SL GREEN REALTY CORP
Form 10-K
February 27, 2008

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

FORM 10-K

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

For the fiscal year ended December 31, 2007

OR

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

For the transition period from to .

Commission File Number: 1-13199

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange
7.625% Series C Cumulative Redeemable Preferred Stock, $0.01 par value, $25.00 mandatory liquidation preference	New York Stock Exchange
7.875% Series D Cumulative Redeemable Preferred Stock, $0.01 par value, $25.00 mandatory liquidation preference	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

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

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of February 15, 2008, there were 58,875,685 shares of the Registrant s common stock outstanding. The aggregate market value of the common stock, held by non-affiliates of the Registrant (54,804,300 shares) at June 30, 2007 was $6,789,704,727. The aggregate market value was calculated by using the closing price of the common stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for its 2008 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.

SL GREEN REALTY CORP.

FORM 10-K

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PART I

ITEM 1. BUSINESS

General

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

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. Pursuant to the terms of the Merger Agreement, each of the issued and outstanding shares of common stock of Reckson were converted into (i) $31.68 in cash, (ii) 0.10387 of a share of the common stock, par value $0.01 per share, of SL Green and (iii) a prorated dividend in an amount equal to approximately $0.0977 in cash. We also assumed an aggregate of approximately $226.3 million of Reckson mortgage debt, approximately $287.5 million of Reckson convertible public debt and approximately $967.8 million of Reckson public unsecured notes. As a result of the Reckson Merger, ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP pursuant to an asset purchasing venture led by certain of Reckson s former executive management, or the Buyer, for a total consideration of approximately $2.0 billion. SL Green caused ROP to transfer the following assets to the Buyer in the Asset Sale: (1) certain real property assets and/or entities owning such real property assets, in either case, of ROP and 100% of certain loans secured by real property, all of which are located in Long Island, New York; (2) certain real property assets and/or entities owning such real property assets, in either case, of ROP located in White Plains and Harrison, New York; (3) all of the real property assets and/or entities owning 100% of the interests in such real property assets, in either case, of ROP located in New Jersey; (4) the entity owning a 25% interest in Reckson Australia Operating Company LLC, Reckson s Australian management company (including its Australian licensed responsible entity), and other related entities, and ROP and ROP subsidiaries rights to and interests in, all related contracts and assets, including, without limitation, property management and leasing, construction services and asset management contracts and services contracts; (5) the direct or indirect interest of Reckson in Reckson Asset Partners, LLC, an affiliate of RSVP and all of ROP s rights in and to certain loans made by ROP to Frontline Capital Group, the bankrupt parent of RSVP, and other related entities, which will be purchased by a 50/50 joint venture with an affiliate of SL Green; (6) a 50% participation interest in certain loans made by a subsidiary of ROP that are secured by four real property assets located in Long Island, New York; and (7) 100% of certain loans secured by real property located in White Plains and New Rochelle, New York.

As of December 31, 2007, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy (1)
Manhattan	Consolidated properties	23	14,629,200	97.3%
	Unconsolidated properties	9	10,099,000	95.6%
Suburban	Consolidated properties	30	4,925,800	90.9%
	Unconsolidated properties	6	2,941,700	93.9%
		68	32,595,700	

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

As of December 31, 2007, our Manhattan properties were comprised of fee ownership (25 properties), including ownership in condominium units, leasehold ownership (five properties) and operating sublease ownership (two properties). Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to its subtenants. We are responsible for not only collecting rent from subtenants, but also maintaining the property and paying expenses relating to the property. As of December 31, 2007, our Suburban properties were comprised of fee ownership (35 properties), and leasehold ownership (one property). We refer to our Manhattan and Suburban office properties collectively as our portfolio.

We also own investments in ten retail properties encompassing approximately 354,000 square feet, one development property encompassing approximately 85,000 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

As of December 31, 2007, we also owned approximately 22% of the outstanding common stock of Gramercy Capital Corp. (NYSE: GKK), or Gramercy, as well as 65.83 units of the Class B limited partner interest in Gramercy s operating partnership.

Our corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. As of December 31, 2007, our corporate staff consisted of approximately 283 persons, including 223 professionals experienced in all aspects of commercial real estate. We can be contacted at (212) 594-2700. We maintain a website at *www.slgreen.com*. On our website, you can obtain, free of charge, a copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission. We have also made available on our website our audit committee charter, compensation committee charter, corporate governance and nominating committee charter, code of business conduct and ethics and corporate governance principles. You can also read and copy any materials we file with the Securities and Exchange Commission at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The Securities and Exchange Commission 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 Securities and Exchange Commission.

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

Corporate Structure

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

Substantially all of our assets are held by, and all of our operations are conducted through, our operating partnership. We are the sole managing general partner of, and as of December 31, 2007, were the owner of approximately 96.17% of the economic interests in, our operating partnership. All of the management and leasing operations with respect to our wholly-owned properties are conducted through SL Green Management LLC, or Management LLC. Our operating partnership owns a 100% interest in Management LLC.

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

Business and Growth Strategies

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

Property Acquisitions. We acquire properties for long term appreciation and earnings growth (core assets) or for shorter term holding periods where we attempt to create significant increases in value which, when sold, result in capital gains that increase our investment capital base (non-core assets). In acquiring core and non-core properties, directly or through joint ventures with the highest quality institutional investors, we believe that we have the following advantages over our competitors: (i) senior management s average 21 years of experience as a full-service, fully-integrated real estate company focused on the office market in Manhattan; (ii) enhanced access to capital as a public company (as compared to the generally fragmented institutional or venture oriented sources of capital available to private companies); (iii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests as opposed to solely cash transactions; and (iv) the ability to close a transaction quickly despite complicated ownership structures.

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

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

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

Structured Finance. We seek to invest in high-yield structured finance investments. These investments generally provide high current returns and, in certain cases, a potential for future capital gains. These investments may also serve as a potential source of real estate acquisitions for us. These investments include both floating rate and fixed rate investments. Our floating rate investments serve as a natural hedge for our unhedged floating rate debt. We intend to invest not more than 10% of our total market capitalization in structured finance investments. We may make structured finance investments, subject to certain limitations, where Gramercy has determined that such investments do not fit its investment profile or where investments represent the refinancing of one of our existing investments or in connection with the sale of one of our properties. We hold a 22% non-controlling interest in Gramercy. Gramercy is managed by GKK Manager LLC, an affiliate of ours. Structured finance investments include first mortgages, mortgage participations, subordinate loans, bridge loans and preferred equity investments.

