SL GREEN REALTY CORP
Form 10-K
February 21, 2017

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
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.)
Commission File Number: 33-167793-02 (SL Green Operating Partnership, L.P.)

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

SL Green Realty Corp.	Maryland	13-3956755
SL Green Operating Partnership, L.P.	Delaware	13-3960938
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
SL Green Realty Corp.	Common Stock, $0.01 par value	New York Stock Exchange
SL Green Realty Corp.	6.500% Series I 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.
SL Green Realty Corp. Yes x No o SL Green Operating Partnership, L.P. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
SL Green Realty Corp. Yes o No x SL Green Operating Partnership, L.P. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

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

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

SL Green Realty Corp.

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

SL Green Operating Partnership, L.P.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (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).

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

The aggregate market value of the common stock held by non-affiliates of SL Green Realty Corp. (94,178,787 shares) was $10.0 billion based on the quoted closing price on the New York Stock Exchange for such shares on June 30, 2016.

As of February 17, 2017, 100,579,714 shares of SL Green Realty Corp.'s common stock, par value $0.01 per share, were outstanding. As of February 17, 2017, 1,497,224 common units of limited partnership interest of SL Green Operating Partnership, L.P. were held by non-affiliates. There is no established trading market for such units.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the SL Green Realty Corp.'s Proxy Statement for its 2017 Annual Stockholders' Meeting to be filed within 120 days after the end of the Registrant's fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2016 of SL Green Realty Corp. and SL Green Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to "SL Green Realty Corp.," the "Company" or "SL Green" mean SL Green Realty Corp. and its consolidated subsidiaries; and references to "SL Green Operating Partnership, L.P.," the "Operating Partnership" or "SLGOP" mean SL Green Operating Partnership, L.P. and its consolidated subsidiaries. The terms "we," "our" and "us" mean the Company and all the entities owned or controlled by the Company, including the Operating Partnership.

The Company is a Maryland corporation which operates as a self-administered and self-managed real estate investment trust, or REIT, and is the sole managing general partner of the Operating Partnership. As a general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

The Company owns 95.84% of the outstanding general and limited partnership interest in the Operating Partnership. The Company also owns 9,200,000 Series I Preferred Units of the Operating Partnership. As of December 31, 2016, noncontrolling investors held, in aggregate, a 4.16% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership.

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

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

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

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

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

- consolidated financial statements;
- the following notes to the consolidated financial statements:

Note 11, Noncontrolling Interests on the Company’s Consolidated Financial Statements;
Note 12, Stockholders' Equity of the Company;
Note 13, Partners' Capital of the Operating Partnership;
Note 22, Quarterly Financial Data of the Company (unaudited); and
Note 23, Quarterly Financial Data of the Operating Partnership (unaudited).

This report also includes separate Part II, Item 5. Market for Registrants' Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities, Item 6. Selected Financial Data and Item 9A. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership, respectively, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Company, in both their capacity as the principal executive officer and principal financial officer of the Company and the principal executive officer and principal financial officer of the general partner of the Operating Partnership, have made the requisite certifications and that the Company and the Operating Partnership are compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended.

SL GREEN REALTY CORP. AND SL GREEN OPERATING PARTNERSHIP, L.P.
TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. BUSINESS

General

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

As of December 31, 2016, we owned the following interests in properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Property Type	Consolidated Number of Properties	Consolidated Approximate Square Feet	Unconsolidated Number of Properties	Unconsolidated Approximate Square Feet	Total Number of Properties	Total Approximate Square Feet	Weighted Average Occupancy(1)	
Commercial:									
Manhattan	Office	24	16,054,606	7	6,558,139	31	22,612,745	94.9	%
	Retail	10(2)	418,093	9	347,970	19	766,063	85.6	%
	Development/Redevelopment	3	42,635	3	770,514	6	813,149	52.3	%
	Fee Interest	1	176,530	1	26,926	2	203,456	100.0	%
		38	16,691,864	20	7,703,549	58	24,395,413	93.2	%
Suburban	Office	25	4,113,800	2	640,000	27	4,753,800	82.6	%
	Retail	1	52,000	—	—	1	52,000	100.0	%
	Development/Redevelopment	1	1,000	1	—	2	1,000	100.0	%
		27	4,166,800	3	640,000	30	4,806,800	82.8	%
Total commercial properties		65	20,858,664	23	8,343,549	88	29,202,213	91.5	%
Residential:									
Manhattan	Residential	3 (2)	472,105	18	3,247,764	21	3,719,869	83.8	%
Suburban	Residential	—	—	—	—	—	—	—	%
Total residential properties		3	472,105	18	3,247,764	21	3,719,869	83.8	%
Total portfolio		68	21,330,769	41	11,591,313	109	32,922,082	90.6	%

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

(2) As of December 31, 2016, we owned a building that was comprised of approximately 270,132 square feet of retail space and approximately 222,855 square feet of residential space. For the purpose of this report, we have included the building in the number of retail properties we own. However, we have included only the retail square footage in the retail approximate square footage, and have listed the balance of the square footage as residential square footage.

As of December 31, 2016, we also managed an office building with approximately 336,000 square feet, which is owned by a third party, and held debt and preferred equity investments with a book value of $2.0 billion, including $0.3 billion of debt and preferred equity investments and other financing receivables that are included in balance sheet line items other than the Debt and Preferred Equity Investments line item.

Our corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. As of December 31, 2016, our corporate staff consisted of 307 persons, including 209 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 reasonably practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission, or the SEC. We have also made available on our website our audit committee charter, compensation committee charter, nominating and corporate governance committee charter, code of business conduct and ethics and corporate governance principles. We do not intend for information contained on our website to be part of this annual report on Form 10-K. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington,

Table of Contents

DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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

Corporate Structure

In connection with the Company's initial public offering, or IPO, in August 1997, the Operating Partnership received a contribution of interests in real estate properties as well as a 95% economic, non-voting interest in the management, leasing and construction companies affiliated with S.L. Green Properties. We refer to these management, leasing and construction entities, which are owned by S.L. Green Management Corp, as the "Service Corporation." The Company is organized so as to qualify and has elected to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code.

Substantially all of our assets are held by, and all of our operations are conducted through, the Operating Partnership. We are the sole managing general partner of the Operating Partnership, and as of December 31, 2016, we owned 95.84% of its economic interests. All of the management and leasing operations with respect to our wholly-owned properties are conducted through SL Green Management LLC, or Management LLC. The Operating Partnership owns a 100% interest in Management LLC.

