SL GREEN REALTY CORP
Form 10-K
February 28, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of February 15, 2012, there were 86,368,447 shares of the Registrant's common stock outstanding. The aggregate market value of the common stock, held by non-affiliates of the Registrant (78,694,295 shares) at June 30, 2011 was $6.5 billion. The aggregate market value was calculated by using the closing price of the common stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2012 Annual Stockholders' Meeting to be to be filed within 120 days after the end of the Registrant's fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

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10-K PART AND ITEM NO.

PART I

ITEM 1. BUSINESS

General

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

As of December 31, 2011, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, 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	26	18,429,945	92.8%
	Unconsolidated properties	7	6,191,673	91.6%
Suburban	Consolidated properties	25	3,863,000	80.5%
	Unconsolidated properties	6	2,941,700	93.8%
		64	31,426,318	91.2%

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

As of December 31, 2011, our Manhattan office properties were comprised of 27 fee owned properties, including ownership in commercial condominium units, and six leasehold owned properties. As of December 31, 2011, our Suburban office properties were comprised of 30 fee owned properties and one leasehold property. We refer to our Manhattan and Suburban office properties collectively as our Portfolio.

We also owned investments in nine stand-alone retail properties encompassing approximately 349,282 square feet, seven development properties encompassing approximately 1,395,838 square feet and three land interests as of December 31, 2011. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 million rentable square feet.

Our corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. As of December 31, 2011, our corporate staff consisted of approximately 263 persons, including 163 professionals experienced in all aspects of commercial real estate. We can be contacted at (212) 594-2700. We maintain a website at *www.slgreen.com*. On our website, you can obtain, free of charge, a copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission, or the SEC. We have also made available on our website our audit committee charter, compensation committee charter, nominating and corporate governance committee charter, code of business conduct and ethics and corporate governance principles. We do not intend for information contained on our website to be part of this annual report on Form 10-K. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet

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site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Unless the context requires otherwise, all references to the "Company," "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, 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 these management, leasing and construction entities, which are owned by SL Green Management Corp, 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, 2011, were the owner of approximately 96.88% 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, a consolidated variable interest entity. We, through our Operating Partnership, expect to receive substantially all of the cash flow from the Service Corporation's operations. All of the voting common stock of the Service Corporation is held by an entity owned and controlled by the chairman of our board of directors.

Business and Growth Strategies

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

Our primary business objective is to maximize the total return to stockholders, through growth in funds from operations and through asset value appreciation. Our core business is the ownership of high quality office buildings that are strategically located in close proximity to midtown Manhattan's primary commuter stations. The commercial real estate expertise resulting from owning, operating, investing and lending in Manhattan for over 31 years has also enabled us to invest in a collection of premier retail properties, selected multifamily residential assets, and high quality debt and preferred equity investments. We also own high quality office properties in the surrounding markets of Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey.

We are led by a strong, experienced management team that provides a foundation of skills in all aspects of property ownership and management including investment, leasing, operations, capital improvements, financing, repositioning and maintenance. It is with this team that we have achieved a market leading position in our targeted submarkets.

We seek to enhance the value of our company by executing strategies that include the following:

- Leasing and property management capitalizing on our extensive presence and knowledge of the marketplaces in which we operate.

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Acquiring office, retail and residential properties and selectively using joint venture capital to enhance returns and reduce investment risk.

Investing in high-yielding debt and preferred equity positions, generating strong risk-adjusted returns, increasing breadth of market insight, building key market relationships and sourcing potential future property acquisition opportunities.

Executing dispositions through sales or joint ventures that harvest equity generated through management's value enhancing activities, thereby providing a continuing source of capital for reinvestment.

Leasing and Property Management

We seek to capitalize on our management's extensive knowledge of the Manhattan and suburban markets and the needs of our tenants through proactive leasing and management programs, which include: (i) use of in-depth market experience resulting from managing and leasing 31.4 million square feet of office and retail space, predominantly in Manhattan; (ii) careful management to ensure adequate average lengths of leases and manageable lease rollovers; (iii) utilization of an extensive network of third-party brokers; (iv) use of comprehensive building management analysis and planning; and (v) commitment to tenant satisfaction by providing high quality tenant services at attractive rental rates.

It is our belief that our proactive leasing efforts have directly contributed to our average portfolio occupancy consistently exceeding the market average.

Property Acquisitions

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

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

In acquiring core and non-core properties, directly or through joint ventures with a predominance of high quality institutional investors, we believe that we have the following advantages over many of our competitors: (i) senior management's average 25 years of experience leading a full-service, fully-integrated real estate company focused on the Manhattan office market; (ii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests as opposed to solely cash transactions; and (iii) the ability to close transactions quickly despite complicated ownership structures.

Property Repositioning

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

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Debt and Preferred Equity Investments

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

- Our typical investments generally provide high current returns and, in certain cases, the potential for future capital gains.

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

- The largest concentration of these investments is in Manhattan, which helps us gain market insight and awareness of upcoming and active investment opportunities and support for key relationships that may provide access to future investment opportunities.

Property Dispositions

We continually evaluate our properties to identify those most suitable to meet our long-term earnings growth objectives and contribute to increasing portfolio value. Properties that no longer meet our objectives are identified as non-core holdings and are targeted for sale, or in certain cases, joint venture to release equity created through management's value enhancement programs or to take advantage of opportune market valuations.

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

Competition

The leasing of real estate is highly competitive, especially in the Manhattan office market. We compete for tenants with landlords and developers of similar properties located in our markets primarily on the basis of location, rent charged, services provided, balance sheet strength and the design and condition of our properties. Although currently no other publicly traded REIT has been formed primarily to acquire, own, reposition and manage Manhattan commercial office properties, we may in the future compete with such other REITs. 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 with different financial attributes than we are willing to pursue.

Manhattan Office Market Overview

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

According to Cushman and Wakefield Research Services, Manhattan has a total inventory of 392.9 million square feet, including 241.2 million square feet in midtown. Based on current construction activity, we estimate that midtown Manhattan will have approximately 0.8 million square feet of new construction becoming available in the next two years, none of which is pre-leased. This will add approximately 0.2% to Manhattan's total inventory.

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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 the midtown markets is generally five to fifteen years. Tenants leasing space in excess of 10,000 square feet for an initial term of 10 years or longer often will negotiate an option to extend the term of the lease for one or two renewal periods, typically of five years each. The base rent during the initial term often will provide for agreed-upon periodic increases over the term of the lease. Base rent for renewal terms is most often based upon the then fair market rental value of the premises as of the commencement date of the applicable renewal term (determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value), though in rare cases base rent for a renewal period may be set at 95% of the then fair market rent. Very infrequently, leases may contain termination options whereby tenants can terminate their lease obligations upon payment of a penalty together with repayment of the unamortized portion of the landlord's transaction costs (e.g., brokerage commissions, free rent periods, tenant improvement allowances, etc.).

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

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

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

In a typical lease for a new tenant renting in excess of 10,000 feet, the landlord will deliver the premises with existing improvements demolished and any asbestos abated. In such instances, 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 and lien waivers. However, in certain leases (most often for relatively small amounts of space), the landlord will construct the premises for the tenant at a cost to the landlord not to exceed an agreed upon amount with the tenant paying any excess. In addition, landlords may rent to a tenant a space that is "pre-built" (i.e., space that was constructed by the landlord in advance of lease signing and ready to move in with the tenant selecting paint and carpet colors).

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Occupancy

The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2011, 2010 and 2009:

	Percent Occupied as of December 31,		
Property	**2011**	**2010**	**2009**
Manhattan Properties	92.5%	92.9%	95.0%
Suburban Properties	86.2%	87.3%	88.7%
Same-Store Properties(1)	90.3%	89.4%	N/A
Unconsolidated Joint Venture Properties	92.3%	95.2%	95.1%
Portfolio	91.2%	91.6%	93.6%

(1) Same-Store Properties for 2011 represents 45 of our 51 consolidated properties owned by us at January 1, 2010 and still owned by us at December 31, 2011 in the same manner. This excludes 28 West 44th Street which was sold in 2011.

Rent Growth

We estimated that rents in place at December 31, 2011 for all leases expiring in future periods in our Manhattan and Suburban consolidated properties were approximately 10.9% and 3.0%, respectively, below management's estimates of current market asking rents. Taking rents are typically lower than asking rents and may vary from property to property. We estimated that rents in place at December 31, 2011 for all leases expiring in future periods in our Manhattan and Suburban properties owned through unconsolidated joint ventures were approximately 8.8% and 9.9%, respectively, below management's estimates of current market asking rents. These comparative measures were approximately 5.0% and 5.1% at December 31, 2010 for the consolidated properties and 16.3% and 9.3% for the unconsolidated joint venture properties. As of December 31, 2011, approximately 43.6% and 35.0% of all leases in-place in our consolidated properties and unconsolidated joint venture properties, respectively, are scheduled to expire during the next five years. There can be no assurances that our estimates of current market rents are accurate, that market rents currently prevailing will not erode in the future or that we will realize any rent growth. However, we believe that rents, which in the current portfolio are below market, provide a potential for long-term internal growth.

Industry Segments

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

At December 31, 2011, our real estate portfolio was primarily located in one geographical market, namely, the New York Metropolitan area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). As of December 31, 2011, one tenant in our portfolio contributed approximately 7.2% of our Portfolio annualized cash rent. No other tenant contributed more than 6.9% of our Portfolio annualized cash rent. Portfolio annualized cash rent includes our consolidated annualized cash rent and our share of joint venture annualized cash rent. No property contributed in excess of 8.4% of our consolidated total revenue for 2011. In addition, two debt and preferred equity investments each accounted for more than 10.0% of the revenue earned on debt and preferred equity investments in 2011. Our industry segments are discussed in Note 19, "Segment Reporting" in the accompanying consolidated financial statements.

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Employees

At December 31, 2011, we employed approximately 1,047 employees, over 164 of who were managers and professionals, approximately 783 of whom were hourly-paid employees involved in building operations and approximately 100 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

During 2011, we acquired or consolidated joint venture interests on five properties for aggregate gross purchase prices of $2.0 billion encompassing 3.6 million square feet. In addition, we invested in four properties through joint ventures for aggregate gross purchase prices of $1.8 billion and encompassing 2.0 million square feet.