Competition

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

Manhattan Office Market Overview

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

Manhattan has a total inventory of 390.7 million square feet, including 237.5 million square feet in Midtown. Based on current construction activity, we estimate that Midtown Manhattan will have approximately 3.6 million square feet of new construction becoming available in the next two years, 59% of which is pre-leased. This will add approximately 0.9% to Manhattan s total inventory.

General Terms of Leases in the Midtown Manhattan Markets

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

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

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

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

Occupancy

The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2007, 2006 and 2005:

	Percent Occupied as of December 31,		
Property	**2007**	**2006**	**2005**
Same-Store Properties (1)	97.1%	97.5%	96.0%
Unconsolidated Joint Venture Properties	95.2%	97.0%	97.4%
Portfolio	95.5%	97.0%	96.7%

(1) Same-Store Properties for 2007 represents 12 of our 53 consolidated properties owned by us at January 1, 2006 and still owned by us at December 31, 2007.

Rent Growth

We estimate that rents in place, at December 31, 2007, in our Manhattan and Suburban consolidated properties are approximately 37.4% and 19.1%, respectively, below current market asking rents. We estimate that rents in place at December 31, 2007 in our Manhattan and Suburban properties owned through unconsolidated joint ventures are approximately 47.5% and 11.2%, respectively, below current market asking rents. These comparative measures were approximately 30.2% and zero percent at December 31, 2006 for the consolidated properties and 40.9% and none for the unconsolidated joint venture properties. As of December 31, 2007, 38.1% and 27.4% of all leases in-place in our consolidated properties and unconsolidated joint venture properties, respectively, are scheduled to expire during the next five years. We expect to capitalize on embedded rent growth as these leases and future leases expire by renewing or replacing these tenant leases at higher prevailing market rents. There can be no assurances that our estimates of current market rents are accurate, that market rents currently prevailing will not erode in the future or that we will realize any rent growth. However, we believe the degree that rents in the current portfolio are below market provides a potential for long-term internal growth.

Industry Segments

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

At December 31, 2007, our real estate portfolio was primarily located in one geographical market, namely, the New York Metro area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). As of December 31, 2007, one tenant in our portfolio contributed approximately 9.6% of our portfolio annualized rent. No other tenant contributed more than 5.9% of our portfolio annualized rent. In addition, no property contributed in excess of 8.5% of our consolidated revenue for 2007. Portfolio annualized rent includes our consolidated annualized revenue and our

share of joint venture annualized revenue. In addition, one borrower accounted for more than 10.0% of the revenue earned on structured finance investments at December 31, 2007.

Employees

At December 31, 2007, we employed approximately 1,059 employees, over 224 of whom were managers and professionals, approximately 779 of whom were hourly-paid employees involved in building operations and approximately 56 of whom were clerical, data processing and other administrative employees. There are currently three collective bargaining agreements which cover the workforce that services substantially all of our properties.

Acquisitions

In 2007, in addition to the 30 properties encompassing 9.2 million rentable square feet we acquired as part of the Reckson Merger, we also acquired seven wholly-owned properties for aggregate gross purchase prices totaling approximately $403.3 million and encompassing 1.1 million rentable square feet. We also acquired the remaining 45% interest in the joint venture that owned One Madison Avenue at an implied value of $1.0 billion. In addition, we acquired a 50% ownership interest in a retail property for a gross aggregate purchase price of $13.6 million which encompass approximately 24,000 rentable square feet and acquired an additional 43,000 rentable square feet in a retail joint venture for $16.9 million. We invested in five joint ventures that acquired property valued at approximately $2.5 billion and encompassing approximately 4.8 million rentable square feet. We also invested in two land joint ventures valued at approximately $542.0 million.

Dispositions

During 2007, we sold eight properties for gross contract prices of $1.8 billion. We realized gains of approximately $804.0 million and incentive distributions of approximately $82.7 million on the sales of these properties, which encompassed 3.0 million square feet.

Structured Finance

During 2007, we originated approximately $581.9 million and as part of the Reckson Merger assumed approximately $136.9 million in structured finance and preferred equity investments (net of discount). There were also approximately $358.6 million in repayments and participations in 2007. We also invested an additional $31.7 million in Gramercy pursuant to our pre-emptive right set forth in our origination agreement with Gramercy.

Offering/Financings

In 2007, we issued approximately 9.0 million shares of our common stock at a price of $146.43 per share in connection with the Reckson Merger. We also bought back approximately 1.3 million shares of our common stock at an average price of approximately $114.86 per share pursuant to our stock repurchase program.

We increased the capacity under our 2005 unsecured revolving credit facility by $1.0 billion to $1.5 billion. We also closed on a $500.0 million bridge loan, a $276.7 million term loan and issued $750.0 million, 3% unsecured exchangeable senior notes.

We also closed on mortgage financings at sixteen properties totaling approximately $2.8 billion.

In addition to the above, we assumed approximately $1.3 billion of unsecured notes, and $603.3 million of mortgage debt in connection with the Reckson Merger and other unrelated acquisitions.

Item 1A. Risk Factors

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

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

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

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, including the cost of required renovations, may be less favorable than current lease terms. Over the next five years, through the end of 2012, leases will expire on approximately 38.1% and 27.4% of the rentable square feet at our consolidated properties and unconsolidated joint venture properties, respectively. As of December 31, 2007, approximately 7.2 million and 3.4 million square feet are scheduled to expire by December 31, 2012 at our consolidated properties and unconsolidated joint venture properties, respectively, and these leases currently have annualized escalated rental income totaling approximately $284.3 million and $147.1 million, respectively. If we are unable to promptly renew the leases or relet this space at similar rates, our cash flow and ability to service debt and pay dividends to stockholders would be adversely affected.

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

Our interest in 6 of our commercial office properties is through either long-term leasehold or operating sublease interests in the land and the improvements, rather than by a fee interest in the land. Unless we can purchase a fee interest in the underlying land or extend the terms of these leases before their expiration, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases, which would significantly adversely affect our results of operations. These properties are 673 First Avenue, 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue and 1185 Avenue of the Americas. The average remaining term of these long-term leases, including our unilateral extension rights on each of the properties, is approximately 30 years. Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized escalated rents of these properties at December 31, 2007 totaled approximately $201.4 million, or 19.9%, of our share of total portfolio annualized revenue associated with these properties.