In order to maintain the Company's qualification as a REIT while realizing income from management, leasing and construction contracts with third parties and joint venture properties, all of these service operations are conducted through the Service Corporation, a consolidated variable interest entity. We, through our Operating Partnership, receive substantially all of the cash flow from the Service Corporation's operations. All of the voting common stock of the Service Corporation is held by an entity owned and controlled by the chairman of the Company's board of directors.

Business and Growth Strategies

SL Green is New York City's largest owner of commercial real estate and an investment-grade S&P 500 company that is focused primarily on owning, managing and maximizing the value of Manhattan commercial properties.

Our core business is the ownership of high quality commercial properties and our primary business objective is to maximize the total return to stockholders, through growth in net income attributable to common stockholders and funds from operations and through asset value appreciation. The commercial real estate expertise resulting from owning, operating, investing, developing, redeveloping and lending on real estate in Manhattan for over 36 years has enabled us to invest in a collection of premier office and retail properties, selected multifamily residential assets, and high quality debt and preferred equity investments. We also own high quality office properties in the surrounding markets of Brooklyn, Long Island, Westchester County, Connecticut and New Jersey.

We are led by a strong, experienced management team that provides a foundation of skills in all aspects of real estate, including acquisitions, dispositions, management, leasing, development, redevelopment, and financing. 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, which capitalizes on our extensive presence and knowledge of the marketplaces in which we operate;
- Acquiring office, retail and residential properties and employing our local market skills to reposition these assets to create incremental cash flow and capital appreciation;
- Identifying properties primed for development/redevelopment and maximizing value through redevelopment or reconfiguration to match current workplace, retail and housing trends;
- Investing in debt and preferred equity positions that generate consistently strong risk-adjusted returns, increase the breadth of our market insight, foster key market relationships and source potential future investment opportunities;
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- Executing dispositions through sales or joint ventures that harvest embedded equity which has been generated through management's value enhancing activities; and
- Maintaining a prudently levered, liquid balance sheet with consistent access to diversified sources of property level and corporate capital.

Table of Contents

Leasing and Property Management

We seek to capitalize on our management's extensive knowledge of New York City and surrounding 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 tens of millions of square feet of office and retail space since the Company was founded, predominantly in Manhattan; (ii) careful tenant management, which results in long average lease terms and a manageable lease expiration schedule; (iii) utilization of an extensive network of third-party brokers to supplement our in-house leasing team; (iv) use of comprehensive building management analysis and planning; and (v) a commitment to tenant satisfaction by providing high quality tenant services at competitive rental rates.

We believe 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 value appreciation and earnings growth. We also acquire non-core properties that are typically held for shorter periods during which we intend 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 opportunities may come from new properties as well as acquisitions in which we already hold a joint venture interest or, from time to time, from our debt and preferred equity investments.

Through intimate knowledge of our markets we have developed an ability to source transactions with superior risk-adjusted returns by capturing off-market opportunities. In rising markets, we primarily seek to acquire strategic vacancies that provide the opportunity to take advantage of our exceptional leasing and repositioning capabilities to increase cash flow and property value. In stable or falling markets, we primarily 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.

Management’s breadth of activities and expertise in New York City has also enabled us to identify and acquire retail properties in prime Manhattan locations. Combining our real estate skills and ability to attract premier tenants has resulted in transactions that have provided significant capital appreciation. This same market penetration has permitted us to grow a portfolio of high quality, well-located multifamily properties

We believe that we have many advantages over our competitors in acquiring core and non-core properties, both directly and through our joint venture program that includes a predominance of high quality institutional investors. Those advantages include: (i) senior management's average 28 years of experience leading a full-service, fully-integrated real estate company focused on the Manhattan market; (ii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests, including units in our Operating Partnership; and (iii) the ability to underwrite and close transactions on an expedited basis even when the transaction requires a complicated structure.

Property Dispositions

We continually evaluate our portfolio to identify those properties that are most likely to meet our long-term earnings and cash flow growth objectives and contribute to increasing portfolio value. Properties that no longer meet our objectives are evaluated for sale, or in certain cases, joint venture to release equity created through management's value enhancement programs or to take advantage of attractive market valuations.

We seek to efficiently deploy the capital proceeds generated from these dispositions into property acquisitions and debt and preferred equity investments that we expect will provide enhanced future capital gains and earnings growth opportunities. Management may also elect to utilize the capital proceeds from these dispositions to repay existing indebtedness of the Company or its subsidiaries, repurchase shares of our common stock, or increase cash liquidity.

Property Repositioning

Our extensive knowledge of the markets in which we operate 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 properties we own or seek to acquire feature unique architectural design elements, including large floor plates, and other amenities and characteristics that can be appealing to tenants when fully exploited. Our strategic investment in these properties, combined with our active management and pro-active leasing, provide the opportunity to creatively meet market needs and generate favorable returns.

Development / Redevelopment

Our constant interactions with tenants and other market participants keep us abreast of innovations in workplace layout, store design and smart living. We leverage this information to identify properties primed for development or redevelopment to meet these demands and unlock value. Our deep visibility into the market allows us to acquire locations before others see the opportunity. The expertise and relationships that we have built from managing complex construction projects in New York City and its surrounding areas allow us to cost efficiently add new and renovated assets of the highest quality and desirability to our operating portfolio.

Debt and Preferred Equity Investments

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

- Our typical investments provide high current returns at conservative exposure levels and, in certain cases, the potential for future capital gains. Because we are the largest commercial property owner in Manhattan, our expertise and operating capabilities provide both insight and operating skills that mitigate risk.
- In certain instances, these investments serve as a potential source of real estate acquisitions for us when a borrower seeks an efficient off-market transaction. Ownership knows that we are fully familiar with the asset through our existing investment, and that we can close more efficiently and quickly than others. Property owners may also provide us the opportunity to consider off-market transactions involving other properties they own because we have previously provided debt or preferred equity financing to them.
- These investments are concentrated in Manhattan, which helps us gain market insight, awareness of upcoming investment opportunities and foster key relationships that may provide access to future investment opportunities.