Dispositions

During 2011, we sold 28 West 44th Street for a gross contract price of $161.0 million. We recognized a gain of approximately $46.1 million on the sale of this property, which encompassed 0.4 million square feet. We also sold our partnership interest in 1551/1555 Broadway at an implied valuation of $276.8 million and recognized a gain of approximately $4.0 million on the sale of our interest.

Debt and Preferred Equity Investments

During 2011, we originated or acquired approximately $622.5 million in debt and preferred equity investments (net of new discounts), inclusive of accretion of previous discounts and pay-in-kind interest. We also recorded approximately $600.3 million in sales, repayments, participations, foreclosures and loan loss reserves in 2011. Included in this was approximately $6.5 million of loan loss reserves, net of recoveries.

Offering/Financings

In November 2011, we closed on a $1.5 billion 4-year revolving credit facility, with a 1-year as-of-right extension option, which currently bears interest at 150 basis points over LIBOR, based on the unsecured bond rating of Reckson Operating Partnership, L.P.

We sold 6.7 million shares of common stock through our "at-the-market" equity offering programs raising net proceeds of $517.1 million which were used to repay certain of our existing indebtedness, make investments in additional properties and debt and preferred equity investments, and for general corporate purposes.

We issued $250.0 million principal amount of 5.00% senior notes due 2018 at par. The net proceeds from the offering (approximately $246.5 million) were used to repay certain of our existing indebtedness, make investments in additional properties and debt and preferred equity investments, and for general corporate purposes.

During 2011, we also closed on 15 mortgages and other loans payable, which are collateralized by our real estate, debt and preferred equity investments, totaling approximately $3.3 billion.

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ITEM 1A. RISK FACTORS

Declines in the demand for office space in New York City, and in particular midtown Manhattan, as well as our Suburban markets, including Westchester County, Connecticut, New Jersey and Long Island, 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, based on square footage, 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. Continuing weakness and uncertainty in the New York City economy could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our cash flow and ability to service current debt and to pay dividends to stockholders. Similarly, continuing weakness and uncertainty in our suburban markets could adversely affect our cash flow and ability to service current debt and to pay dividends to stockholders.

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

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, taking into account among other things, the cost of tenant improvements and leasing commissions, may be less favorable than the terms in the expired leases. As of December 31, 2011, approximately 7.0 million and 1.9 million square feet, representing approximately 40.0% and 65.0% of the rentable square feet, are scheduled to expire by December 31, 2016 at our consolidated properties and unconsolidated joint venture properties, respectively, and as of December 31, 2011, these leases had annualized escalated rent totaling approximately $448.6 million and $102.2 million, respectively. We also have leases with termination options beyond 2016. If we are unable to promptly renew the leases or relet the space at similar rates, our cash flow and ability to service debt and pay dividends to stockholders could be adversely affected.

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

Our interests in 673 First Avenue, 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas, all in Manhattan, and 1055 Washington Avenue, Stamford, Connecticut, are through either long-term leasehold or operating sublease interests in the land and the improvements, rather than by ownership of fee interest in the land. We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date. 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 upon expiration of the leases, which would significantly adversely affect our results of operations. The average remaining term of these long-term leases as of December 31, 2011, including our unilateral extension rights on each of the properties, is approximately 41 years. Pursuant to the leasehold arrangement, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized cash rents of these properties at December 31, 2011 totaled approximately $244.2 million, or 21%, of our share of total Portfolio annualized cash rent.

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

Giving effect to leases in effect as of December 31, 2011 for consolidated properties and unconsolidated joint venture properties, as of that date, our five largest tenants, based on square footage leased, accounted for approximately 23.3% of our share of Portfolio annualized cash rent, with three tenants, Citigroup, Inc., Viacom International Inc. and Credit Suisse Securities (USA) LLC accounting for approximately 7.2%, 6.9% and 6.4% of our share of Portfolio annualized cash rent, respectively. In addition, the financial services sector accounted for approximately 39% of our Portfolio annualized cash rent as of December 31, 2011. This sector continues to experience significant turmoil. If current economic conditions persist or deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents, particularly in respect of our financial service tenants. Our business would be adversely affected if any of our major tenants became insolvent, declared bankruptcy, are put into receivership or otherwise refused to pay rent in a timely fashion or at all.

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

Our business may be affected by the unprecedented volatility and illiquidity in the financial and credit markets and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole. As a result of the economic downturn that began in the second half of 2007, demand for office and retail space declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Real estate transactions and development opportunities lessened compared to the period prior to the current economic downturn and capitalization rates rose. As a result, the cost and availability of credit was, and may in down markets be, adversely affected by illiquid credit markets and wider credit spreads. Economic weakness and uncertainty, including concern about the stability of the markets generally and the strength of counterparties specifically has led, and may lead, many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers, and this may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the Northeast, particularly in New York, New Jersey and Connecticut. Because our portfolio consists primarily of commercial office buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if negative economic conditions persist or deteriorate, then our results of operations, financial condition and ability to service current debt and to pay dividends to our stockholders may be adversely affected. Specifically, our business may be affected by the following conditions:

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

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

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

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

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

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 proportion to changes in our rental revenue. As a result, our costs will not necessarily decline even if our revenues do. Similarly, our operating costs could increase while our revenues stay flat or decline. In either such event, we may be forced to borrow to cover our costs, we may incur losses or we may not have cash available to service our debt and to pay dividends to our stockholders.

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We face risks associated with property acquisitions.

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

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing;
- 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 therefore 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 arising from our ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

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

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

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities from other investors, particularly those investors who 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 five large properties for a significant portion of our revenue.

Five of our properties, 420 Lexington Avenue, One Madison Avenue, 1185 Avenue of the Americas, 1515 Broadway and 388-390 Greenwich Street, accounted for approximately 32% of our Portfolio annualized cash rent, which includes our share of joint venture annualized rent as of December 31, 2011. Our revenue and cash available for distribution to our stockholders would be materially adversely affected if any of these properties were materially damaged or destroyed. Additionally, our revenue and cash available to service debt and for distribution to our stockholders would be materially adversely affected if tenants at these properties fail to timely make rental payments due to adverse financial conditions or otherwise, default under their leases or 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 those tenants believe are not as likely to be targets of future terrorist activity. This in turn could 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) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $750.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. This policy expires on December 31, 2012. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. The second property policy expires on December 31, 2012. Additional coverage may be purchased on a stand-alone basis for certain assets. We maintain liability policies which cover all our properties and provide limits of $201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2012.

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

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective December 31, 2010, Belmont increased its terrorism coverage from $400.0 million to $650.0 million in a layer in excess of $100.0 million. In addition, Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont acts as a direct insurer of NBCR and since December 31, 2011, has provided coverage up to $750 million on the entire property portfolio for certified acts of terrorism above a program trigger of $100.0 million. Belmont is responsible for a small deductible and 15% of a loss, with the remaining 85% covered by the Federal government.

General Liability: For the period commencing October 31, 2010, Belmont insures a retention on the general liability insurance of $150,000 per occurrence and a $2.1 million annual aggregate stop loss limit. We have secured excess insurance to protect against catastrophic liability losses above the $150,000 retention. Prior policy years carried a higher per occurrence deductible and/or higher aggregate stop loss. Belmont has retained a third party administrator to manage all claims within the retention and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million per occurrence and in the aggregate on a per location basis.

Environmental Liability: Belmont insures a deductible of $975,000 per occurrence in excess of $25,000 on a $25.0 million per occurrence/$30.0 million aggregate environmental liability policy covering the entire portfolio.

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

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 certified terrorism, subject to the current program trigger of $100.0 million. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2011 revolving credit facility and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments allowing the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders prevail in asserting that we are required to maintain full coverage for these risks, it could result in substantially higher insurance premiums.

We have 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 have a 50.6% interest in the property at 388 and 390 Greenwich Street, where we participate with SITQ, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. Other joint ventures may be covered under policies separate from our policies, at coverage limits which we deem to be adequate. We continually monitor these policies. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

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

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. For example, we own interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Leasing office space to smaller and growth-oriented businesses 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 as they develop. Leasing office space to these

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companies could create a higher risk of tenant defaults, turnover and bankruptcies, which could adversely affect our distributable cash flow and results of operations.

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

Scheduled debt payments could adversely affect our results of operations.

Cash flow could be insufficient to pay dividends and meet the payments of principal and interest required under our current mortgages and other indebtedness, including our 2011 revolving credit facility, senior unsecured notes, debentures and indebtedness outstanding at our joint venture properties. The total principal amount of our outstanding consolidated indebtedness was approximately $6.0 billion as of December 31, 2011, consisting of approximately $350.0 million under our 2011 revolving credit facility, $1.3 billion under our senior unsecured notes, $100.0 million under our junior subordinated deferrable interest debentures and approximately $4.3 billion of non-recourse mortgages and loans payable on 22 of our investments and a recourse loan on one of our investments. In addition, we could increase the amount of our outstanding indebtedness in the future, in part by borrowing under our 2011 revolving credit facility, which had $1.1 billion undrawn capacity as of December 31, 2011. Our 2011 revolving credit facility matures in November 2015 and has a one-year as-of-right extension option. As of December 31, 2011, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was approximately $4.1 billion, of which our proportionate share was approximately $1.8 billion.

If we are unable to make payments under our 2011 revolving credit facility, all amounts due and owing at such time shall accrue interest at a rate equal to 2% higher than the rate at which each draw was made. If we are unable to make payments under our senior unsecured notes, the principal and unpaid interest will become immediately payable. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make payments under our 2011 revolving credit facility or our senior unsecured notes would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which may require substantial principal payments at maturity. In 2012, approximately $119.4 million of corporate indebtedness, no debt on our consolidated properties and $176.5 million of debt on our unconsolidated joint venture properties will mature. At the present time we intend to exercise extension options, repay or refinance the debt associated with our properties on or prior to their respective maturity dates. At the time of refinancing, prevailing interest rates or other factors, such as the possible reluctance of lenders to make commercial real estate loans may result in higher interest rates. Increased interest expense on the refinanced debt would adversely affect cash flow and our ability to service debt and pay dividends to stockholders. If any principal payments due at maturity cannot be repaid, refinanced or extended, our cash flow will not be sufficient in all years to repay all maturing debt.