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

Giving effect to leases in effect as of December 31, 2007 for consolidated properties and unconsolidated joint venture properties as of that date, our five largest tenants, based on square footage leased, accounted for approximately 23.5% of our share of portfolio annualized rent, and, other than three tenants, Citigroup, N.A., Viacom International Inc. and Credit Suisse Securities (USA) LLC who accounted for approximately 9.6%, 4.9% and 5.9% of our share of portfolio annualized rent, respectively, no tenant accounted for more than 2.3% of that total. Our business would be adversely affected if any of these tenants or any other tenants became insolvent, declared bankruptcy or otherwise refused to pay rent in a timely fashion or at all.

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

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

We face risks associated with property acquisitions.

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

- we may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including publicly traded REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors;
- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including due diligence investigations to our satisfaction;
- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;
- we may be unable to finance acquisitions on favorable terms or at all;
- acquired properties may fail to perform as we expected;
- our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;
- we may not be able to obtain adequate insurance coverage for new properties;
- acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected.

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

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

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

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

- an inability to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors; and

- an increase in the purchase price for such acquisition property, in the event we are able to acquire such desired property.

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

As of December 31, 2007, seven of our properties, 420 Lexington Avenue, One Madison Avenue, 485 Lexington Avenue, 1185 Avenue of the Americas, 1221 Avenue of the Americas, 1515 Broadway and 388 and 390 Greenwich Street, accounted for approximately 38% of our portfolio annualized rent, including our share of joint venture annualized rent, and no single property accounted for more than approximately 6% of our portfolio annualized rent, including our share of joint venture annualized rent. Our revenue and cash available for distribution to our stockholders would be materially adversely affected if the ground lease for the 420 Lexington Avenue or 1185 Avenue of the Americas property were terminated for any reason or if one or all of these properties were materially damaged or destroyed. Additionally, our revenue and cash available for distribution to our stockholders would be materially adversely affected if our tenants at these properties experienced a downturn in their business which may weaken their financial condition and result in their failure to timely make rental payments, defaulting under their leases or filing for bankruptcy.

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

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

A terrorist attack could cause insurance premiums to increase significantly.

We maintain all-risk property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) and liability insurance with limits of $200.0 million per location. We now maintain two property insurance portfolios. The first portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $450.0 million for acts of terrorism. This policy expires on December 31, 2008. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for the majority of the Suburban properties. This policy expires on December 31, 2008. The liability policies expire on October 31, 2008. The New York City portfolio incorporates our captive, Belmont Insurance Company, which we formed in an effort to, among other things, stabilize to some extent the fluctuations of insurance market conditions. Belmont is licensed in New York to write up to $100.0 million of terrorism coverage for us, and at this time is providing $50.0 million of terrorism coverage in excess of $250.0 million and is insuring a large deductible on the liability insurance with a $250,000 deductible per occurrence and a $2.4 million annual aggregate loss limit. We have secured an excess insurer to protect against catastrophic liability losses (above $250,000 deductible per occurrence) and a stop loss for aggregate claims that exceed $2.4 million. We have retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing $1.0 billion of all-risk property insurance, including terrorism coverage, and a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of all-risk property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

In October 2006, we formed a wholly-owned taxable REIT subsidiary, Belmont, to act as a captive insurance company and be one of the elements of our overall insurance program. Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties and provides primary liability insurance to cover the deductible program. As long as we own Belmont, we are responsible for its liquidity and capital resources, and the accounts of Belmont are part of our consolidated financial statements. If we experience a loss and Belmont is required to pay under its insurance policy, we would ultimately record the loss to the extent of Belmont s required payment. Therefore, insurance coverage provided by Belmont should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance.

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of terrorism. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases and our 2005 unsecured revolving credit facility and secured term loan, contain customary covenants requiring us to maintain insurance. There can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from all-risk insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments that allows the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders insist on full coverage for these risks and prevail in asserting that we are required to maintain such coverage, it could result in substantially higher insurance premiums.

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

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

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our S

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

Scheduled debt payments could adversely affect our results of operations.

The total principal amount of our outstanding consolidated indebtedness was approximately $5.7 billion as of December 31, 2007, consisting of $708.5 million under our 2005 unsecured revolving credit facility, $276.7 million under our secured term loan, $1.8 billion under our unsecured notes, $100.0 million under our junior subordinated deferrable interest debentures and approximately $2.8 billion of non-recourse mortgage loans on eighteen of our properties. In addition, we could increase the amount of our outstanding indebtedness in the future, in part by borrowing under our 2005 unsecured revolving credit facility, which had $751.2 million available for draw as of December 31, 2007. Our 2005 unsecured revolving credit facility matures in June 2011. Our secured term loan matures in December

2017. As of December 31, 2007, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was approximately $3.5 billion, of which our proportionate share was approximately $1.6 billion. Cash flow could be insufficient to pay distributions at expected levels and meet the payments of principal and interest required under our current mortgage indebtedness, 2005 unsecured revolving credit facility, term loan, unsecured notes, debentures and indebtedness outstanding at our joint venture properties.

If we are unable to make payments under our 2005 unsecured revolving credit facility and our secured term loan, all amounts due and owing at such time shall accrue interest at a rate equal to 4% and 5%, respectively, higher than the rate at which each such loan was made. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make scheduled payments under our secured term loan, and our 2005 unsecured revolving credit facility, would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which in all cases requires substantial principal payments at maturity. In 2008, approximately $304.3 million and $92.1 million of debt on our consolidated properties and our unconsolidated joint venture properties, respectively, will mature. At the present time we intend to exercise extension options or refinance the debt associated with our properties on or prior to their respective maturity dates. If any principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow will not be sufficient in all years to repay all maturing debt. At the time of refinancing, prevailing interest rates or other factors, such as the possible reluctance of lenders to make commercial real estate loans may result in higher interest rates. Increased interest expense on the refinanced debt would adversely affect cash flow and our ability to service debt and make distributions to stockholders.

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

The mortgages on our properties contain customary negative covenants that limit our ability to further mortgage the property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. In addition, our 2005 unsecured revolving credit facility contains customary restrictions and requirements on our method of operations. Our 2005 unsecured revolving credit facility and secured term loan and unsecured bonds also require us to maintain designated ratios of total debt-to-assets, debt service coverage and unencumbered assets-to-unsecured debt. Restrictions on our ability to conduct business could adversely affect our results of operations and our ability to make distributions to stockholders.

Rising interest rates could adversely affect our cash flow.