Capital Resources

Our objective is to maintain multiple sources of corporate and property level capital to obtain the most appropriate and lowest cost of capital. This objective is supported by:

- Property operations that generally provide stable and growing cash flows through market cycles due to favorable supply/demand metrics in Manhattan, long average lease terms, high credit quality tenants and superior leasing, operating and asset management skills;
- Concentration of our activities in a Manhattan market that is consistently attractive to property investors and lenders through market cycles relative to other markets;
- Maintaining strong corporate liquidity and careful management of future debt maturities; and
- Maintaining access to corporate capital markets through balanced financing and investment activities that result in strong balance sheet and cash flow metrics.

Manhattan Office Market Overview

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

According to Cushman and Wakefield Research Services as of December 31, 2016, Manhattan has a total office inventory of approximately 396.9 million square feet, including approximately 242.3 million square feet in midtown. Cushman and Wakefield Research Services estimates that in midtown Manhattan, approximately 2.6 million square feet of new construction will become available between 2017 and 2018, approximately 38.3% of which is pre-leased. This increase is partially offset by approximately 1.1 million square feet that is projected to be converted from office use to an alternative use. This will add only approximately 1.0% to Manhattan's total inventory gross of conversions and only approximately 0.6% net of conversions over the next two years.

While the addition of new supply to the Manhattan office inventory is nominal relative to the size of the overall market, we view any additional supply as a positive to the Manhattan office market given the older vintage of the majority of Manhattan’s office inventory and the desire of certain tenants to occupy new, high quality, efficient office space, which often isn’t available in older vintage properties. In addition, Manhattan’s office inventory has only grown by one million square feet over the last 25-30 years.

General Terms of Leases in the Manhattan Markets

Leases entered into for space in Manhattan typically contain terms that may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in Manhattan is generally seven to fifteen years. Tenants leasing space in excess of 10,000 square feet for an initial term of 10 years or longer often will negotiate an option to extend the term of the lease for one or two renewal periods, typically for a term of five years each. The base rent during the initial term often will provide for agreed-upon periodic increases over the term of the lease. Base rent for renewal terms is most often based upon the then fair market rental value of the premises as of the commencement date of the applicable renewal term (generally determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value), though base rent for a renewal period may be set at 95% of the then fair market rent. Very infrequently, leases may contain termination options whereby a tenant can terminate the lease obligation before the lease expiration date upon payment of a penalty together with repayment of the unamortized portion of the landlord's transaction costs (e.g., brokerage commissions, free rent periods, tenant improvement allowances, etc.).

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

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

The landlord most often supplies electricity either on a sub-metered basis at the landlord's cost plus a fixed percentage or a rent inclusion basis (i.e., a fixed fee is added to the base rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services, other than electricity, such as heat, air conditioning, 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. The tenant will typically pay 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 square feet, the landlord will deliver the premises with existing improvements demolished. In such instances, the landlord will typically provide a tenant improvement allowance, which is a fixed sum that the landlord makes available to the tenant to reimburse the tenant for all or a portion of the tenant's initial construction of its premises. Such sum typically is payable as work progresses, upon submission by the tenant 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 amount in excess of the agreed upon amount. In addition, landlords may rent space to a tenant that is "pre-built" (i.e., space that was constructed by the landlord in advance of lease signing and is ready to for the tenant to move in with the tenant selecting paint and carpet colors).

Occupancy

The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2016, 2015 and 2014:

	Percent Occupied as of December 31,		
Property	2016	2015	2014
Manhattan properties	94.9%	92.8%	95.2%
Suburban properties	82.6%	79.5%	80.7%
Same-Store properties(1)	93.7%	93.5%	91.6%
Unconsolidated Joint Venture Properties	91.8%	82.8%	92.4%
Portfolio	92.8%	90.5%	92.4%

(1) Same-Store properties for 2016 represents 46 of our 49 consolidated office buildings owned by us at January 1, 2015 and still owned by us in the same manner at December 31, 2016.

Rent Growth

We are constantly evaluating the conditions of the markets in which we operate in order to assess the potential rent growth embedded in our portfolio. We estimated that rents in place at December 31, 2016 for all leases expiring in future periods, excluding triple net leases, in our Manhattan and Suburban consolidated operating properties were 10.2% and 6.0%, respectively, below management's estimates of current market asking rents. Taking rents are typically lower than asking rents and may vary from building to building. We estimated that rents in place at December 31, 2016 for all leases expiring in future periods, excluding triple net leases, in our Manhattan and Suburban operating properties owned through unconsolidated joint ventures were 11.7% and 1.4%, respectively, below management's estimates of current market asking rents. As of December 31, 2016, 41.6% and 52.8% of all leases in-place in our Manhattan and Suburban consolidated operating properties, respectively, were scheduled to expire during the next five years. As of December 31, 2016, 21.6% and 53.8% of all leases in-place in our Manhattan and Suburban

Table of Contents

operating properties owned through unconsolidated joint ventures, respectively, were also scheduled to expire during the next five years. There can be no assurances that our estimates of current market rents are accurate, that market rents currently prevailing will not erode in the future or that we will realize any rent growth. However, we believe that rents, which in the current portfolio are below market, provide a potential for long-term internal growth.

Industry Segments

The Company is a REIT that acquires, owns, repositions, manages and leases commercial office, retail and multifamily properties in the New York Metropolitan area and has two reportable segments: real estate and debt and preferred equity investments. Our industry segments are discussed in Note 21, "Segment Information," in the accompanying consolidated financial statements.

We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations. At December 31, 2016, our real estate portfolio was primarily located in one geographical market, the New York Metropolitan area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and, at certain properties, ground rent expense. As of December 31, 2016, two tenants in our office portfolio contributed 8.1%, and 6.7% of our office portfolio annualized cash rent. No other tenant contributed more than 5.0% of our office portfolio annualized cash rent. Office portfolio annualized cash rent includes our consolidated annualized cash rent and our share of joint venture annualized cash rent. One property, which was sold in June 2016, contributed 12.3% of our consolidated total revenue for 2016. No other property contributed in excess of 10.0% of our consolidated total revenue for 2016.

At December 31, 2016, we held debt and preferred equity investments with a book value of $2.0 billion, including $0.3 billion of debt and preferred equity investments and other financing receivables that are included in balance sheet line items other than the Debt and Preferred Equity Investments line item. At December 31, 2016, the assets underlying our debt and preferred equity investments were located in the New York Metropolitan area. The primary sources of revenue are generated from interest and fee income.

Employees

At December 31, 2016, we employed 1,075 employees, 210 of whom were managers and professionals, 767 of whom were hourly-paid employees involved in building operations and 98 of whom were clerical, data processing and other administrative employees. There are currently six collective bargaining agreements which cover the workforce that services substantially all of our properties.