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

The mortgages and mezzanine loans on our properties generally contain customary negative covenants that limit our ability to further mortgage the properties, to enter into new leases without lender consent or materially modify existing leases, and to discontinue insurance coverage, among other things. In addition, our 2011 revolving credit facility and senior unsecured notes contain restrictions and requirements on our method of operations. Our 2011 revolving credit facility and our unsecured notes also require us to maintain designated ratios, including but not limited to, total debt-to-assets, debt service coverage and unencumbered assets-to-unsecured debt. These restrictions could adversely affect our results of operations, our ability to pay debt obligations and our ability to pay dividends to stockholders.

Rising interest rates could adversely affect our cash flow.

Advances under our 2011 revolving credit facility and certain property-level mortgage debt bear interest at a variable rate. These consolidated variable rate borrowings totaled approximately $1.3 billion at December 31, 2011. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing under our 2011 revolving credit facility, which had $1.1 billion available for draw as of December 31, 2011. Borrowings under our 2011 revolving credit facility currently bear interest at the 30-day LIBOR, plus a spread which was 150 basis points at December 31, 2011. As of December 31, 2011, borrowings under our 2011 revolving credit facility and junior subordinated deferrable interest debentures totaled $350.0 million and $100.0 million, respectively, and bore interest at 1.98% 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 results of operations and financial conditions. At December 31, 2011, a hypothetical 100 basis point increase in interest rates across each of our variable interest rate instruments would increase our annual interest costs by approximately $12.3 million and would increase our share of joint venture annual interest costs by approximately $4.8 million. Accordingly, increases in interest rates could adversely affect our ability to continue to pay dividends to stockholders.

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

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

No limitation on debt could adversely affect our cash flow.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2011, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of approximately $1.8 billion, was approximately 55.7%. Our market capitalization is variable and does not necessarily reflect the fair market value of our assets at all times. We also consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service. Any changes that increase our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease.

Debt and Preferred Equity Investments could cause us to incur expenses, which could adversely affect our results of operations.

We owned first mortgages, mezzanine loans, junior participations and preferred equity interests in 23 investments with an aggregate net book value of approximately $985.9 million at December 31, 2011. 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 take possession of the collateral securing these interests. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce their obligations to us. 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 even if we make substantial improvements or repairs to the underlying real estate in order to maximize such property's investment potential.

We maintain and regularly evaluate financial reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses and the value of the underlying collateral. We cannot be certain that our judgment will prove to be correct and that our reserves will be adequate over time to protect against future losses because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. We recorded approximately $10.9 million in loan loss reserves and charge offs in 2011 on debt and preferred equity investments being held to maturity and $4.4 million in recoveries of loans previously reserved. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse effect on our financial performance, the market prices of our securities and our ability to pay dividends to stockholders.

Special servicing activities could result in liability to us.

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

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

We co-invest with third parties through partnerships, joint ventures, co-tenancies or other structures, 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 such property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals, which are 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, 2011, our unconsolidated joint ventures owned 22 properties and we had an aggregate cost basis in these joint ventures totaling approximately $893.9 million. As of December 31, 2011, our share of unconsolidated joint venture debt, which is non-recourse to us, totaled approximately $1.8 billion.

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

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

We may incur costs to comply with environmental laws.

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. Being held responsible for such a clean-up could result in significant cost to us and have a material adverse effect on our financial condition and results of operations.

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

Our properties may be subject to risks relating to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future, which could result in fines being levied against us in the future. The occurrence of any of these events could have an adverse impact on our cash flows and ability to pay dividends to stockholders.

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

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

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

A change of control of our company could benefit stockholders by providing them with a premium over the then-prevailing market price of our stock. However, provisions contained in our articles of incorporation and bylaws may delay or prevent a change in control of our company. These provisions, discussed more fully below, are:

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

Our board of directors is staggered into three separate classes.

Our board of directors is divided into three classes. The terms of the class I, class II and class III directors expire in 2013, 2014 and 2012, respectively. Our staggered board may deter a change in control because of the increased time period necessary for a third party to acquire control of the board.

We have a stock ownership limit.

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals at any time during the last half of any taxable year. For this purpose, stock may be "owned" directly, as well as indirectly under certain constructive ownership rules, including, for example, rules that attribute stock held by one 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.

Our 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.

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

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

Debt may not be assumable.

We have approximately $1.7 billion in unsecured corporate debt as of December 31, 2011. Certain of this debt in not assumable by a potential purchaser and may be subject to significant prepayment penalties.

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

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

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

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

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

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

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. In addition to the current economic environment and continued volatility in the securities and credit markets, the following market conditions may affect the value of our common stock:

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

The trading price of our common stock has been and may continue to be subject to wide fluctuations.

Between January 1, 2011 and December 31, 2011, the closing sale price of our common stock on the New York Stock Exchange, or the NYSE, ranged from $55.14 to $90.01 per share. Our stock price may fluctuate in response to a number of events and factors, such as those described elsewhere in this "Risk Factors" section. Additionally, the amount of our leverage may hinder the demand for our common stock, which could have a material adverse effect on the market price of our common stock.

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

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

We acquired the property located at 609 Fifth Avenue, New York, New York in June 2006 and have agreed not to take certain action before January 2014 that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition.

In connection with future acquisitions of interests in properties, we may agree to restrictions on our ability to sell or refinance the acquired properties. These limitations could have adverse consequences on our business and result in a material adverse effect on our financial condition and results of operations.

We face potential conflicts of interest.

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

There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and his family in our initial public offering. Mr. Green serves as the chairman of our board of directors and is an executive officer. As part of our formation, Mr. Green contributed appreciated property, with a net book value of $73.5 million, to our 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, 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.

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

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. Our company and our tenants accounted for approximately 25.5% of Alliance's 2011 estimated total revenue. The contracts pursuant to which these services are provided are not the result of arm's length negotiations and, therefore, there can be no assurance that the terms and conditions are not less favorable than those which could be obtained from third parties providing comparable services. In addition, to the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with Gary Green.

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

Stephen Green, Marc Holliday, Andrew Mathias, Andrew Levine and James Mead 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 also 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 the REIT compliance 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 are not 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 in which 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 to pay dividends to stockholders. This would likely have a significant adverse effect on the value of our securities. In addition, the REIT tax laws would no longer require us to make any distributions to stockholders.

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

Recent Internal Revenue Service revenue procedures allowed us to satisfy the REIT income distribution requirements with respect to our 2008 through 2011 taxable years by distributing up to 90% of any of our dividend distributions for any such year in shares of our common stock in lieu of paying the dividend entirely in cash, so long as we followed a process allowing our stockholders to elect cash or stock subject to a cap that we would impose on the maximum amount of cash that would be paid. We did not utilize this procedure for 2008, 2009, 2010 or 2011 and the Internal Revenue Service has not renewed the procedure for later years. However, the procedure is grounded in provisions of the Internal Revenue Code and Treasury Regulations and we reserve the right to pay a portion of our dividends with shares of our common stock in the future. In the event that we pay a portion of a dividend with shares of our common stock, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid with shares of common stock, in which case such stockholders might have to pay the tax using cash from other sources. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales could put downward pressure on the market price of our common stock. Our board of directors will continue to evaluate our dividend policy on a quarterly basis as it monitors the capital markets and the impact of the economy on our operations. The decision to authorize and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors in light of conditions then existing, including the Company's earnings, financial condition, capital requirements, debt maturities, the availability of capital, applicable REIT and legal restrictions and general overall economic conditions and other factors.

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

Under certain previously enacted tax legislation, the maximum tax rate on dividends to individuals has generally been reduced to 15% (from January 1, 2003 through December 31, 2012). The reduction in rates on dividends is generally not applicable to dividends paid by a REIT except in limited circumstances that we do not contemplate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the favorable treatment of regular corporate dividends could cause investors who are individuals to consider stock of non-REIT corporations that pay dividends as relatively more attractive than stocks of REITs. It is not possible to determine whether such a change in perceived relative value has occurred or what the effect, if any, this legislation has had or will have in the future on the market price of our stock.

We are dependent on external sources of capital.

Because of distribution requirements imposed on us to qualify as a REIT, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access 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, or REITs in general, from accessing these markets. Moreover, additional equity offerings may result in substantial dilution of our stockholders' interests, and additional debt financing may substantially increase our leverage.

We face significant competition for tenants.

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

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

Loss of our key personnel could harm our operations.

We are dependent on the efforts of Marc Holliday, our chief executive officer, and Andrew Mathias, our president. These officers have employment agreements which expire in January 2013 and December 2013, respectively. A loss of the services of either of these individuals could adversely affect our operations.

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

Despite system redundancy, the implementation of security measures and the existence of a Disaster Recovery Plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including energy blackouts, natural disasters, terrorism, war, telecommunication failures and cyber security attacks, such as computer viruses or unauthorized access. 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. Any compromise of our security could also result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, loss or misuse of the information and a loss of confidence in our security measures, which could harm our business.

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

Changing or new laws, regulations and standards relating to corporate governance and public disclosure, including SEC regulations and NYSE rules, can create uncertainty for public companies. These changed or new laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

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 have required the commitment of significant financial and managerial resources. In addition, it has become more difficult and 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.

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, 2011, we did not have any unresolved comments with the staff of the SEC.

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ITEM 2. PROPERTIES

Our Portfolio

General

As of December 31, 2011, we owned or held interests in 26 consolidated and 7 unconsolidated commercial office properties encompassing approximately 18.4 million rentable square feet and approximately 6.2 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, 2011, our portfolio also included ownership interests in 25 consolidated and 6 unconsolidated commercial office properties located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey encompassing approximately 3.9 million rentable square feet and approximately 2.9 million rentable square feet, respectively. We refer to these properties as our Suburban assets.

We also owned investments in nine stand-alone retail properties encompassing approximately 349,282 square feet, seven development properties encompassing approximately 1,395,838 square feet and three land interests as of December 31, 2011. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 million rentable square feet.