Advances under our 2005 unsecured revolving credit facility and certain property-level mortgage debt bear interest at a variable rate. These variable rate borrowings totaled approximately $1.0 billion at December 31, 2007. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing under our 2005 unsecured revolving credit facility, which had $751.2 million available for draw as of December 31, 2007. Borrowings under our 2005 unsecured revolving credit facility bear interest at a spread equal to the 30-day LIBOR, plus 80 basis points. As of December 31, 2007, borrowings under our 2005 unsecured revolving credit facility, secured term loan and junior subordinated deferrable interest debentures totaled $708.5 million, $276.7 million and $100.0 million, respectively, and bore interest at 5.73%, 5.19%, and 5.61%, respectively. We may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance our debt at higher rates. Accordingly, increases in interest rates above that which we anticipated based upon historical trends could adversely affect our ability to continue to make distributions to stockholders. At December 31, 2007, a hypothetical 100 basis point increase in interest rates along the entire interest rate curve would increase our annual interest costs by approximately $9.2 million and would increase our share of joint venture annual interest costs by approximately $6.9 million.

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

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

Our policy of no limitation on debt could adversely affect our cash flow.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2007, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of $1.6 billion, was approximately 55.1%. However, our policy is to incur debt only if upon a

conversion our consolidated debt to market capitalization ratio would be 60.0% or less. Our board of directors can alter or eliminate this policy and may do so if our board of directors determines that this action is in the best interests of our business. If this policy is changed and we become more highly leveraged, an increase in debt service could adversely affect cash available for distribution to stockholders and could increase the risk of default on our indebtedness. In addition, any change that increases our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease.

We have established our debt policy relative to the total market capitalization of our business rather than relative to the book value of our assets. We use total market capitalization because we believe that the book value of our assets, which to a large extent is the depreciated original cost of our properties, and our primary tangible assets, does not accurately reflect our ability to borrow and to meet debt service requirements. Our market capitalization, however, is more variable than book value, and does not necessarily reflect the fair market value of our assets at all times. We also will consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service.

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

We owned mezzanine loans, junior participations and preferred equity interests in 33 properties with an aggregate book value of approximately $805.2 million at December 31, 2007. Such investments may or may not be recourse obligations of the borrower and are not insured or guaranteed by governmental agencies or otherwise. In the event of a default under these obligations, we may have to realize upon our collateral and thereafter make substantial improvements or repairs to the underlying real estate in order to maximize the property's investment potential. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce their obligation to us. Relatively high loan-to-value ratios and declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization. In addition, under the origination agreement with Gramercy, we are precluded from making certain types of structured finance investments.

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

We co-invest with third parties through partnerships, joint ventures, co-tenancies or other entities, acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, we will not be in a position to exercise sole decision-making authority regarding that property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals, which are inconsistent with our business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner, co-tenant or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in specific circumstances be liable for the actions of our third-party partners, co-tenants or co-venturers. As of December 31, 2007, our unconsolidated joint ventures owned 15 properties and we had an aggregate cost basis in the joint ventures totaling approximately $1.4 billion. As of December 31, 2007, our share of joint venture debt totaled approximately $1.6 billion.

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

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

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

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

treated and disposed in accordance with law.

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

impact on our cash flows and ability to make distributions to stockholders.

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

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

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

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

A change of control of our company could benefit stockholders by providing them with a premium over the then-prevailing market price of the stock. However provisions contained in our articles of incorporation 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;
- the board of director's ability to issue additional common stock and preferred stock without stockholder approval; and
- stockholder rights plan.

Our board of directors is staggered into three separate classes.

The board of directors of our company is divided into three classes. The terms of the class I, class II and class III directors expire in 2010, 2008 and 2009, respectively. Our staggered board may deter changes in control because of the increased time period necessary for a third party to acquire control of the board.

We have a stock ownership limit.

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

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

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

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

We have a stockholder rights plan.

We adopted a stockholder rights plan which provides, among other things, that when specified events occur, our stockholders will be entitled to purchase from us a newly created series of junior preferred shares, subject to our ownership limit described above. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on

terms not approved by our board of directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the extent of your interest in us;

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

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

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

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

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

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

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

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

We have agreed to restrictions relating to future transactions involving 673 First Avenue. During the period of time that these restrictions apply, our ability to manage or use this property in a manner that is in our overall best interests may be impaired. In particular, these restrictions could preclude us from participating in major transactions otherwise favorable to us if a disposition of this restricted asset is required. These restrictions may also inhibit a change in control of our company even though a disposition or change in control might be in the best interests of the stockholders.

Specifically, we have agreed not to sell our interest in this property until August 20, 2009 without the approval of unitholders holding at least 75% of the units issued in consideration for this property. The current gross carrying value of the commercial real estate of this property totaled approximately $45.5 million at December 31, 2007. We have also agreed not to reduce the mortgage indebtedness (approximately $33.1 million at December 31, 2007), other than pursuant to scheduled amortization, on 673 First Avenue until one year prior to its maturity date without the same consent. In addition, we are obligated to use commercially reasonable efforts to refinance this mortgage prior to its maturity date in an amount not less than the principal amount outstanding on the maturity date. With respect to 673 First Avenue, Mr. Green controls at least 75% of the units whose approval is necessary. Finally, during this period, we may not incur debt secured by this property if the amount of our new

debt would exceed the greater of 75% of the value of the property securing the debt or the amount of existing debt being refinanced plus associated costs. The maturity date for the mortgage loan for 673 First Avenue is February 11, 2013.

In addition, on May 15, 2002, we acquired the property located at 1515 Broadway, New York, New York. Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to us, we have agreed not to take certain action that would adversely affect the limited partners' tax positions before December 31, 2011. We also acquired the property located at 220 East 42nd Street, New York, New York, on February 13, 2003. We have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition for a period of seven years, after the acquisition. We also acquired the property located at 625 Madison Avenue, New York, New York, on October 19, 2004 and have agreed not to take certain action that would adversely affect the tax positions of certain of the partners who held interests in this

property prior to the acquisition for a period of seven years after the acquisition.

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

We face potential conflicts of interest.

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

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. Our company and our tenants accounted for approximately 30% of Alliance s 2007 total revenue. The contracts pursuant to which these services are provided are not the result of arm's length negotiations and, therefore, there can be no assurance that the terms and conditions are not less favorable than those which could be obtained from third parties providing comparable services. In addition, to the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with the individual involved.

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

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

Our failure to qualify as a REIT would be costly.