Highlights from 2016

Our significant achievements from 2016 included:

Corporate

- Broke ground for the development of the 1,401 foot tall, 1.7 million square feet One Vanderbilt office tower directly west of Grand Central Terminal.
- Expanded the number of Independent Directors from five to six by naming Lauren Dillard as an Independent Director.

Leasing

- Signed 169 Manhattan office leases covering approximately 3.2 million square feet. The mark-to-market on signed Manhattan office leases was 27.6% higher in 2016 than the previously fully escalated rents on the same spaces.
- Signed 86 Suburban office leases covering approximately 0.6 million square feet. The mark-to-market on signed Suburban office leases was 6.1% higher in 2016 than the previously fully escalated rents on the same spaces.
- Signed a new lease with Nike, Inc. for 69,214 square feet at 650 Fifth Avenue for 15 years.
- Signed a lease renewal with Penguin Random House at 1745 Broadway for 603,650 square feet, bringing the remaining lease term to 16.8 years.
- Signed a leasehold condominium conveyance with Visiting Nurse Service of New York at 220 East 42nd Street for 308,115 square feet for 30.5 years.

Acquisitions

- Closed on the acquisition of a 20 percent interest in the newly completed, 1,176 unit "Sky" residential tower, located at 605 West 42nd Street, at a previously negotiated purchase option valuation.

• Closed on the off-market acquisition of 183 Broadway for $28.5 million.

9

Table of Contents

Dispositions

- Sourced joint venture partners, National Pension Service of Korea ("NPS") and Hines Interest, LP ("Hines"), which acquired a 27.6% and 1.4% interest, respectively, in One Vanderbilt in January, 2017 and committed aggregate equity to the project of no less than $525 million.
- Closed on the sale of 388 Greenwich Street for $2.0 billion, net of any unfunded tenant concession.
- Closed on the sale of a 40% interest in Eleven Madison Avenue for a total gross valuation of $2.6 billion, inclusive of the costs associated with lease stipulated improvements to the property.
- Together with our joint venture partner, closed on the sale of the Pace University dormitory tower at 33 Beekman for $196.0 million.
- Closed on the sale of a 49% interest in 400 East 57th Street for a gross asset valuation of $170.0 million.
- Together with our joint venture partner, closed on the sale of 7 Renaissance Square for a total gross asset valuation of $20.7 million
- Closed on the sale of 500 West Putnam Avenue in Greenwich, Connecticut, for a gross asset valuation of $41.0 million.

Debt and Preferred Equity Investments

- Originated and retained, or acquired, $1,015 million in debt and preferred equity investments, inclusive of advances under future funding obligations, discount and fee amortization, and paid-in-kind interest, net of premium amortization, and recorded $1,044 million of proceeds from sales, repayments and participations.

Finance

- Standard & Poor’s Ratings Services upgraded the corporate credit rating of the Company to investment grade.
- Fitch Ratings upgraded the rating outlook for the Company and affirmed the investment grade corporate credit rating.
- Closed on $1.5 billion of construction financing for One Vanderbilt Avenue. The facility has a term of up to 7 years and bears interest at a floating rate of 3.50% over LIBOR, with the ability to reduce the spread to as low as 3.00% upon achieving certain pre-leasing and completion milestones.
- Closed on an expansion of the term loan portion of the Company's unsecured corporate credit facility by $250.0 million, increasing the total facility size to $2.783 billion.
- Closed on the refinancing of the Company's $300.0 million debt and preferred equity liquidity facility, which provides for favorable financing of the Company's debt and preferred equity portfolio. The new facility has a 2-year term with a 1-year extension option and bears interest ranging from 225 to 400 basis points over LIBOR. depending on the pledged collateral.
- Together with our joint venture partners, closed on a $900.0 million refinancing of 280 Park Avenue. The new facility has a 3-year term (subject to four 1-year extension options), carries a floating interest rate of LIBOR plus 2.00% and replaces the previous $721.0 million of indebtedness on the property that was set to mature in June, 2016.
- Together with our joint venture partners, closed on a $177.0 million 10-year refinancing of 800 Third Avenue, which replaces the previous $20.9 million mortgage that was set to mature in August, 2017. The new mortgage loan bears interest at a fixed rate of 3.17%, subject to up to a 20 basis point increase under certain conditions.
- Closed on the refinancing of 1-7 Landmark Square in Stamford, Connecticut. The $100.0 million financing has a 10-year term, carries a fixed effective interest rate of 4.91% and replaces the previous $77.9 million of indebtedness on the property.
- Together with our joint venture partners, closed on a $100.0 million recapitalization of Jericho Plaza, which bears interest at a floating rate of 4.15% over LIBOR.
- Together with our joint venture partner, closed on a $97.0 million refinancing of 650 Fifth Avenue, which replaces the previous $65.0 million mortgage and bears interest at a floating rate of 3.75% over LIBOR.
- Obtained floating rate construction financing of $44.0 million for the retail development at 719 Seventh Avenue, which bears interest at a floating rate of 3.05% over LIBOR, with the ability to reduce the spread to 2.55% upon achieving certain hurdles.
- Together with our joint venture partner, closed on the refinancing of 400 East 58th Street. The $40.0 million financing has a 10-year term, carries a fixed interest rate of 3.00%, and replaces the previous $28.5 million of indebtedness on

the property.

ITEM 1A. RISK FACTORS

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

The majority of our property holdings are comprised of commercial office properties located in midtown Manhattan. Our property holdings also include a number of retail properties and multifamily residential properties. As a result, our business is dependent on the condition of the New York City economy in general and the market for office space in midtown Manhattan in particular. Future weakness and uncertainty in the New York City economy could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our cash flow and our ability to service current debt and to pay dividends and distributions to security holders. Similarly, future weakness and uncertainty in our suburban markets could adversely affect our cash flow and our ability to service current debt and to pay dividends and distributions to security holders.

We believe that job creation in the financial and professional services industries in New York City impacts our overall financial performance. Both new leasing activity and overall asking rents could be negatively impacted by declining rates of job creation in the current or future periods.