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, 2011:

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Cash Rent ($'s)(1)	Percentage of Portfolio Annualized Cash Rent (%)(2)	Number of Tenants	Annualized Cash Rent per Leased Square Foot ($)(3)	Annualized Net Effective Cash Rent per Leased Square Foot ($)(4)
CONSOLIDATED PROPERTIES										
"Same Store"										
100 Church Street	1959/2010	Downtown	1,047,500	3	70.9	27,249,372	2	13	37.33	37.06
120 West 45th Street	1998	Midtown	440,000	1	84.3	22,021,056	2	25	58.43	59.71
220 East 42nd Street	1929	Grand Central	1,135,000	4	95.2	47,646,300	4	31	43.46	34.79
317 Madison Avenue	1920/2004	Grand Central	450,000	1	85.6	21,413,532	2	81	50.39	42.09
333 West 34th Street	1954/2000	Penn Station	345,400	1	90.2	12,904,176	1	3	40.70	38.62
420 Lexington Ave (Graybar)(5)	1927/1999	Grand Central North	1,188,000	4	90.3	59,331,852	5	218	49.35	40.80
461 Fifth Avenue(5)(6)	1988	Midtown	200,000	1	98.8	15,236,376	1	16	76.96	68.64
485 Lexington Avenue	1956/2006	Grand Central North	921,000	3	90.8	47,281,632	4	21	56.57	44.76
555 West 57th Street(6)	1971	Midtown West	941,000	3	99.2	32,135,868	3	11	32.59	32.06
609 Fifth Avenue	1925/1990	Rockefeller Center	160,000	1	84.7	13,232,748	1	9	97.52	88.68
625 Madison Avenue(5)	1956/2002	Plaza District	563,000	2	94.6	42,182,353	4	24	77.69	69.55
673 First Avenue(5)(6)	1928/1990	Grand Central South	422,000	1	99.7	18,591,432	2	9	41.51	39.14
711 Third Avenue(5)(6)(7)	1955	Grand Central North	524,000	2	94.8	27,602,868	2	18	51.15	43.53
750 Third Avenue	1958/2006	Grand Central North	780,000	2	97.1	39,846,708	3	31	52.00	44.87
810 Seventh Avenue	1970	Times Square	692,000	2	86.4	40,238,592	4	40	59.70	47.21
919 Third Avenue	1970	Grand Central North	1,454,000	5	99.9	87,346,332	4	14	60.13	50.54
1185 Avenue of the Americas(5)	1969	Rockefeller Center	1,062,000	3	99.9	75,492,684	7	19	70.03	62.77
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	90.0	32,582,868	3	40	61.84	53.62
1 Madison Avenue	1960/2002	Park Avenue South	1,176,900	4	99.8	67,536,096	6	2	57.10	56.66
331 Madison Avenue	1923	Grand Central	114,900	0	96.9	4,947,864	0	17	44.76	40.90
Subtotal / Weighted Average			**14,178,700**	**45**	**92.9**	**734,820,709**	**60**	**642**		
"Non Same Store"										
51 East 42nd Street	1913	Grand Central	142,000	0	95.5	6,978,300	1	90	51.75	52.29
110 East 42nd Street	1921	Grand Central	205,000	1	69.9	6,682,056	1	19	46.58	37.44
125 Park Avenue	1923/2006	Grand Central	604,245	2	70.0	24,657,036	2	17	58.89	65.07
180 Maiden Lane	1984	Financial East	1,090,000	3	97.7	52,810,680	2	5	50.31	40.65
521 Fifth Avenue	1929/2000	Grand Central	460,000	1	90.9	23,224,260	2	47	53.56	51.61
1515 Broadway	1972	Times Square	1,750,000	6	100.0	107,373,252	9	13	62.43	53.46
Subtotal / Weighted Average			**4,251,245**	**14**	**92.5**	**221,725,584**	**17**	**191**		
Total / Weighted Average Manhattan Consolidated Properties(8)			**18,429,945**	**59**	**92.8**	**956,546,293**	**77**	**833**		
UNCONSOLIDATED PROPERTIES										
"Same Store"										
100 Park Avenue 50%	1950/1980	Grand Central South	834,000	3	95.0	51,129,624	2	35	60.76	52.41
800 Third Avenue 42.95%	1972/2006	Grand Central North	526,000	2	84.3	25,080,396	1	36	53.86	49.87
388 & 390 Greenwich Street 50.6%(12)	1986/1990	Downtown	2,635,000	8	100.0	104,501,052	5	1	39.66	39.66
1745 Broadway 32.3%	2003	Midtown	674,000	2	100.0	34,761,204	1	1	53.93	53.93

Subtotal / Weighted Average				**4,669,000**	**15**	**97.3**	**215,472,276**	**9**	**73**		
"Non Same Store"											
280 Park Avenue	49.5%	1961	Park Avenue	1,219,158	4	74.5	71,915,628	3	33	83.87	68.26
600 Lexington Avenue	55%	1983/2009	Eastside	303,515	1	72.6	14,216,808	1	23	69.58	62.36
Subtotal / Weighted Average				**1,522,673**	**5**	**74.1**	**86,132,436**	**4**	**56**		
Total / Weighted Average Unconsolidated Properties(9)				**6,191,673**	**20**	**91.6**	**301,604,712**	**13**	**129**		
Manhattan Grand Total / Weighted Average				**24,621,618**	**78**	**92.5**	**1,258,151,005**		**962**		
Manhattan Grand Total SLG share of Annualized Rent							**1,031,117,133**	**90**			
Manhattan Same Store Occupancy % Combined				**18,847,700**	**77**	**94.0**					

Suburban Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Cash Rent ($'s)[1]	Percentage of Portfolio Annualized Cash Rent (%)[2]	Number of Tenants	Annualized Cash Rent per Leased Square Foot ($)[3]	Annualized Net Effective Cash Rent per Leased Square Foot ($)[4]
CONSOLIDATED PROPERTIES										
"Same Store" Westchester, NY										
1100 King Street	1983-1986	Rye Brook, Westchester	540,000	2	75.4	10,868,568	1	26	28.42	23.05
520 White Plains Road	1979	Tarrytown, Westchester	180,000	1	73.6	3,654,936	0	9	28.34	22.45
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	1	85.5	3,186,120	0	13	23.37	14.67
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	1	61.2	2,808,780	0	8	18.37	20.18
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	1	87.5	6,348,204	1	7	30.18	27.88
500 Summit Lake Drive	1986	Valhalla, Westchester	228,000	1	78.1	4,105,068	1	7	24.92	21.83
140 Grand Street	1991	White Plains, Westchester	130,100	0	93.6	4,004,304	0	10	36.47	28.41
360 Hamilton Avenue	2000	White Plains, Westchester	384,000	1	94.3	13,043,124	1	16	35.57	29.98
Westchester, NY Subtotal/Weighted Average			**2,135,100**	**8**	**80.6**	**$ 48,019,104**	**5**	**96**		
"Same Store" Connecticut										
Landmark Square	1973-1984	Stamford, Connecticut	826,000	3	82.6	18,359,388	2	99	31.14	27.72
680 Washington Boulevard	1989	Stamford, Connecticut	133,000	0	88.5	4,001,172	0	7	40.83	36.28
750 Washington Boulevard	1989	Stamford, Connecticut	192,000	1	93.6	7,127,976	0	9	40.46	33.98
1055 Washington Boulevard[5]	1987	Stamford, Connecticut	182,000	1	84.5	5,800,368	1	21	35.66	33.56
300 Main Street	2002	Stamford, Connecticut	130,000	0	88.8	1,773,252	0	18	15.83	13.65
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400	0	53.3	2,214,900	0	15	30.95	24.94
500 West Putnam Avenue	1973	Greenwich, Connecticut	121,500	0	51.3	2,678,124	0	9	43.00	43.52
Connecticut Subtotal/Weighted Average			**1,727,900**	**4**	**80.3**	**41,955,180**	**3**	**178**		
Total / Weighted Average Consolidated Properties[10]			**3,863,000**	**12**	**80.5**	**89,974,284**	**8**	**274**		
UNCONSOLIDATED PROPERTIES										
"Same Store"										
One Court Square 30%	1987	Long Island City, New York	1,402,000	4	100.0	39,819,192	1	1	28.41	28.41
The Meadows 50%	1981	Rutherford, New Jersey	582,100	2	79.0	11,685,804	1	49	26.66	25.34
16 Court Street 35%	1928	Brooklyn, NY	317,600	1	90.3	10,340,508	0	66	40.23	34.77
Jericho Plaza 20.26%	1980	Jericho, New York	640,000	2	95.2	21,554,064	0	33	37.12	30.58
Total / Weighted Average Unconsolidated Properties[11]			**2,941,700**	**9**	**93.8**	**83,399,568**	**2**	**149**		
Suburban Grand Total / Weighted Average			**6,804,700**	**22**	**86.2**	**173,373,852**		**423**		
Suburban Grand Total SLG share of Annualized Rent						**110,295,692**	**10**			
Suburban Same Store Occupancy % Combined Portfolio Grand Total			**6,804,700**	**100**	**86.2**					

		31,426,318	**100**	**1,431,524,857**		
Portfolio Grand Total	**SLG Share of Annualized Rent**			**1,141,412,826**	**100**	