We believe we have operated in a manner to qualify as a REIT for federal income tax purposes and intend to continue to so operate. Many of these requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of factual matters and circumstances. These matters, some of which may not be totally within our control, can affect our qualification as a REIT. For example, to qualify as a REIT, at least 95% of our gross income must come from designated sources that are listed in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income excluding capital gains. The fact that we hold our assets through the operating partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service, which we refer to as the IRS, might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT.

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

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

Under certain previously enacted tax legislation, the maximum tax rate on dividends to individuals has generally been reduced from 38.6% to 15% (from January 1, 2003 through December 31, 2008). The reduction in rates on dividends is generally not applicable to dividends paid by a REIT except in limited circumstances that we do not contemplate. Although this legislation will not adversely affect the taxation of REITs or dividends paid by REITs, the favorable treatment of regular corporate dividends could cause investors who are individuals to consider stock of non-REIT corporations that pay dividends as relatively more attractive than stocks of REITs. It is not possible to predict whether such a change in perceived relative value will occur or what the effect, if any, this legislation will have on the market price of our stock.

We are dependent on external sources of capital.

Because of distribution requirements imposed on us to qualify as a REIT, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. In addition, we anticipate having to raise money in the public equity and debt markets with some regularity and our ability to do so will depend upon the general conditions prevailing in these markets. At any time conditions may exist which effectively prevent us, and REITs in general, from accessing these markets. Moreover, additional equity offerings may result in substantial dilution of our stockholders' interests, and additional debt financing may substantially increase our leverage.

We face significant competition for tenants.

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

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

Loss of our key personnel could harm our operations.

We are dependent on the efforts of Stephen L. Green, the chairman of our board of directors and an executive officer, Marc Holliday, our chief executive officer, Andrew Mathias, our president and chief investment officer and Gregory F. Hughes, our chief operating officer and chief financial officer. A loss of the services of any of these individuals could adversely affect our operations.

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

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

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

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new SEC regulations and New York Stock Exchange rules, are creating uncertainty for public companies. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment has required the commitment of significant financial and managerial resources. In addition, it has become more difficult and more expensive for us to obtain director and officer liability insurance. We expect these efforts to require the continued commitment of significant resources. Further, our directors, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our S

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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, 2007, we did not have any unresolved comments with the staff of the SEC.

ITEM 2. PROPERTIES

The Portfolio

General

As of December 31, 2007, we owned or held interests in 23 consolidated and nine unconsolidated commercial office properties encompassing approximately 14.6 million rentable square feet and 10.0 million rentable square feet, respectively, located primarily in midtown Manhattan. Certain of these properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. As of December 31, 2007, our portfolio also included ownership interests in 30 consolidated and six unconsolidated commercial office properties located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, or the Suburban assets, encompassing approximately 4.9 million rentable square feet and 2.9 million rentable square feet, respectively. As of December 31, 2007, our portfolio also included eight consolidated and unconsolidated retail properties encompassing approximately 354,000 square feet, one development property encompassing approximately 85,000 square feet and two land interests.

The following table sets forth certain information with respect to each of the Manhattan and Suburban office and retail properties in the portfolio as of December 31, 2007:

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Rent ($ s)(1)	Percentage of Portfolio Annualized Rent (%)(2)	Number of Tenants	Annualized Rent Per Leased Square Foot ($)(3)	Annualized Net Effective Rent Per Leased Square Foot ($)(4)
CONSOLIDATED PROPERTIES										
Same Store										
19 West 44th Street	1916	Midtown	292,000	1	100.0	12,588,240	1	63	43.14	40.61
220 East 42nd Street	1929	Grand Central	1,135,000	5	99.4	45,253,452	5	34	40.94	38.69
28 West 44th Street	1919/2003	Midtown	359,000	1	96.9	14,000,856	2	69	42.08	38.18
317 Madison Avenue	1920/2004	Grand Central	450,000	2	89.6	19,157,436	2	87	44.42	36.82
420 Lexington Ave (Graybar) (5)	1927/1999	Grand Central North	1,188,000	5	93.3	55,360,824	6	228	43.10	37.30
440 Ninth Avenue	1927/1989	Penn Station	339,000	1	99.4	11,345,964	1	11	29.51	23.14
461 Fifth Avenue (6)	1988	Midtown	200,000	1	98.8	13,216,224	2	19	65.85	62.70
555 West 57th Street (7)	1971	Midtown West	941,000	4	99.6	29,162,808	3	15	29.64	28.32
625 Madison Avenue	1956/2002	Plaza District	563,000	2	97.6	39,571,260	5	31	70.23	67.52
673 First Avenue (7)	1928/1990	Grand Central South	422,000	2	99.8	14,881,740	2	11	33.40	31.77
711 Third Avenue (7) (8)	1955	Grand Central North	524,000	2	94.3	22,750,776	3	18	43.59	39.48
750 Third Avenue	1958/2006	Grand Central North	780,000	3	98.4	35,166,324	4	22	45.57	44.15
Subtotal / Weighted Average			**7,193,000**	**29**	**97.1**	**$312,455,904**	**35**	**608**		
Adjustments										
485 Lexington Avenue	1956/2006	Grand Central North	921,000	4	98.8	46,503,516	5	18	52.14	43.06
609 Fifth Avenue	1925/1990	Rockefeller Center	160,000	1	99.5	12,984,012	1	19	82.35	80.95
1372 Broadway	1926/1998	Garment	508,000	2	99.8	21,182,004	0	22	39.77	39.46
1 Madison Avenue	1960/2002	Park Avenue South	1,176,900	5	99.8	61,481,244	8	3	52.37	52.25
331 Madison Avenue	1923	Grand Central	114,900	0	100.0	4,812,996	1	19	42.29	41.24
333 West 34th Street	1954/2000	Penn Station	345,400	1	100.0	15,027,372	2	1	44.41	44.41
120 West 45th Street	1998	Midtown	440,000	2	99.0	24,409,848	3	28	55.71	55.66
810 Seventh Avenue	1970	Times Square	692,000	3	96.6	37,142,472	4	40	55.93	49.28
919 Third Avenue	1970	Grand Central North	1,454,000	6	99.9	76,588,284	4	15	52.80	49.84
1185 Avenue of the Americas	1969	Rockefeller Center	1,062,000	4	90.9	55,613,652	6	23	57.40	56.78
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	91.7	28,796,412	3	39	54.15	53.99
Subtotal / Weighted Average			**7,436,200**	**30**	**97.5**	**$384,541,812**	**38**	**227**		
Total / Weighted Average Consolidated Properties (9)			**14,629,200**	**59**	**97.3**	**$696,997,716**	**73**	**835**		
UNCONSOLIDATED PROPERTIES										
Same Store										
100 Park Avenue - 50%	1950/1980	Grand Central South	834,000	3	74.0	30,228,780	2	31	46.34	41.63