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

If tenants decide not to renew their leases upon expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of a renewal or new lease, taking into account among other things, the cost of improvements to the property and leasing commissions, may be less favorable than the terms in the expired leases. As of December 31, 2016, approximately 8.3 million and approximately 1.6 million square feet, representing approximately 43.5% and approximately 23.7% of the rentable square feet, are scheduled to expire by December 31, 2021 at our consolidated properties and unconsolidated joint venture properties, respectively, and as of December 31, 2016, these leases had annualized escalated rent totaling $496.4 million and $110.0 million, respectively. We also have leases with termination options beyond 2021. In addition, changes in space utilization by tenants may impact our ability to renew or relet space without the need to incur substantial costs in renovating or redesigning the internal configuration of the relevant property. If we are unable to promptly renew the leases or relet the space at similar rates or if we incur substantial costs in renewing or reletting the space, our cash flow and ability to service debt obligations and pay dividends and distributions to security holders could be adversely affected.

We face significant competition for tenants.

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

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

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

Our interests in 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas, 1080 Amsterdam Avenue, and 30 East 40th Street, all in Manhattan, and 1055 Washington Avenue, Stamford, Connecticut, are entirely or partially comprised of either long-term leasehold or operating sublease interests in the land and the improvements, rather than by ownership of fee interest in the land.

We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date. The average remaining term of these long-term leases as of December 31, 2016, including our unilateral extension rights on each of the properties, is 51 years. Pursuant to the leasehold arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized cash rents of the commercial office properties held through long-term leases or operating sublease interests at December 31, 2016 totaled $289.0 million, or 21.8%, of our share of total Portfolio annualized cash rent. Unless we purchase a fee interest in the underlying land or extend the terms of these leases prior to expiration, we will lose our right to operate these properties upon expiration of the leases, which could adversely affect our financial condition and results of operations. Rent payments under leasehold or operating sublease interests are adjusted, within the parameters of the contractual arrangements, at certain intervals. Rent adjustments may result in higher rents that could adversely affect our financial condition and results of operation.

Table of Contents

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

Our business may be affected by volatility in the financial and credit markets and other market, economic, or political challenges experienced by the U.S. economy or the real estate industry as a whole, including changes in law and policy accompanying the new administration and uncertainty in connection with any such changes. Future periods of economic weakness could result in reduced access to credit and/or wider credit spreads. Economic or political uncertainty, including concern about growth and the stability of the markets generally, may lead many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers, which could adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the New York Metropolitan area, particularly in New York, New Jersey and Connecticut.

Because our portfolio consists primarily of commercial office buildings, located principally in midtown Manhattan, as compared to a more diversified real estate portfolio, if economic conditions deteriorate, then our results of operations, financial condition and ability to service current debt and to pay dividends to our stockholders may be adversely affected. Specifically, our business may be affected by the following conditions:

- significant job losses or declining rates of job creation which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;
- our ability to borrow on terms and conditions that we find acceptable may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reducing our returns from both our existing operations and our acquisition and development activities and increasing our future interest expense; and
- reduced values of our properties, which may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans.

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

Five of our properties, 1515 Broadway, 1185 Avenue of the Americas, 11 Madison Avenue, 420 Lexington Avenue, and 1 Madison Avenue accounted for 33.3% of our Portfolio annualized cash rent, which includes our share of joint venture annualized cash rent as of December 31, 2016.

Our revenue and cash available to service debt obligations and for distribution to our stockholders would be materially adversely affected if any of these properties were materially damaged or destroyed. Additionally, our revenue and cash available to service debt obligations and for distribution to our stockholders would be materially adversely affected if tenants at these properties fail to timely make rental payments due to adverse financial conditions or otherwise, default under their leases or file for bankruptcy or become insolvent.

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

Giving effect to leases in effect as of December 31, 2016 for consolidated properties and unconsolidated joint venture properties, as of that date, our five largest tenants, based on annualized cash rent, accounted for 20.4% of our share of Portfolio annualized cash rent, with two tenants, Credit Suisse Securities (USA) LLC, and Viacom International Inc. accounting for 8.1%, and 6.7% of our share of Portfolio annualized cash rent, respectively. Our business and results of operations would be adversely affected if any of our major tenants became insolvent, declared bankruptcy, or otherwise refused to pay rent in a timely fashion or at all. In addition, if business conditions in the industries in which our tenants are concentrated deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents across tenants in such industries, which could in turn have an adverse effect on our business and results of operations.

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

Some of the tenants in our properties are smaller, growth-oriented businesses that may not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than larger businesses.

Growth-oriented firms may also seek other office space as they develop. Leasing office space to these companies could create a higher risk of tenant defaults, turnover and bankruptcies, which could adversely affect our cash flow and results of operations.

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

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in direct proportion to changes in our rental revenue. As a result, our costs will not necessarily decline even if our revenues do. In such event, we may be forced to borrow to cover our costs, we may incur losses or we may not have cash available to service our debt and to pay dividends and distributions to security holders.

Table of Contents

We face risks associated with property acquisitions.

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

- we may be unable to meet required closing conditions;
- we may be unable to finance acquisitions and developments of properties on favorable terms or at all;
- we may be unable to lease our acquired properties on the same terms or to the same level of occupancy as our existing properties;
- acquired properties may fail to perform as we expected;
- we may expend funds on, and devote management time to, acquisition opportunities which we do not complete, which may include non-refundable deposits;
- our estimates of the costs we incur in renovating, improving, developing or redeveloping acquired properties may be inaccurate;
- we may not be able to obtain adequate insurance coverage for acquired properties; and
- we may be unable to quickly and efficiently integrate new acquisitions and developments, particularly acquisitions of portfolios of properties, into our existing operations, and therefore our results of operations and financial condition could be adversely affected.

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

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

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

We may acquire properties when we are presented with attractive opportunities. We may face competition for acquisition opportunities from other investors, particularly those investors who are willing to incur more leverage, and this competition may adversely affect us by subjecting us to the following risks:

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

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

We have commenced construction for our ground-up development project at One Vanderbilt Avenue.

The Company continues its significant ground-up development project at One Vanderbilt Avenue. During 2016, the Company obtained a $1.5 billion construction facility for the project and also sourced joint venture partners, NPS and Hines, which acquired a 27.6% and 1.4% interest, respectively, in the project, respectively, in January 2017 and have committed aggregate equity to the project of no less than $525.0 million. The Company and Hines will co-develop the building.

Construction of the project will not be completed for several years. As with any ground-up development project, unforeseen delays and other matters could further delay completion, result in increased costs or otherwise have a material effect on our results of operations. In addition, the extended time frame to complete the project will cause the project to be subject to shifts and trends in the real estate market which may not be consistent with our current business plans for this property.