	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percentage of Portfolio Rentable Square Feet (%)	Percent Leased (%)	Annualized Cash Rent ($'s)(1)	Percentage of Portfolio Annualized Cash Rent (%)(2)	Number of Tenants	Annualized Cash Rent per Leased Square Foot ($)(3)	Annualized Net Effective Cash Rent per Leased Square Foot ($)(4)
RETAIL										
141 Fifth Avenue 50%	1879	Flatiron	13,000	4	100.0	2,605,440	5	2	249.73	237.88
747 Madison Avenue 33.33%	1962	Plaza District	10,000	3	100.0	5,004,000	7	1	501.05	501.05
1604 Broadway 63%	1912/2001	Times Square	29,876	9	23.7	2,001,902	5	2	283.28	188.14
11 West 34th Street 30%	1920/2010	Herald Square/Penn Station	17,150	5	100.0	1,802,500	2	1	161.66	197.63
21-25 West 34th Street 50%	2009	Herald Square/Penn Station	30,100	9	100.0	6,845,232	14	1	340.54	317.57
27-29 West 34th Street 50%	2009	Herald Square/Penn Station	15,600	4	100.0	4,242,720	9	2	271.74	282.88
379 West Broadway 45%	1853/1987	Cast Iron/Soho	62,006	18	100.0	3,512,880	6	5	58.03	54.41
717 Fifth Avenue 32.75%	1958/2000	Midtown/Plaza District	119,550	34	89.4	33,579,792	45	7	302.78	152.01
Williamsburg Terrace(6)	2010	Brooklyn, NY	52,000	15	100.0	1,575,069	6	3	30.27	34.91
Total / Weighted Average Retail Properties			**349,282**	**100**	**89.9**	**61,169,535**	**100**	**24**		
DEVELOPMENT										
3 Columbus Circle 48.9%	1927/2010	Columbus Circle	741,500	53	16.8	12,399,200	69	26	101.61	113.76
125 Chubb Way	2008	Lyndhurst, NJ	278,000	20	32.1	1,918,123	22	2	21.50	21.00
150 Grand Street	1962/2001	White Plains, NY	85,000	6	26.0	527,160	6	14	21.03	17.05
1552-1560 Broadway 50%	1926	Times Square	35,897	3	59.7			2		
7 Renaissance Square 50%	2008	White Plains, NY	65,641	5						
180-182 Broadway 25.5%	1902/2011	Cast Iron/Soho	153,000	11						
7 Landmark Square	2000	Stamford, Connecticut	36,800	3	10.8	287,664	3	1	72.28	72.28
Total / Weighted Average Development Properties			**1,395,838**	**100**	**18.7**	**15,132,147**	**100**	**45**		
LAND										
2 Herald Square		Herald Square/Penn Station	354,400	30	100.0	9,000,000	39		25.40	25.40
885 Third Avenue		Midtown/Plaza District	607,000	52	100.0	11,095,000	48		18.28	18.28
292 Madison Avenue		Grand Central South	203,800	17	100.0	3,150,000	14		15.46	15.46
Total / Weighted Average Land			**1,165,200**	**100**	**100.0**	**23,245,000**	**100**			
Portfolio Grand Total			**31,426,318**	**100**	**91.2**	**1,431,524,857**		**1,385**		
Portfolio Grand Total SLG Share of Annualized Rent						**1,141,412,826**	**100**			

(1) Annualized Cash Rent represents the monthly contractual rent under existing leases as of December 31, 2011 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, 2011 for the 12 months ending December 31, 2012 are reductions of approximately $8.7 million for our consolidated

properties and approximately $14.4 million for our unconsolidated properties.

(2) Includes our share of unconsolidated joint venture annualized cash 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 Cash 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, minus, in the case of both (a) and (b), 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 Cash Rent per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Cash Rent per Leased Square Foot.

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

(6) Includes a parking garage.

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

(8) Includes approximately 16.9 million square feet of rentable office space, 1.2 million square feet of rentable retail space and 0.4 million square feet of garage space.

(9) Includes approximately 6.1 million square feet of rentable office space, 0.1 million square feet of rentable retail space and no garage space.

(10) Includes approximately 3.6 million square feet of rentable office space and 0.2 million square feet of rentable retail space.

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

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

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Historical Occupancy

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

	Percent of Manhattan Portfolio Leased(1)	Occupancy Rate of Class A Office Properties in the midtown Markets(2)(3)	Occupancy Rate of Class B Office Properties in the midtown Markets(2)(3)
December 31, 2011	92.5%	89.7%	91.3%
December 31, 2010	92.9%	88.6%	90.9%
December 31, 2009	95.0%	86.8%	90.3%
December 31, 2008	96.7%	90.8%	92.1%
December 31, 2007	96.6%	94.1%	93.5%

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

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

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

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

	Percent of Westchester Portfolio Leased(1)	Occupancy Rate of Class A Office Properties in the Westchester Market(2)	Percent of Connecticut Portfolio Leased(1)	Occupancy Rate of Class A Office Properties in the Stamford CBD Market(2)
December 31, 2011	80.6%	80.1%	80.3%	73.8%
December 31, 2010	80.0%	80.3%	84.3%	77.6%
December 31, 2009	86.5%	80.3%	82.7%	77.5%
December 31, 2008	88.9%	81.7%	84.9%	84.5%
December 31, 2007	90.2%	83.4%	88.5%	86.6%

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

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

Lease Expirations

Leases in our Manhattan portfolio, as at many other Manhattan office properties, typically have an initial term of seven to fifteen years, compared to typical lease terms of five to ten years in other large U.S. office markets. For the five years ending December 31, 2016, the average annual rollover at our Manhattan consolidated and unconsolidated office properties is expected to be approximately 1.2 million square feet and 0.4 million square feet, respectively, representing an average annual expiration rate of 8.0% and 3.7%, 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 Manhattan consolidated and unconsolidated office properties, respectively, with respect to leases in place as of December 31, 2011 for each of

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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 Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases(1)	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(2)
2012(3)	141	725,151	4.13%	$ 39,192,552	$ 54.05
2013	139	1,317,740	7.52	72,295,932	54.86
2014	116	1,754,020	10.01	96,140,449	54.81
2015	109	2,035,591	11.62	116,424,113	57.19
2016	82	1,173,761	6.70	65,446,008	55.76
2017	69	1,714,108	9.78	92,750,703	54.11
2018	35	598,396	3.41	45,272,673	75.66
2019	21	650,053	3.71	37,226,640	57.27
2020	41	2,305,420	13.16	130,997,232	56.82
2021 & thereafter	106	5,250,558	29.96	260,799,991	49.67
Total/weighted average	859	17,524,798	100.00%	$ 956,546,293	$ 54.58

(1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2011 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, 2011 for the 12 months ending December 31, 2012, are reductions of approximately $6.1 million for the properties.

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

(3) Includes 99,177 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2011.

Manhattan Unconsolidated Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases(1)	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(2)
2012(3)	20	396,873	7.03%	$ 28,229,555	$ 71.13
2013	6	56,611	1.00	3,509,544	61.99
2014	15	288,372	5.11	20,647,080	71.60
2015	16	163,115	2.89	8,746,488	53.62
2016	13	149,576	2.65	9,069,720	60.64
2017	12	184,154	3.26	13,932,660	75.66
2018	20	873,771	15.47	56,815,416	65.02
2019	8	229,599	4.06	17,057,400	74.29
2020	6	166,996	2.96	8,630,172	51.68
2021 & thereafter	17	504,569	8.93	30,465,625	60.38
Sub-Total/weighted average	133	3,013,636	53.36	197,103,660	$ 65.40

	2(4)	2,634,670	46.64	104,501,052
Total	135	5,648,306	100.00%	$ 301,604,712

(1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2011 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, 2011 for the 12 months ending December 31, 2012 are reductions of approximately $11.6 million for the joint venture properties.

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

(3) Includes 24,280 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2011.

(4) Represents Citigroup's 13-year net lease at 388-390 Greenwich Street. The current net rent is $39.66 per square foot with annual CPI escalation.

Leases in our Suburban portfolio, as at many other suburban office properties, typically have an initial term of five to ten years. For the five years ending December 31, 2016, the average annual rollover at our Suburban consolidated and unconsolidated office properties is expected to be approximately 0.4 million square feet and 0.2 million square feet, respectively, representing an average annual expiration rate of 13.0% and 7.0% 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 office properties, respectively, with respect to leases in place as of December 31, 2011 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 Office Properties Year of Lease Expiration	**Number of Expiring Leases**	**Square Footage of Expiring Leases**	**Percentage of Total Leased Square Feet (%)**	**Annualized Cash Rent of Expiring Leases[(1)]**	**Annualized Cash Rent Per Leased Square Foot of Expiring Leases[(2)]**
2012[(3)]	62	338,114	11.56%	$ 9,071,472	$ 26.83
2013	36	315,186	10.78	10,553,724	33.48
2014	34	282,851	9.67	9,166,980	32.41
2015	33	286,416	9.79	9,461,916	33.04
2016	47	678,059	23.19	20,865,204	30.77
2017	13	90,270	3.09	2,809,716	31.13
2018	16	161,910	5.54	5,427,744	33.52
2019	11	251,410	8.60	7,579,200	30.15
2020	11	234,319	8.01	6,433,008	27.45
2021 & thereafter	19	285,816	9.77	8,605,320	30.11
Total/weighted average	282	2,924,351	100.00%	$ 89,974,284	$ 30.77

(1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2011 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, 2011 for the 12 months ending December 31, 2012, are reductions of approximately $2.6 million for the properties.

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

(3) Includes 118,194 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2011.

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Suburban Unconsolidated Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases[(1)]	Annualized Cash Rent Per Leased Square Foot of Expiring Leases[(2)]
2012[(3)]	32	286,816	10.71%	$ 10,312,397	$ 35.95
2013	23	89,924	3.36	2,971,432	33.04
2014	30	302,318	11.29	10,759,512	35.59
2015	20	140,862	5.26	4,397,064	31.22
2016	10	112,493	4.20	3,512,909	31.23
2017	7	63,196	2.36	2,423,364	38.35
2018	4	61,523	2.30	2,272,032	36.93
2019	6	37,252	1.39	1,391,112	37.34
2020	8	1,436,236	53.64	40,804,884	28.41
2021 & thereafter	9	146,968	5.49	4,554,862	30.99
Total/weighted average	149	2,677,588	100.00%	$ 83,399,568	$ 31.15

(1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2011 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, 2011 for the 12 months ending December 31, 2012, are reductions of approximately $2.8 million for the joint venture properties.

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

(3) Includes 26,540 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2011.