1221 Avenue of the Americas - 45%	1971/1997	Rockefeller Center	2,550,000	10	93.9	138,432,696	7	24	58.80	57.85
1250 Broadway - 55%	1968/2001	Penn Station	670,000	3	98.6	25,180,956	2	33	35.98	32.16
1515 Broadway - 55%	1972	Times Square	1,750,000	7	99.0	84,906,360	6	10	50.25	49.00
Subtotal / Weighted Average			**5,804,000**	**23**	**93.1**	**$278,748,792**	**17**	**98**		
Adjustments										
388 & 390 Greenwich Street - 50.6%	1986-1990	Downtown	2,635,000	11	100.0	99,225,000	7	1	37.66	37.66
521 Fifth Avenue - 50.1%	1929/2000	Grand Central	460,000	2	96.9	22,497,540	1	47	49.43	48.50
800 Third Avenue - 47.4%	1972/2006	Grand Central North	526,000	2	94.7	28,662,300	1	26	53.37	54.01
1745 Broadway - 32.3%	2003	Midtown	674,000	3	100.0	34,806,264	1	1	54.00	54.00
Subtotal / Weighted Average			**4,295,000**	**17**	**99.0**	**$185,191,104**	**10**	**75**		
Total / Weighted Average Unconsolidated Properties (10)			**10,099,000**	**41**	**95.6**	**$463,939,896**	**27**	**173**		
Grand Total / Weighted Average			**24,728,200**	**100**	**96.6**	**$1,160,937,612**		**1,008**		
Grand Total - SLG share of Annualized Rent						**$879,291,506**	**100**			
Same Store Occupancy % - Combined			**12,997,000**	**53**	**95.3**					
Suburban Properties										
CONSOLIDATED PROPERTIES										
Adjustments										
1100 King Street - 1 International Drive	1983-1986	Rye Brook, Westchester	90,000	1	100.0	2,317,500	1	1	25.75	25.75
1100 King Street - 2 International Drive	1983-1986	Rye Brook, Westchester	90,000	1	76.3	772,500	1	1	25.75	25.75
1100 King Street - 3 International Drive	1983-1986	Rye Brook, Westchester	90,000	1	96.0	2,194,860	2	6	25.39	25.34
1100 King Street - 4 International Drive	1983-1986	Rye Brook, Westchester	90,000	1	98.4	2,637,480	2	8	31.23	31.13
1100 King Street - 5 International Drive	1983-1986	Rye Brook, Westchester	90,000	1	97.1	1,989,912	2	8	26.21	25.69
1100 King Street - 6 International Drive	1983-1986	Rye Brook, Westchester	90,000	1	100.0	2,640,780	2	5	27.72	27.72
100 White Plains Road	1984	Tarrytown, Westchester	6,000	0	100.0	92,568	0	1	15.43	14.36
120 White Plains Road	1984	Tarrytown, Westchester	205,000	3	97.6	5,823,984	2	15	29.20	29.28
520 White Plains Road	1979	Tarrytown, Westchester	180,000	2	85.3	3,716,604	3	8	25.06	24.39
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	2	65.2	3,058,716	2	14	24.81	24.13
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	3	87.4	6,295,908	5	8	28.89	28.87
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	3	95.7	6,689,172	5	9	29.41	29.36
500 Summit Lake Drive	1986	Valhalla, Westchester	228,000	3	77.1	4,129,824	3	1	23.50	24.39
140 Grand Street	1991	White Plains, Westchester	130,100	2	80.0	3,485,328	2	7	37.48	37.03
360 Hamilton Avenue	2000	White Plains, Westchester	384,000	5	100.0	12,287,280	9	15	32.08	31.77
399 Knollwood Road	1986	White Plains, Westchester	145,000	2	98.9	3,347,004	3	45	25.59	25.37
Westchester, NY Subtotal			**2,491,100**	**32**	**90.2**	**61,479,420**	**44**	**152**		
1 Landmark Square	1973/1984	Stamford, Connecticut	312,000	4	86.5	7,812,672	6	52	32.09	31.38
2 Landmark Square	1973/1984	Stamford, Connecticut	46,000	1	73.7	846,012	1	10	27.30	25.02
3 Landmark Square	1973/1984	Stamford, Connecticut	130,000	2	93.1	3,122,316	2	13	26.15	26.15
4 Landmark Square	1973/1984	Stamford, Connecticut	105,000	1	79.3	2,155,644	2	13	28.56	27.35

5 Landmark Square	1973/1984	Stamford, Connecticut	61,000	1	100.0	775,416	1	14	12.87	12.87
6 Landmark Square	1973/1984	Stamford, Connecticut	172,000	2	78.3	2,861,028	2	5	22.37	22.06
7 Landmark Square	2007	Stamford, Connecticut	36,800	0	10.8	271,032	0	1	68.10	68.10
300 Main Street	2002	Stamford, Connecticut	130,000	2	95.3	1,942,620	1	21	15.93	15.75
680 Washington Boulevard	1989	Stamford, Connecticut	133,000	2	94.7	4,522,764	2	5	36.05	37.01
750 Washington Boulevard	1989	Stamford, Connecticut	192,000	2	98.5	6,144,240	2	8	34.04	33.71
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400	2	95.6	3,691,152	3	20	28.36	28.04
1055 Washington Boulevard	1987	Stamford, Connecticut	182,000	2	89.5	5,350,332	4	22	32.20	31.97
500 West Putnam Avenue	1973	Greenwich, Connecticut	121,500	2	94.4	3,451,620	3	11	34.42	34.24
Connecticut Subtotal			**1,764,700**	**22**	**88.5**	**42,946,848**	**28**	**195**		
55 Corporate Drive, NJ	1987/1999	Bridgewater, New Jersey	670,000	9	100.0	21,812,018	8	1	32.56	28.64
Total / Weighted Average Consolidated Properties (11)			**4,925,800**	**63**	**90.9**	**$126,238,286**	**80**	**348**		