Table of Contents

The Company's project at One Vanderbilt Avenue is located directly above public transit lines and is adjacent to Grand Central Terminal and other historic buildings. Damage to infrastructure or adjacent properties as well as the impact to the area due to construction noise, traffic, or debris could lead to reputational damage and legal actions.
We are subject to risks that affect the retail environment.
Approximately 4.8% of our Portfolio annualized cash rent is generated by retail properties, principally in Manhattan. As a result, we are subject to risks that affect the retail environment generally, including the level of consumer spending, consumer confidence and levels of tourism in Manhattan. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail properties, which could in turn have an adverse effect on our business and results of operations.
The occurrence of a terrorist attack may adversely affect the value of our properties and our ability to generate cash flow.
Our operations are primarily concentrated in the New York Metropolitan area. In the aftermath of a terrorist attack or other acts of terrorism or war, tenants in the New York Metropolitan area may choose to relocate their business to less populated, lower-profile areas of the United States that those tenants believe are not as likely to be targets of future terrorist activity. In addition, economic activity could decline as a result of terrorist attacks or other acts of terrorism or war, or the perceived threat of such acts. Each of these impacts could in turn trigger a decrease in the demand for space in the New York Metropolitan area, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. Furthermore, we may also experience increased costs in relation to security equipment and personnel. As a result, the value of our properties and our results of operations could materially decline.
Potential losses may not be covered by insurance.
We maintain “all-risk” property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism, excluding nuclear, biological, chemical, and radiological terrorism ("NBCR")), within three property insurance programs and liability insurance. Management believes the policy specifications and insured limits are appropriate given the relative risk of loss, the cost of the coverage, and industry practice. Separate property and liability coverage may be purchased on a stand-alone basis for certain assets, such as the development of One Vanderbilt.
On January 12, 2015, the Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007 ("TRIPRA") (formerly the Terrorism Risk Insurance Act) was reauthorized until December 31, 2020 pursuant to the Terrorism Insurance Program Reauthorization and Extension Act of 2015. The TRIPRA 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 $120.0 million, which will increase by $20.0 million per annum, commencing December 31, 2015 (Trigger). Coinsurance under TRIPRA is 16%, increasing 1% per annum, as of December 31, 2015 (Coinsurance). There are no assurances TRIPRA will be further extended.
Our wholly-owned taxable REIT subsidiary, Belmont Insurance Company, or Belmont, acts as a captive insurance company and as one of the elements of our overall insurance program. Belmont was formed in an effort, among other reasons, to stabilize to some extent the impact of insurance market fluctuations. Belmont is licensed by New York State as a direct insurer of Terrorism and NBCR Terrorism, and a reinsurer with respect to portions of our General Liability, Environmental Liability, Flood, Professional Liability, Employment Practices Liability and D&O coverage. Belmont purchases reinsurance for its Coinsurance and is backstopped by the Federal government for the balance of its terrorism limit for certified acts of terrorism above the Trigger. We purchase direct, third party terrorism insurance up to the Trigger for certified acts of terrorism. Belmont is backstopped by the Federal government for certified acts of NBCR terrorism above the Trigger and subject to its Coinsurance, however does not reinsure its NBCR Coinsurance requirement. There is no coverage for a NBCR terrorism act if covered industry losses are below the Trigger. As long as we own Belmont, we are responsible for its liquidity and capital resources, and the accounts of Belmont are part of our consolidated financial statements. If we experience a loss and Belmont is required to pay a claim under our insurance policies, we would ultimately record the loss to the extent of Belmont's required payment.

Therefore, certain 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.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2012 credit facility, senior unsecured notes and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from “all-risk” insurance coverage for losses due to, for example, terrorist acts is a breach of these debt and ground lease instruments allowing the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders require greater coverage that we are unable to obtain at

Table of Contents

commercially reasonable rates, we may incur substantially higher insurance premiums or our ability to finance our properties and expand our portfolio may be adversely impacted.

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

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

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

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

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

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

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

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

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

Scheduled debt payments could adversely affect our results of operations.

Cash flow could be insufficient to pay dividends and meet the payments of principal and interest required under our current mortgages, our 2012 credit facility, our senior unsecured notes, our debentures and indebtedness outstanding at our joint venture properties. The total principal amount of our outstanding consolidated indebtedness was $6.6 billion as of December 31, 2016, consisting of a $1.2 billion unsecured bank term loan, $1.1 billion under our senior unsecured notes, $0.1 billion of junior subordinated deferrable interest debentures, $4.1 billion of non-recourse mortgages and loans payable on certain of our properties and debt and preferred equity investments, and $0.1 billion letters of credit. In addition, we could increase the amount of our outstanding consolidated indebtedness in the future, in part by borrowing under the revolving credit facility portion of our 2012 credit facility. The $1.6 billion revolving credit facility portion of our 2012 credit facility currently matures in March 2020, which includes two six-month extension options. In the first quarter of 2015, we modified and extended the revolving credit facility from March 2018 to March 2020 and reduced the margin by 25 basis points. This modification took effect in the first quarter of 2015. As of December 31, 2016, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was $6.5 billion, of which our proportionate share was $2.7 billion. As of December 31, 2016, we had no recourse indebtedness outstanding at our unconsolidated joint venture properties.

Table of Contents

If we are unable to make payments under our 2012 credit facility, all amounts due and owing at such time shall accrue interest at a rate equal to 2% higher than the rate at which each draw was made. If we are unable to make payments under our senior unsecured notes, the principal and unpaid interest will become immediately payable. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make payments under our 2012 credit facility or our senior unsecured notes could trigger defaults under the terms of our other financings, making such financings at risk of being declared immediately payable, and would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which may require substantial principal payments at maturity.

$267.7 million of consolidated mortgage debt and $312.2 million of unconsolidated joint venture debt is scheduled to mature in 2017 after giving effect to repayments and refinancing of consolidated and joint venture debt between December 31, 2016 and February 17, 2017 as discussed in the "Financial Statements and Supplementary Data" section. At the present time, we intend to repay, refinance, or exercise extension options on 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 extended or refinanced debt would adversely affect cash flow and our ability to service debt obligations and pay dividends and distributions to security holders. If any principal payments due at maturity cannot be repaid, refinanced or extended, our cash flow will not be sufficient to repay maturing or accelerated debt.

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

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

Rising interest rates could adversely affect our cash flow.