Tenant Diversification

At December 31, 2011, our portfolio was leased to approximately 1,385 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

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largest tenants in our portfolio, based on the amount of square footage leased by our tenants as of December 31, 2011:

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 Cash Rent (%)
Citigroup, N.A.	388 & 390 Greenwich Street, 485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue, 750 Washington Blvd & Court Square	108	4,425,032	14.1%	7.2%
Viacom International, Inc.	1515 Broadway	41	1,271,881	4.0	6.9
Credit Suisse Securities (USA), Inc.	1 Madison Avenue & 280 Park Avenue	108	1,250,893	4.0	6.4
AIG Employee Services, Inc.	180 Maiden Lane	28	803,222	2.6	1.8
Random House, Inc.	1745 Broadway	78	644,598	2.1	1.0
Debevoise & Plimpton, LLP	919 Third Avenue	120	619,353	2.0	1.8
Omnicom Group, Inc.	220 East 42nd Street & 420 Lexington Avenue	64	494,476	1.6	1.8
The City of New York	16 Court Street & 100 Church Street	22	345,903	1.1	1.2
Advance Magazine Group, Fairchild Publications	750 Third Avenue & 485 Lexington Avenue	110	339,195	1.1	1.3
Ralph Lauren Corporation	625 Madison Avenue & 379 West Broadway	96	295,965	0.9	1.6
C.B.S. Broadcasting, Inc.	555 West 57th Street	144	282,385	0.9	0.9
Schulte, Roth & Zabel LLP	919 Third Avenue	114	263,186	0.8	0.7
The Metropolitan Transportation Authority	333 West 34th Street & 420 Lexington Avenue	109	242,663	0.8	0.8
New York Presbyterian Hospital	673 First Avenue	116	232,772	0.7	0.8
BMW of Manhattan	555 West 57th Street	127	227,782	0.7	0.5
Stroock, Stroock & Lavan LLP	180 Maiden Lane	137	223,434	0.7	0.4
The Travelers Indemnity Company	485 Lexington Avenue & 2 Jericho Plaza	56	213,456	0.7	0.8
The City University of New York-CUNY	555 West 57th Street & 16 Court Street	228	207,136	0.7	0.6
Verizon	120 West 45th Street, 1100 King Street Bldg 1, 1 Landmark Square, 2 Landmark Square & 500 Summit Lake Drive	96	204,076	0.6	1.1
Amerada Hess Corp.	1185 Avenue of the Americas	192	181,569	0.6	1.0
HF Management Services LLC	100 Church Street	243	172,577	0.5	0.4
Fuji Color Processing Inc.	200 Summit Lake Drive	15	165,880	0.5	0.5
King & Spalding	1185 Avenue of the Americas	166	162,243	0.5	0.9
United Nations	220 East 42nd Street	123	162,146	0.5	0.6
News America Incorporated	1185 Avenue of the Americas	107	161,722	0.5	1.2
National Football League	280 Park Avenue	2	159,368	0.5	0.5
National Hockey League	1185 Avenue of the Americas	131	148,217	0.5	1.0
New York Hospitals Center/Mount Sinai	625 Madison Avenue & 673 First Avenue	178	146,917	0.5	0.6
D.E. Shaw and Company L.P.	120 West 45th Street	111	145,964	0.5	0.8
Banque National De Paris	919 Third Avenue	55	145,834	0.5	0.4
Total Weighted Average[(3)]			14,339,845	45.7%	45.5%

(1) This list is not intended to be representative of our tenants as a whole.

(2) Lease term from December 31, 2011 until the date of the last expiring lease for tenants with multiple leases.

(3) Weighted average calculation based on total rentable square footage leased by each tenant.

Environmental Matters

We engaged independent environmental consulting firms to perform Phase I environmental site assessments on our portfolio, in order to assess existing environmental conditions. All of the Phase I assessments met the ASTM Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, an

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historical record review, a review of regulatory agency data bases and records, and interviews with on-site personnel, with the purpose of identifying potential environmental concerns associated with real estate. These environmental site assessments did not reveal any known environmental liability that we believe will have a material adverse effect on our results of operations or financial condition.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2011, we were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

ITEM 4. MINING SAFETY DISCLOSURES

Not Applicable.

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PART II

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

Our common trades on the New York Stock Exchange, or the NYSE, under the symbol "SLG." On February 15, 2012, the reported closing sale price per share of common stock on the NYSE was $75.52 and there were approximately 444 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions declared by us with respect to the periods indicated.

	2011			2010		
Quarter Ended	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
March 31	$ 75.73	$ 67.05	$ 0.10	$ 57.60	$ 44.18	$ 0.10
June 30	$ 90.01	$ 74.72	$ 0.10	$ 67.69	$ 55.04	$ 0.10
September 30	$ 87.54	$ 58.15	$ 0.10	$ 66.61	$ 50.41	$ 0.10
December 31	$ 71.33	$ 55.14	$ 0.25	$ 70.27	$ 61.50	$ 0.10

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

UNITS

At December 31, 2011, there were 910,546 units of limited partnership interest of the operating partnership outstanding and held by persons other than the Company, which received distributions per unit in the same manner as dividends per share were distributed to common stockholders.

ISSUER PURCHASES OF EQUITY SECURITIES

None.

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

During the years ended December 31, 2011, 2010 and 2009, we issued 12,423, 278,865 and 378,344 shares of common stock, respectively, to holders of units of limited partnership in the operating partnership upon the redemption of such units pursuant to the partnership agreement of the operating partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(2) thereof for transactions not involving a public offering. The units were converted into an equal number of shares of common stock.

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The following table summarizes information, as of December 31, 2011, relating to our equity compensation plans pursuant to which shares of our common stock or other equity securities may be granted from time to time.

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
	(a)	**(b)**	**(c)**
Equity compensation plans approved by security holders[1]	1,277,200	$ 63.37	2,333,000[2]
Equity compensation plans not approved by security holders			
Total	1,277,200	$ 63.37	2,333,000

(1) Includes information related to our 2005 Amended and Restated Stock Option and Incentive Plan and Amended 1997 Stock Option and Incentive Plan, as amended.

(2) Balance is after reserving for shares to be issued under our 2005 Long-Term Outperformance Compensation Program and our 2010 Notional Units Long-Term Compensation Plan and our Deferred Stock Compensation Plan for Directors.

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ITEM 6. SELECTED FINANCIAL DATA

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

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

We are also providing updated summary selected financial information, which is included below, reflecting the prior period reclassification as discontinued operations of the property sold during 2011 and those designated as held for sale as of December 31, 2011.

	Year Ended December 31,				
Operating Data	**2011**	**2010**	**2009**	**2008**	**2007**
(In thousands, except per share data)					
Total revenue	$ 1,263,428	$ 1,084,386	$ 978,361	$ 1,047,819	$ 946,016
Operating expenses	263,709	224,693	209,272	219,427	199,892
Real estate taxes	174,454	145,830	136,636	121,857	116,729
Ground rent	32,919	31,191	31,826	31,494	32,389
Interest expense, net of interest income	285,917	230,648	232,655	289,061	256,941
Amortization of deferred finance costs	14,118	9,046	7,065	6,139	15,893
Depreciation and amortization	277,345	225,193	220,396	210,813	169,066
Loan loss and other investment reserves, net of recoveries	6,722	17,751	150,510	115,882	
Transaction related costs	5,561	11,849			
Marketing, general and administration	80,103	75,946	73,992	104,583	93,045
Total expenses	1,140,848	972,147	1,062,352	1,099,256	883,955
Equity in net income from unconsolidated joint ventures	1,583	39,607	62,878	59,961	46,765
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	2,918	128,921	6,691	103,056	31,509
Purchase price fair value adjustment	498,195				
Gain (loss) on investment in marketable securities	4,866	490	(396)	(147,489)	
Depreciable real estate reserves	(5,789)	(2,750)			
Gain(loss) on early extinguishment of debt	904	(1,900)	86,006	77,465	
Income from continuing operations	625,257	276,607	71,188	41,556	140,335
Discontinued operations	51,865	42,549	477	362,492	542,362
Net income	677,122	319,156	71,665	404,048	682,697
Net income attributable to noncontrolling interest in operating partnership	(14,629)	(4,574)	(1,221)	(14,561)	(26,084)
Net income attributable to noncontrolling interests in other partnerships	(15,083)	(14,007)	(12,900)	(8,677)	(10,383)
Net income attributable to SL Green	647,410	300,575	57,544	380,810	646,230
Preferred dividends	(30,178)	(29,749)	(19,875)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	$ 617,232	$ 270,826	$ 37,669	$ 360,935	$ 626,355
Net income per common share Basic	$ 7.37	$ 3.47	$ 0.54	$ 6.22	$ 10.66
Net income per common share Diluted	$ 7.33	$ 3.45	$ 0.54	$ 6.20	$ 10.54

Cash dividends declared per common share	$	0.55	$	0.40	$	0.6750	$	2.7375	$	2.89
Basic weighted average common shares outstanding		83,762		78,101		69,735		57,996		58,742
Diluted weighted average common shares and common share equivalents outstanding		86,244		79,761		72,044		60,598		61,885

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Balance Sheet Data (In thousands)	As of December 31, 2011	2010	2009	2008	2007
Commercial real estate, before accumulated depreciation	$ 11,147,151	$ 8,890,064	$ 8,257,100	$ 8,201,789	$ 8,622,496
Total assets	13,483,852	11,300,294	10,487,577	10,984,353	11,430,078
Mortgages and other loans payable, revolving credit facility, senior unsecured notes and trust preferred securities	6,035,397	5,251,013	4,892,688	5,581,559	5,658,149
Noncontrolling interests in operating partnership	195,030	84,338	84,618	87,330	81,615
Equity	6,453,309	5,397,544	4,913,129	4,481,960	4,524,600

Other Data (In thousands)	Year Ended December 31, 2011	2010	2009	2008	2007
Funds from operations available to all stockholders[1]	$ 413,813	$ 389,161	$ 318,817	$ 344,856	$ 343,186
Net cash provided by operating activities	312,860	321,058	275,211	296,011	406,705
Net cash (used in) provided by investment activities	(739,597)	18,815	(345,379)	396,219	(2,334,337)
Net cash provided by (used in) financing activities	232,099	(350,758)	(313,006)	(11,305)	1,856,418

(1) Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002, and as subsequently amended, defines FFO as net income (loss) (computed in accordance with generally accepted accounting principles, or GAAP), excluding gains (or losses) from debt restructurings, sales of properties and real estate impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITS, particularly those that own and operate commercial office properties. We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions. Years prior to 2011 have been adjusted to reflect FFO under the 2011 amended definition.

A reconciliation of FFO to net income computed in accordance with GAAP is provided under the heading of "Management's Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations."

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

Overview

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

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

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P. or ROP, are subsidiaries of our operating partnership.

The New York City commercial real estate market strengthened in 2011, and SL Green took advantage of the strengthening market in improving occupancies and deploying capital in the borough of Manhattan to strategically position the Company for future growth as market conditions improve.