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our S

UNCONSOLIDATED PROPERTIES										
Adjustments										
The Meadows - 25%	1981	Rutherford, New Jersey	582,100	7	81.3	12,460,056	2	58	26.55	25.61
16 Court Street - 35%	1928	Brooklyn, New York	317,600	4	80.8	8,045,832	2	64	35.83	35.83
Jericho Plaza - 20.26%	1980	Jericho, New York	640,000	8	98.4	21,062,052	4	39	33.36	33.22
One Court Square - 30%	1987	Long Island City, New York	1,402,000	18	100.0	50,803,956	12	1	36.25	36.25
Total / Weighted Average Unconsolidated Properties (12)			**2,941,700**	**37**	**93.9**	**$92,371,896**	**20**	**162**		
Grand Total / Weighted Average			**7,867,500**	**100**	**92.0**	**$218,610,182**		**510**		
Grand Total - SLG share of Annualized Rent						**$132,645,748**	**100**			

RETAIL, DEVELOPMENT & LAND	**Year Built/ Renovated**	**SubMarket**	**Approximate Rentable Square Feet**	**Percentage of Portfolio Rentable Square Feet (%)**	**Percent Leased (%)**	**Annualized Rent ($ s)(1)**	**Percentage of Portfolio Annualized Rent (%)(2)**	**Number of Tenants**	**Annualized Rent Per Leased Square Foot (3)**	**Annualized Net Effective Rent Per Leased Square Foot (4)**
141 Fifth Avenue - 50%	1879	Flat Iron	21,500	5	100.0	2,095,056	2	4	97.44	94.94
150 Grand Street	1962/2001	White Plains	85,000	19	10.6	185,544	0	3		
1551-1555 Broadway - 50%	1890	Times Square	25,600	6	100.0	N/A	N/A	N/A		
1604 Broadway - 63%	1912/2001	Times Square	29,876	7	100.0	4,364,292	5	3	146.08	141.63
180 Broadway - 50%	1902	Cast Iron/Soho	24,307	6	81.1	616,728	1	11	31.29	31.29
21-25 West 34th Street - 50%	1920/1930	Herald Square/Penn Station	30,100	7	100.0	5,906,692	5	1	196.24	185.16
27-29 West 34th Street - 50%	1904	Herald Square/Penn Station	41,000	9	100.0	N/A	N/A	N/A		
379 West Broadway - 45%	1853/1987	Cast Iron/Soho	62,006	14	100.0	2,971,932	2	6	47.93	47.07
717 Fifth Avenue - 92%	1958/2000	Midtown/Plaza District	119,550	27	87.6	17,715,948	30	8	169.17	165.99
2 Herald Square - 55%		Herald Square/Penn Station	N/A	N/A	N/A	9,000,000	9	1		
885 Third Avenue - 55%		Midtown/Plaza District	N/A	N/A	N/A	11,095,000	11	1		
Total / Weighted Average Retail/Development Properties			**438,939**	**100**	**N/A**	**$53,951,192**	**65**	**38**		

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(1) Annualized Rent represents the monthly contractual rent under existing leases as of December 31, 2007 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2007 for the 12 months ending December 31, 2008 are approximately $6.7 million for our consolidated properties and $1.9 million for our unconsolidated properties.

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

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

(4) Annual Net Effective Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by us, the remaining lease payments under the lease from the acquisition date divided by the number of months remaining under the lease multiplied by 12 and (b) for leases entered into after an interest in the relevant property was first acquired by us, all lease payments under the lease divided by the number

of months in the lease multiplied by 12, and, in the case of both (a) and (b), minus tenant improvement costs and leasing commissions, if any, paid or payable by us and presented on a per leased square foot basis. Annual Net Effective Rent Per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Rent Per Leased Square Foot.

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

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

(7) Includes a parking garage.

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

(9) Includes approximately 13.3 million square feet of rentable office space, 1.0 million square feet of rentable retail space and 0.3 million square feet of garage space.

(10) Includes approximately 9.4 million square feet of rentable office space, 0.6 million square feet of rentable retail space and 0.1 million square feet of garage space.

(11) Includes approximately 4.6 million square feet of rentable office space and 0.3 million square feet of rentable retail space.

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

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

	Percent of Portfolio Leased (1)	Occupancy Rate of Class A Office Properties In The Midtown Markets (2) (3)	Occupancy Rate of Class B Office Properties in the Midtown Markets (2) (3)
December 31, 2007	96.6%	94.1%	93.5%
December 31, 2006	97.0%	95.7%	93.7%
December 31, 2005	96.7%	94.4%	92.5%
December 31, 2004	96.0%	93.0%	91.0%
December 31, 2003	96.0%	92.0%	90.0%

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

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

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

Lease Expirations

Leases in our Manhattan portfolio, as at many other Manhattan office properties, typically extend for a term of seven to ten 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, 2012, the average annual rollover at our Manhattan consolidated and unconsolidated properties is approximately 1.0 million square feet and 0.5 million square feet, respectively, representing an average annual expiration rate of 6.6% and 5.1% respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

The following tables set forth a schedule of the annual lease expirations at our Manhattan consolidated and unconsolidated properties, respectively, with respect to leases in place as of December 31, 2007 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Manhattan Consolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases (1)	Annualized Rent Per Leased Square Foot of Expiring Leases (2)
2008 (3)	124	617,275	4.23%	$ 29,716,668	$ 48.14
2009	103	1,164,489	7.99%	54,150,624	46.50
2010	125	977,648	6.70%	43,764,600	44.77
2011	104	833,645	5.72%	41,135,208	49.34
2012	116	1,239,632	8.50%	48,255,648	38.93
2013	62	1,155,460	7.92%	51,513,156	44.58
2014	34	602,120	4.13%	25,660,236	42.62
2015	43	676,076	4.64%	33,328,572	49.30
2016	44	1,124,414	7.71%	56,073,792	49.87
2017 & thereafter	129	6,190,416	42.45%	313,399,212	50.63
Total/weighted average	884	14,581,175	100.00%	$ 696,997,716	$ 47.80

Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, as well as our S

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2007 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2007 for the 12 months ending December 31, 2008, are approximately $5.2 million for the properties.

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

(3) Includes 51,098 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2007.

