation and amortization	5,581	16,443	20,250
Amortization of deferred financing costs	433	840	892
Total expenses	36,684	84,281	89,541
Net income from discontinued operations	\$19,075	\$25,687	\$32,240

## 5. Debt and Preferred Equity Investments

During the years ended December 31, 2014 and 2013, our debt and preferred equity investments (net of discounts and deferred origination fees) increased \$680.1 million and \$601.3 million, respectively, due to originations, purchases, advances under future funding obligations, protective advances, accretion of reserves, discounts, premiums and paid-in-kind interest. We recorded repayments, participations and sales of \$576.1 million and \$644.9 million during the years ended December 31, 2014 and 2013, respectively, which offset the increases in debt and preferred equity investments.

## Debt Investments

As of December 31, 2014 and 2013, we held the following debt investments with an aggregate weighted average current yield of 10.33% at December 31, 2014 (in thousands):

Loan Type	December 31, 2014 Future Funding Obligations	December 31, 2014 Senior Financing	December 31, 2014 Carrying Value, Net of Discounts and Deferred Origination Fees <sup>(1)</sup>	December 31,	
				2013 Carrying Value, Net of Discounts and Deferred Origination Fees <sup>(1)</sup>	Initial Maturity Date
Fixed Rate Investments:					
Jr. Mortgage Participation	\$—	\$398,500	\$11,934	\$11,856	March 2015
Jr. Mortgage Participation /Mezzanine Loan	—	205,000	70,688	68,319	February 2016
Other <sup>(2)</sup>	—	—	45,611	44,742	Various <sup>(2)</sup>
Mezzanine Loan <sup>(3)</sup>	—	177,000	14,068	15,012	May 2016
Jr. Mortgage Participation	—	133,000	49,000	49,000	June 2016
Mezzanine Loan	—	165,000	71,656	71,312	November 2016
Jr. Mortgage Participation/Mezzanine	—	1,109,000	98,934	26,884	March 2017

Loan <sup>(4)</sup>					
Other <sup>(4)</sup>	—	—	65,770	54,099	March 2017
Mezzanine Loan <sup>(5)</sup>	16,424	521,750	24,608	20,954	June 2017
Mezzanine Loan	—	539,000	49,629	—	July 2018
Mortgage Loan <sup>(6)</sup>	—	—	26,209	—	February 2019

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SL Green Realty Corp. and SL Green Operating Partnership, L.P.

Notes to Consolidated Financial Statements (cont.)

December 31, 2014

Mortgage Loan	—	—	637	—	August 2019
Mezzanine Loan	—	15,000	3,500	3,500	September 2021
Mezzanine Loan <sup>(7)</sup>	—	90,000	19,930	19,926	November 2023
Mezzanine Loan	—	95,000	30,000	—	January 2025
Total fixed rate	\$16,424	\$3,448,250	\$582,174	\$385,604	
Floating Rate Investments:					
Mezzanine Loan	7,785	50,000	37,322	—	April 2015
Mortgage/Mezzanine Loan	—	—	109,527	—	June 2015
Mezzanine Loan	—	110,000	49,614	49,110	September 2015
Mezzanine Loan	7,249	113,633	42,750	27,662	