Advances under our 2012 credit facility and certain property-level mortgage debt bear interest at a variable rate. Our consolidated variable rate borrowings totaled $1.1 billion at December 31, 2016. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing additional amounts under our 2012 credit facility, which consisted of a $1.6 billion revolving credit facility. Borrowings under our revolving credit facility and term loan bore interest at the 30-day LIBOR, plus spreads of 125 basis points and 140 basis points, respectively, at December 31, 2016. As of December 31, 2016, borrowings under our term loan and junior subordinated deferrable interest debentures totaled $1.2 billion and $100.0 million, respectively, and bore weighted average interest at 2.05% and 1.93%, respectively. We may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance our debt at higher rates. At December 31, 2016, a hypothetical 100 basis point increase in interest rates across each of our variable interest rate instruments would decrease our annual interest costs by $2.4 million and would increase our share of joint venture annual interest costs by $11.6 million. Our joint ventures may also incur variable rate debt and face similar risks. Accordingly, increases in interest rates could adversely affect our results of operations and financial conditions and our ability to continue to pay dividends and distributions to security holders.

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

The interest rate hedge instruments we use to manage some of our exposure to interest rate volatility involve risk and counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to interest rate changes and when existing interest rate hedges terminate, we may incur increased costs in putting in place further interest rate hedges. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

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

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2016, assuming the conversion of all outstanding units of the Operating Partnership into shares of SL Green's common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of $2.7 billion, was 43.3%. Our market capitalization is variable and does not necessarily reflect the fair market value of our assets at all times. We also consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service. Any changes that increase our debt-to-market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease.

A downgrade in our credit ratings could materially adversely affect our business and financial condition.
Our credit rating and the credit ratings assigned to our debt securities and our preferred stock could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and any rating could be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant such action. Moreover, these credit ratings are not recommendations to buy, sell or hold our common stock or any other securities. If any of the credit rating agencies that have rated our securities downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a "watch list" for a possible downgrading or lowering, or otherwise indicates that its outlook for that rating is negative, such action could have a material adverse effect on our costs and availability of funding, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows, the trading price of our securities and our ability to satisfy our debt service obligations and to pay dividends and distributions to security holders.
Debt and preferred equity investments could cause us to incur expenses, which could adversely affect our results of operations.
We held first mortgages, mezzanine loans, junior participations and preferred equity interests in 64 investments with an aggregate net book value of $2.0 billion including $0.3 billion of investments recorded in balance sheet line items other than the Debt and Preferred Equity Investments line item at December 31, 2016. Some of these instruments may be recourse to their sponsors, while others are limited to the collateral securing the loan. In the event of a default under these obligations, we may have to take possession of the collateral securing these interests. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce their obligations to us. Declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization even if we make substantial improvements or repairs to the underlying real estate in order to maximize such property's investment potential. In addition, we may invest in mortgage-backed securities and other marketable securities.
We maintain and regularly evaluate the need for reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses and the value of the underlying collateral. We cannot be certain that our judgment will prove to be correct and that our reserves will be adequate over time to protect against future losses because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. As of December 31, 2016, we had no recorded reserves for possible credit losses. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse effect on our financial performance, the market prices of our securities and our ability to pay dividends and distributions to security holders.
Joint investments could be adversely affected by our lack of sole decision-making authority and reliance upon a co-venturer's financial condition.
We co-invest with third parties through partnerships, joint ventures, co-tenancies or other structures, and by acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, we may not be in a position to exercise sole decision-making authority regarding such property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals which are competitive or inconsistent with our business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we, nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. In addition, we may in specific circumstances be liable for the actions of our third-party partners, co-tenants or co-venturers. As of December 31, 2016, our unconsolidated joint ventures owned 41 properties and we had an aggregate cost basis in these joint ventures totaling $1.9 billion. As of December 31, 2016, our share of unconsolidated joint venture debt, which is non-recourse to us, totaled $2.7 billion. None of the joint venture debt is recourse to us as of December 31, 2016.

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

Table of Contents

We may incur costs to comply with environmental and health and safety laws.
We are subject to various federal, state and local environmental and health and safety laws which change from time to time. These laws regulate, among other things, air and water quality, our use, storage, disposal and management of hazardous substances and wastes and can impose liability on current and former property owners or operators for the clean-up of certain hazardous substances released on a property and any associated damage to natural resources without regard to whether the release was in compliance with law or whether it was caused by, or known to, the property owner or operator. The presence of hazardous substances on our properties may adversely affect occupancy and our ability to develop or sell or borrow against those properties. In addition to potential liability for clean-up costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Various laws also impose liability for the clean-up of contamination at any facility (e.g., a landfill) to which we have sent hazardous substances for treatment or disposal, without regard to whether the materials were transported, treated and disposed in accordance with law. Being held responsible for such a clean-up could result in significant cost to us and have a material adverse effect on our financial condition and results of operations.
We may incur significant costs complying with the Americans with Disabilities Act and other regulatory and legal requirements.
Our properties may be subject to risks relating to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future, which could result in fines being levied against us in the future. The occurrence of any of these events could have an adverse impact on our cash flows and ability to pay dividends to stockholders.
Under the Americans with Disabilities Act, or ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance with laws and regulations to which we are subject. If one or more of our properties is not in compliance with the material provisions of the ADA or other legislation, then we may be required to incur additional costs to bring the property into compliance with the ADA or state or local laws. We cannot predict the ultimate amount of the cost of compliance with ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations and cash flow and/or ability to satisfy our debt service obligations and to pay dividends and distributions to security holders could be adversely affected.
Our charter documents, debt instruments and applicable law may hinder any attempt to acquire us, which could discourage takeover attempts and prevent our stockholders from receiving a premium over the market price of our stock.
Provisions of SL Green's charter and bylaws could inhibit changes in control.
A change of control of our company could benefit stockholders by providing them with a premium over the then-prevailing market price of our stock. However, provisions contained in SL Green's charter and bylaws may delay or prevent a change in control of our company. These provisions, discussed more fully below, are:

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

SL Green's board of directors is staggered into three separate classes.
SL Green's board of directors is divided into three classes, with directors in each such class serving staggered three year terms. The terms of the class I, class II and class III directors expire in 2017, 2018 and 2019, respectively. Our staggered board may deter a change in control because of the increased time period necessary for a third-party to acquire control of the board.
We have a stock ownership limit.
To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals at any time during the last half of any taxable year. For this purpose, stock may be "owned" directly, as well as indirectly under certain constructive ownership rules, including, for

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

SL Green's board of directors has the discretion to raise or waive this limitation on ownership for any stockholder if deemed to be in our best interest. SL Green's board of directors has granted such waivers from time to time. 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.