Manhattan Unconsolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases (1)	Annualized Rent Per Leased Square Foot of Expiring Leases (2)
2008 (3)	27	500,317	5.18	$ 21,627,876	$ 43.23
2009	20	195,718	2.02	7,861,956	40.17
2010	26	1,454,721	15.05	74,170,200	50.99
2011	15	183,098	1.89	7,941,588	43.37
2012	18	150,165	1.55	7,349,712	48.94
2013	16	1,101,412	11.39	58,612,044	53.22
2014	17	204,579	2.12	15,199,668	74.30
2015	18	353,885	3.66	15,349,932	43.38
2016	8	224,212	2.32	15,869,100	70.78
2017 & thereafter	29	2,664,710	27.56	140,732,820	52.81
Sub-Total/weighted average	194	7,032,817	72.75	364,714,896	$ 51.86
	2(4)	2,634,670	27.25	99,225,000	
Total	196	9,667,487	100.00	$ 463,939,896	

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2007 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2007 for the 12 months ending December 31, 2008 are approximately $1.5 million for the joint venture properties.

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

(3) Includes 72,596 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2007.

(4) Represents Citigroup s 13-year net lease at 388-390 Greenwich Street. The current net rent is $37.66 per square foot with annual CPI escalation.

Leases in our Suburban portfolio, as at many other suburban office properties, typically extend for a term of five to ten years. For the five years ending December 31, 2012, the average annual rollover at our Suburban consolidated and unconsolidated properties is approximately 0.5 million square feet and 0.2 million square feet, respectively, representing an average annual expiration rate of 10.9% and 6.7% respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

The following tables set forth a schedule of the annual lease expirations at our Suburban consolidated and unconsolidated properties, respectively, with respect to leases in place as of December 31, 2007 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Suburban Consolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases (1)	Annualized Rent Per Leased Square Foot of Expiring Leases (2)
2008 (3)	67	288,124	6.67%	$ 7,118,172	$ 24.71
2009	53	295,635	6.84%	8,986,008	30.40
2010	58	592,875	13.71%	17,525,820	29.56
2011	61	781,529	18.08%	22,177,320	28.38
2012	42	407,210	9.42%	11,422,620	28.05
2013	13	346,734	8.02%	10,866,996	31.34
2014	15	222,015	5.14%	6,280,764	28.29
2015	14	228,006	5.27%	6,772,476	29.70
2016	14	286,582	6.63%	7,495,632	26.16
2017 & thereafter	21	874,171	20.22%	27,592,478	31.56
Total/weighted average	358	4,322,881	100.00%	$ 126,238,286	$ 29.20

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2007 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2007 for the 12 months ending December 31, 2008, are approximately $1.8 million for the properties.

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

(3) Includes 75,355 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2007.

Suburban Unconsolidated Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Rent of Expiring Leases (1)	Annualized Rent Per Leased Square Foot of Expiring Leases (2)
2008 (3)	33	270,244	9.91	$ 7,553,352	$ 27.95
2009	20	121,495	4.46	3,950,256	32.51
2010	25	159,815	5.86	4,769,088	29.84
2011	23	137,978	5.06	4,071,552	29.51
2012	19	227,937	8.36	7,825,032	34.33
2013	5	15,170	0.56	483,276	31.86
2014	12	199,877	7.33	6,764,784	33.84
2015	8	40,037	1.47	1,251,384	31.26
2016	5	64,112	2.35	2,005,884	31.29
2017 & thereafter	15	1,490,139	54.65	53,697,288	36.04
Total/weighted average	165	2,726,784	100.00	$ 92,371,896	$ 33.88

(1) Annualized Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2007 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date.

There are no rent abatements for leases in effect as of December 31, 2007 for the 12 months ending December 31, 2008 for the joint venture properties.

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

(3) Includes 30,021 square feet of month-to-month holdover tenants whose leases expired prior to December 31, 2007.

Tenant Diversification

At December 31, 2007, our portfolio was leased to approximately 1,518 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 portfolio, based on the amount of square footage leased by our tenants as of December 31, 2007:

Tenant (1)	**Properties**	**Remaining Lease Term in Months (2)**	**Total Leased Square Feet**	**Percentage of Aggregate Portfolio Leased Square Feet (%)**	**Percentage of Aggregate Portfolio Annualized Rent (%)**
Citigroup, N.A.	388 & 390 Greenwich Street, 485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue, 333 West 34th Street, 750 Washington Blvd & Court Square	156	4,812,716	13.4%	9.6%
Viacom International Inc.	1515 Broadway	149	1,410,339	5.3%	4.9%
Credit Suisse Securities (USA), LLC	1 Madison Avenue	156	1,138,143	4.3%	5.9%
Sanofi-Aventis	55 Corporate Drive, NJ	184	670,000	1.6%	1.1%
Morgan Stanley & Co., Inc.	1221 Avenue of the Americas, 2 Jericho Plaza & 4 Landmark Square	132	645,855	3.1%	1.9%
Random House, Inc.	1745 Broadway	126	644,598	2.5%	1.1%
Debevoise & Plimpton, LLP	919 Third Avenue	168	586,528	2.5%	1.7%
Omnicom Group	220 East 42nd Street, 420 Lexington Avenue & 485 Lexington Avenue	112	576,716	1.6%	2.2%
Societe Generale	1221 Avenue of the Americas	69	486,663	1.9%	1.2%
The McGraw Hill Companies	1221 Avenue of the Americas	147	420,329	1.6%	1.0%
Advance Magazine Group	750 Third Avenue & 485 Lexington Avenue	158	342,720	0.9%	1.3%
Verizon	120 West 45th Street, 1100 King Street Bldgs 1&2, 1 Landmark Square, 2 Landmark Square & 500 Summit Lake Drive	48	315,236	0.6%	0.8%
Visiting Nurse Services of New York	1250 Broadway	132	296,247	0.7%	0.6%
C.B.S. Broadcasting, Inc.	555 West 57th Street	117	286,037	0.7%	1.0%
Schulte, Roth & Zabel LLP	919 Third Avenue	162	279,746	1.1%	0.7%
Polo Ralph Lauren Corporation	625 Madison Avenue	144	269,269	1.0%	1.4%
New York Presbyterian Hospital	555 West 57th Street & 673 First Avenue	164	262,448	0.6%	0.8%
The Travelers Indemnity Company	485 Lexington Avenue & 2 Jericho Plaza	104	250,857	0.9%	1.1%
The City University of NY-CUNY	555 West 57th Street & 28 West 44th Street	85	229,044	0.6%	0.8%
BMW of Manhattan	555 West 57th Street	55	227,782	0.3%	0.5%
Vivendi Universal US Holdings	800 Third Avenue	26	226,105	0.8%	0.5%
Fuji Color Processing Inc.	120 White Plains Road & 200 Summit Lake Drive	63	186,484	0.4%	0.5