Leasing and Operating

Improvements in leasing conditions, which began during 2010, continued into 2011. Total 2011 Manhattan new leasing activity was 30.1 million square feet, the largest amount of new leasing in any year since 2000. Net absorption exceeded 5.2 million square feet during the year, of which 3.2 million square feet was absorbed in mid-town Manhattan, the location of 53% of our office properties (by square footage). The Midtown submarket absorption resulted in decreases in overall office vacancy from 10.6% at December 31, 2010 to 9.6% at December 31, 2011 and the portion of available space comprised of sublease space declined to 1.6% of total available inventory. In addition, no new office space was added to the Midtown office inventory, with approximately 0.8 million square feet (0.2% of the total 392.9 million square foot Manhattan office inventory) currently under construction and scheduled to come online by 2013.

Net absorption that reduced vacancy, and lack of new supply created conditions in which rents increased during the year. Asking rents for direct space in midtown increased during 2011 by 3.7% to $66.75 per square foot. By the end of 2011, asking rents had increased by 9.5% since the recessionary trough in rents in early 2010. Over the same period, net effective rents (which take into consideration leasing concessions and commissions), increased by 21.3%

SL Green has historically outperformed the Manhattan office market, and it did so in 2011. Our office property occupancy on stabilized same-store assets increased to 95.4% from 94.6% in the earlier year (excluding 100 Church which is in lease-up). The Company's mark-to-market on leases that replaced previously occupied space was 7.3% for 2011. Our leasing activity during 2011 was representative of a diverse array of industries, with a broad cross section of leasing as evidenced by our largest leases in 2011 that included professional services, health care, media and advertising, and government.

Acquisition and Disposition Activity

In anticipation of the improving market, and because we were able to source opportunities with value enhancement components, SL Green acquired equity interests in 9 buildings during 2011, with total investments of $3.9 billion. Certain of the investments provide upside through repositioning and leasing including 3 Columbus Circle, that was purchased with 20.1 percent occupancy in January 2011 and that was leased to 61% through January 2012, and 280 Park Avenue, which when repositioned will be among the highest quality office buildings in

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Manhattan. In addition, major 2011 transactions included purchasing our partner's interests in the high quality 521 Fifth Avenue and 1515 Broadway properties, and a portfolio of prime retail properties that included three multifamily residential assets which closed in 2012.

We also took advantage of the improving market conditions and interest by institutions and individuals seeking ownership interests in properties to sell assets, disposing of properties with more limited growth opportunities, and raising efficiently priced capital for reinvestment. During the year, we sold 28 West 44th Street, and entered into contracts to sell One Court Square, 141 Fifth Avenue and our fee interest in 292 Madison Avenue.

Debt and Preferred Equity

Beginning in 2010, we saw the increase in opportunities to acquire existing debt and preferred equity positions in high quality Manhattan office properties at discounts that enabled us to generate high risk adjusted yields, and offer off-market access to property acquisitions. As the year progressed, and the availability of debt and preferred equity in high quality properties that could be purchased at discounts waned, we began to see opportunities to originate financings, typically in the form of preferred equity and mezzanine debt, for owners or acquirers seeking higher leverage than has been available from traditional lending sources that continue to be constrained, and that provide only modest amounts of leverage. The typical investments made by us during the last half of 2011 were to reputable owners or acquirers, and at leverage levels which are senior to sizable equity investments by the borrowers. During 2011, our preferred equity and debt activities included purchases of $160.3 million, originations of $449.4 million, redemptions of $287.2 million and conversions of $302.2 million into property ownership. Property equity ownership resulting from this lending program during 2011 included 280 Park Avenue and 110 East 42nd Street.

Outlook

Several factors introduced into the market during the second half of 2011 have modestly reduced expectations of the recovery in jobs and in demand for office space in 2012. Those factors include weaker financial results from large New York City based financial institutions as driven by exogenous factors such as the European credit crisis. Despite these factors, we continue to see a solid leasing market and due to the more limited supply of space and lack of new supply, the potential for improving leasing fundamentals as we progress through the year.

Our significant activities for 2011 included:

- Acquired or consolidated in joint venture interests on five properties for aggregate gross purchase prices of $2.0 billion encompassing 3.6 million square feet.
- Invested in four properties through joint ventures for aggregate gross purchase prices of $1.8 billion and encompassing 2.0 million square feet.
- Closed on a $1.5 billion 4-year revolving credit facility.
- Sold 6.7 million shares of common stock through our "at-the-market" equity offering programs raising net proceeds of $517.1 million were used to repay certain of our existing indebtedness, make investments in additional properties and debt and preferred equity investments, and for general corporate purposes.
- Issued $250.0 million principal amount of 5.00% senior unsecured notes, due 2018, at par. The net proceeds from the offering (approximately $246.5 million) were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes.
- Closed on 15 mortgages and loans payable totaling approximately $3.3 billion.
- Signed 205 office leases totaling 2.3 million square feet in Manhattan during 2011.

Signed 109 office leases totaling 0.6 million square feet in the Suburbs during 2011.

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As of December 31, 2011, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, 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	26	18,429,945	92.8%
	Unconsolidated properties	7	6,191,673	91.6%
Suburban	Consolidated properties	25	3,863,000	80.5%
	Unconsolidated properties	6	2,941,700	93.8%
		64	31,426,318	91.2%

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

We also owned investments in nine stand-alone retail properties encompassing approximately 349,282 square feet, seven development properties encompassing approximately 1,395,838 square feet and three land interests as of December 31, 2011. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 0.9 million rentable square feet.

Critical Accounting Policies

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

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. In addition, we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2011, we recorded a $5.8 million impairment charge in connection with the expected sale of one of our equity investments. During 2010, we recorded a $2.8 million impairment charge on one of our equity investments. These charges are included in depreciable real estate reserves. We do not believe that the value of any of our consolidated properties was impaired at December 31, 2011 and 2010, respectively.

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A variety of costs are incurred in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

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

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for $200.0 million which we guarantee at one joint venture and performance guarantees under a master lease at another joint venture.

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Revenue Recognition

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

Interest income on debt and preferred equity investments is recognized over the life of the investment using the effective interest method and recognized on the accrual basis. Fees received in connection with loan commitments are deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Anticipated exit fees, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield. Fees on commitments that expire unused are recognized at expiration.

Income recognition is generally suspended for debt and preferred equity investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We recorded approximately $10.9 million, $19.8 million and $38.4 million in loan loss reserves and charge offs during the years ended December 31, 2011, 2010 and 2009, respectively, on investments being held to maturity, and none, $1.0 million and $69.1 million against our held for sale investment during the years ended December 31, 2011, 2010 and 2009, respectively. We also recorded approximately $4.4 million and $3.7 million in recoveries during the years ended December 31, 2011 and 2010, respectively, in connection with the sale of investments.

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

Derivative Instruments

In the normal course of business, we use a variety of derivative instruments to manage, or hedge, interest rate risk. We require that hedging derivative instruments be effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Some derivative instruments are associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction occurs. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract.

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

Results of Operations

Comparison of the year ended December 31, 2011 to the year ended December 31, 2010

The following comparison for the year ended December 31, 2011, or 2011, to the year ended December 31, 2010, or 2010, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us in the same manner at January 1, 2010 and at December 31, 2011 and totaled 45 of our 51 consolidated properties, representing approximately 68% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2010 and 2011 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2011	2010	$ Change	% Change
Rental revenue	$ 961.9	$ 782.5	$ 179.4	22.9%
Escalation and reimbursement revenue	145.6	118.2	27.4	23.2
Total	$ 1,107.5	$ 900.7	$ 206.8	23.0%
Same-Store Properties	$ 880.0	$ 873.3	$ 6.7	0.8%
Acquisitions	226.3	24.1	202.2	839.0
Other	1.2	3.3	(2.1)	(63.6)
Total	$ 1,107.5	$ 900.7	$ 206.8	23.0%

Occupancy in the Same-Store Properties was 90.3% at December 31, 2011 and 89.4% at December 31, 2010. The increase in rental revenue from the Acquisitions is primarily due to owning these properties during 2011 compared to a partial period or not being included in 2010.

Occupancy for our same-store Manhattan portfolio at December 31, 2011 was 94.0 percent as compared to 92.7 percent for the same period in the previous year. During the year ended December 31, 2011, we signed 205 office leases in our Manhattan portfolio totaling 2.3 million square feet. Forty-three leases totaling 614,833 square feet represented office leases that replaced previous vacancies, while 162 office leases comprising 1,690,423 square feet had average starting rents of $55.34 per rentable square foot, representing a 7.3 percent increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed during the year ended December 31, 2011 was 9.6 years and average tenant concessions were 3.7 months of free rent with a tenant improvement allowance and lease commissions of $49.59 per rentable square foot. Of the 2.0 million square feet of office leases which commenced during 2011, 434,018 square feet represented office leases that replaced previous vacancies, while 1.6 million square feet represented office leases that had average starting rents of $53.37 per rentable square foot, representing a 4.3 percent increase over the previously fully escalated rents on the same office spaces.

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Occupancy for our Suburban portfolio was 86.2 percent at December 31, 2011 as compared to 87.3 percent for the same period in the previous year. During the year ended December 31, 2011, we signed 109 office leases in the Suburban portfolio totaling 574,046 square feet. Thirty-three leases and 183,425 square feet represented office leases that replaced previous vacancies, while 76 office leases comprising 390,621 square feet had average starting rents of $33.86 per rentable square foot, representing a 2.5 percent decrease over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed during the year ended December 31, 2011was 7.3 years and average tenant concessions were 6.9 months of free rent with a tenant improvement allowance and lease commissions of $33.16 per rentable square foot. Of the 528,788 square feet of office leases which commenced during 2011, 107,595 square feet represented office leases that replaced previous vacancies, while 421,193 square feet represented office leases that had average starting rents of $33.75 per rentable square foot, representing a 2.8 percent decrease over the previously fully escalated rents on the same office spaces.

At December 31, 2011, approximately 4.1% and 11.6% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during 2012. We estimated that the current market rents on these expected 2012 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 12.7% and 3.6% higher, respectively, than then existing in-place fully escalated rents. We estimated that the current market rents on all our consolidated Manhattan and Suburban properties were approximately 10.9% and 3.0% higher, respectively, than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

The increase in escalation and reimbursement revenue was due to higher recoveries at the Acquisitions ($26.8 million) and Same-Store Properties ($0.9 million) which were offset by lower recoveries at the Other properties ($0.3 million). The increase in recoveries at the Same-Store Properties was primarily due to operating expense escalations ($2.3 million) which were partially offset by lower real estate tax recoveries ($1.0 million) and electric reimbursements ($0.4 million).

Investment and Other Income (in millions)	**2011**	**2010**	**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$ 1.6	$ 39.6	$ (38.0)	(96.0)%
Investment and preferred equity income	120.4	147.9	(27.5)	(18.6)
Other income	35.5	35.7	(0.2)	(0.6)
Total	$ 157.5	$ 223.2	$ (65.7)	(29.4)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 800 Third Avenue ($0.7 million), 1221 Avenue of the Americas which was sold in May 2010 ($10.5 million), 1515 Broadway, which we consolidated in April 2011 ($7.8 million), 1552 Broadway ($1.3 million), 280 Park Avenue ($18.1 million) and 2 Herald Square ($5.9 million) and 885 Third Avenue ($7.1 million), both of which were acquired in December 2010. This was partially offset by higher net income contributions primarily from our investments in Jericho Plaza ($0.8 million), 1551 Broadway due to a refinancing prior to the sale ($2.2 million), 3 Columbus Circle ($1.6 million), 450 West 33rd Street, a mezzanine debt joint venture ($1.1 million), 717 Fifth Avenue ($1.8 million), 180 Broadway ($1.2 million) and 600 Lexington Avenue ($4.2 million). Occupancy at our joint venture properties was 92.3% at December 31, 2011 and 95.2% at December 31, 2010. At December 31, 2011, approximately 7.0% and 10.7% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during 2012. We estimated that current market rents on these expected 2012 lease expirations at our Manhattan and Suburban joint venture properties were approximately 29.5% higher and 5.7% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income decreased during 2011. In 2011, debt investments totaling $352.8 million (inclusive of the 280 Park Avenue transaction) were sold or repaid resulting in the recognition of additional income of $43.0 million during 2011. In September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately $64.8 million. During 2011, we also originated or purchased $615.0 million of new debt investments at a weighted average current yield of 10.0%. The weighted average investment balance outstanding and weighted average yield were $809.1 million and 7.9%, respectively, for 2011 compared to $862.0 million and 8.5%, respectively, for 2010. As of December 31, 2011, the debt and preferred equity investments had a weighted average term to maturity of approximately 3.0 years.

The decrease in other income was primarily due to lower contribution from the Service Corporation ($2.4 million) and lower lease buy-out income ($1.6 million), which was partially offset by an increase in other fee income ($2.7 million).

Property Operating Expenses (in millions)	2011	2010	$ Change	% Change
Operating expenses	$ 263.7	$ 224.7	$ 39.0	17.4%
Real estate taxes	174.5	145.8	28.7	19.7
Ground rent	32.9	31.2	1.7	5.4
Total	$ 471.1	$ 401.7	$ 69.4	17.3%
Same-Store Properties	$ 385.9	$ 375.6	$ 10.3	2.7%
Acquisitions	74.0	12.8	61.2	478.1
Other	11.2	13.3	(2.1)	(15.8)
Total	$ 471.1	$ 401.7	$ 69.4	17.3%

Same-Store Properties operating expenses increased approximately $10.3 million. There were increases in real estate taxes ($4.4 million), payroll costs ($1.1 million), cleaning and repairs and maintenance ($4.7 million), ground rent ($1.7 million) and other expenses ($0.2 million). This was partially offset by decreases in utilities ($0.3 million) and insurance costs ($1.5 million).

Other Expenses (in millions)	2011	2010	$ Change	% Change
Interest expense, net of interest income	$ 300.0	$ 239.7	$ 60.3	25.2%
Depreciation and amortization expense	277.3	225.2	52.1	23.1
Loan loss and other investment reserves, net of recoveries	6.7	17.8	(11.1)	(62.4)
Transaction related costs	5.6	11.8	(6.2)	(52.5)
Marketing, general and administrative expense	80.1	75.9	4.2	5.5
Total	$ 669.7	$ 570.4	$ 99.3	17.4%

The increase in interest expense was primarily attributable to higher average consolidated debt balances outstanding during the period due to the increase in investment activity in 2011, inclusive of the acquisitions of 1515 Broadway, 521 Fifth Avenue and 180 Maiden Lane. The weighted average debt balance outstanding increased from $4.8 billion during the year ended December 30, 2010 to $5.8 billion during the year ended December 31, 2011. The weighted average interest rate increased from 4.76% for the year ended December 31, 2010 to 4.87% for the year ended December 31, 2011.

Loan loss and other investment reserves decreased year over year. We recorded $11.1 million in reserves and $4.4 million in recoveries in 2011 compared to $17.8 million in reserves and no recoveries in 2010.

Marketing, general and administrative expense represented 5.4% of total revenues, including our share of joint venture revenues, in 2011 compared to 5.6% in 2010.

Comparison of the year ended December 31, 2010 to the year ended December 31, 2009

The following comparison for the year ended December 31, 2010, or 2010, to the year ended December 31, 2009, or 2009, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us at January 1, 2009 and at December 31, 2010, excluding properties which were

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sold or reclassified to assets held for sale in 2011 and total 43 of our 47 consolidated properties, representing approximately 70% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired subsequent to January 1, 2009 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other," which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2010	2009	$ Change	% Change
Rental revenue	$ 782.5	$ 746.6	$ 35.9	4.8%
Escalation and reimbursement revenue	118.2	119.0	(0.8)	(0.7)
Total	$ 900.7	$ 865.6	$ 35.1	4.1%
Same-Store Properties	$ 855.3	$ 851.4	$ 3.9	0.5%
Acquisitions	43.7	8.5	35.2	414.1
Other	1.7	5.7	(4.0)	(70.2)
Total	$ 900.7	$ 865.6	$ 35.1	4.1%

Our consolidated rental revenue increased primarily from the Acquisitions, which included 100 Church Street (January 2010) and 125 Park Avenue (August 2010). Occupancy in the Same-Store Properties was 91.5% at December 31, 2010 and 93.5% at December 31, 2009.

During the year ended December 31, 2010, we commenced 232 leases in the Manhattan portfolio totaling 2.4 million square feet, of which 194 leases and 2.3 million square feet represented office leases. Average starting Manhattan office rents of $43.17 per rentable square foot on 1.8 million square feet of office leases commenced during the year ended December 31, 2010 represented a 2.8% decrease over the previously fully escalated rents. The average lease term was 10.6 years and average tenant concessions were 4.8 months of free rent with a tenant improvement allowance of $35.04 per rentable square foot.

During the year ended December 31, 2010, we commenced 117 leases in the Suburban portfolio totaling 899,000 square feet, of which 99 leases and 857,000 square feet represented office leases. Average starting Suburban office rents of $29.30 per rentable square foot on 695,000 square feet of office leases commenced during for the year ended December 31, 2010 represented a 9.8% decrease over the previously fully escalated rents. The average lease term was 6.8 years and average tenant concessions were 3.7 months of free rent with a tenant improvement allowance of $14.98 per rentable square foot.

At December 31, 2010, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 5.0% and 5.1% higher, respectively, than then existing in-place fully escalated rents. Approximately 8.3% of the space leased at our consolidated properties expires during 2011.

The decrease in escalation and reimbursement revenue was due to lower recoveries at the Same-Store Properties ($4.0 million) which was partially offset by an increase in recoveries from the Acquisitions ($3.5 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower electric reimbursements ($3.9 million) and operating expense and real estate tax escalations ($0.7 million) which were partially offset by other reimbursed expenses ($0.6 million).

Investment and Other Income (in millions)	2010	2009	$ Change	% Change
Equity in net income from unconsolidated joint ventures	$ 39.6	$ 62.9	$ (23.3)	(37.0)%
Investment and preferred equity income	147.9	65.6	82.3	125.5
Other income	35.7	47.1	(11.4)	(24.2)
Total	$ 223.2	$ 175.6	$ 47.6	27.1%

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The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 1221 Avenue of the Americas due to the sale of our 45% beneficial interest in this joint venture in May 2010 ($21.2 million), 521 Fifth Avenue ($1.2 million), 600 Lexington Avenue due to the expensing of transaction related costs ($3.6 million) and 1515 Broadway ($5.2 million). This was partially offset by higher net income contributions primarily from our investments in 100 Park Avenue ($3.8 million), 141 Fifth Avenue ($1.2 million), 29 West 34th Street ($1.0 million) and Gramercy ($3.5 million).

Occupancy at our joint venture properties was 95.0% at December 31, 2010 and 95.1% at December 31, 2009. At December 31, 2010, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 16.3% and 9.3% higher, respectively, than then existing in-place fully escalated rents. Approximately 3.7% of the space leased at our joint venture properties expires during 2011.

Preferred equity and investment income increased primarily due to additional income generated upon the repayment of loans as well as new investment activity. In addition, in September 2010, 510 Madison Avenue was sold by the owner. The first mortgage loan and senior mezzanine loan, which we had purchased in December 2009 and February 2010 for $180.5 million in the aggregate, were repaid at par. We recognized additional income upon the repayment of the loans of approximately $64.8 million. The income was recorded in preferred equity and investment income on the accompanying statement of income. In addition, the weighted average investment balance outstanding and weighted average yield were $862.0 million and 8.5%, respectively, for 2010 compared to $652.9 million and 8.4%, respectively, for 2009.

The decrease in other income was primarily due to lower fee income earned ($11.2 million).

Property Operating Expenses (in millions)	**2010**	**2009**	**$ Change**	**% Change**
Operating expenses	$ 224.7	$ 209.3	$ 15.4	7.4%
Real estate taxes	145.8	136.6	9.2	6.7
Ground rent	31.2	31.8	(0.6)	(1.9)
Total	$ 401.7	$ 377.7	$ 24.0	6.4%
Same-Store Properties	$ 365.0	$ 359.5	$ 5.5	1.5%
Acquisitions	24.6	4.2	20.4	485.7
Other	12.1	14.0	(1.9)	(13.6)
Total				