Table of Contents

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

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

Debt may not be assumable.

We had $6.6 billion in consolidated debt as of December 31, 2016. Certain of this debt is not assumable and may be subject to significant prepayment penalties. These limitations could deter a change in control of our company.

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

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

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

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

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

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation, voting together as a single group; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

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

In addition, Maryland law provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" will not have voting rights with respect to the control shares except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror, by officers of the corporation or by directors who are employees of the corporation, under the Maryland Control Share Acquisition Act. "Control shares" means voting shares of stock that, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third; (ii) one-third or more but less than a majority; or (iii) a majority or more of all voting power. A "control share acquisition" means the acquisition of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

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

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

Table of Contents

Future issuances of common stock, preferred stock and convertible debt could dilute existing stockholders' interests.
SL Green's charter authorizes its board of directors to issue additional shares of common stock, preferred stock and convertible equity or debt without stockholder approval and without the requirement to offer rights of pre-emption to existing stockholders. Any such issuance could dilute our existing stockholders' interests. Also, any future series of preferred stock may have voting provisions that could delay or prevent a change of control of our company.
Changes in market conditions could adversely affect the market price of SL Green's common stock.
As with other publicly traded equity securities, the value of SL Green's common stock depends on various market conditions, which may change from time to time. In addition to the current economic environment and future volatility in the securities and credit markets, the following market conditions may affect the value of SL Green's common stock:

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

The market value of SL Green's common stock is based on a number of factors including, but not limited to, the market's perception of the current and future value of our assets, our growth potential and our current and potential future earnings and cash dividends. Consequently, SL Green's common stock may trade at prices that are higher or lower than our net asset value per share of common stock.
The trading price of SL Green's common stock has been and may continue to be subject to wide fluctuations.
Between January 1, 2016 and December 31, 2016, the closing sale price of SL Green's common stock on the New York Stock Exchange, or the NYSE, ranged from $80.54 to $119.20 per share. On February 17, 2017, the closing sale price of SL Green's common stock on the NYSE was $111.28. Our stock price may fluctuate in response to a number of events and factors, such as those described elsewhere in this "Risk Factors" section. Additionally, the amount of our leverage may hinder the demand for our common stock, which could have a material adverse effect on the market price of our common stock.
Market interest rates may have an effect on the value of SL Green's common stock.
If market interest rates go up, prospective purchasers of shares of SL Green's common stock may expect a higher distribution rate on SL Green's common stock. However, higher market interest rates may not result in more funds for us to distribute and could increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of SL Green's common stock to decrease.
Limitations on our ability to sell or reduce the indebtedness on specific mortgaged properties could adversely affect the value of SL Green's common stock.
In connection with past and future acquisitions of interests in properties, we have or may agree to restrictions on our ability to sell or refinance the acquired properties for certain periods. These limitations could result in us holding properties which we would otherwise sell, or prevent us from paying down or refinancing existing indebtedness, any of which may have adverse consequences on our business and result in a material adverse effect on our financial condition and results of operations.
We face potential conflicts of interest.
There are potential conflicts of interest between us and Stephen L. Green.
There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and affiliated entities in our initial public offering. Mr. Green serves as the chairman of SL Green's board of directors and is an executive officer. If we sell a property in a transaction in which a taxable gain is recognized, for tax purposes the built-in gain would be allocated solely to him and not to us. As a result, Mr. Green has a conflict of interest if the sale of a property he contributed is in our best interest but not his.
In addition, Mr. Green's tax basis includes his share of debt, including mortgage indebtedness, owed by the Operating Partnership. If the Operating Partnership were to retire such debt, then he would experience a decrease in his share of liabilities, which, for tax purposes, would be treated as a distribution of cash to him. To the extent the deemed distribution of cash exceeded his tax basis, he would recognize gain. As a result, Mr. Green has a conflict of interest if

the refinancing of indebtedness is in our best interest but not his.

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

Alliance Building Services, or Alliance, and its affiliates are partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL Green's board of directors, and provide services to certain properties owned by us. Alliance's affiliates include First Quality Maintenance, L.P., or First Quality, Classic Security LLC, Bright Star Couriers LLC and Onyx Restoration Works, and provide cleaning, extermination, security, messenger, and restoration services, respectively. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements.

Our company and our tenants accounted for 24.8% of Alliance's 2016 estimated total revenue, based on information provided to us by Alliance. While we believe that the contracts pursuant to which these services are provided were the result of arm's length negotiations, there can be no assurance that the terms of such agreements, or dealings between the parties during the performance of such agreements, will be as favorable to us as those which could be obtained from unaffiliated third parties providing comparable services under similar circumstances.

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

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

If SL Green fails to qualify as a REIT, the funds available for distribution to our stockholders would be substantially reduced as we would not be allowed a deduction for dividends paid to our stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates and we could be subject to the federal alternative minimum tax and possibly increased state and local taxes.

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

We may be subject to adverse legislative or regulatory tax changes

The rules dealing with U.S. federal income taxation are continually under review by Congress, the IRS, and the U.S. Department of the Treasury. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets.

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

In order to qualify as a REIT, we are required to annually distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gain. In order to avoid taxation of our income, we are required to annually distribute to our stockholders all of our taxable income, including net capital gain. In order to satisfy these requirements, we may make distributions that are payable partly in cash and partly in shares of our common stock. If we pay such a dividend, taxable stockholders would be required to include the entire amount of the dividend, including the portion paid with shares of common stock, as income to the extent of our current and accumulated earnings and profits, and may be required to pay income taxes with respect to such dividends in excess of the cash dividends received.

We are dependent on external sources of capital.

We need a substantial amount of capital to operate and grow our business. This need is exacerbated by the distribution requirements imposed on us for SL Green to qualify as a REIT. We therefore rely on third-party sources of capital, which may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. In addition, we anticipate raising money in the public equity and debt markets with some regularity and our ability to do so will depend upon the general conditions prevailing in these markets. At any time, conditions may exist which effectively prevent us, or REITs in general, from accessing

Table of Contents

these markets. Moreover, additional equity offerings may result in substantial dilution of our stockholders' interests, and additional debt financing may substantially increase our leverage.

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

We are dependent on the efforts of Marc Holliday, our chief executive officer, and Andrew W. Mathias, our president. These officers have employment agreements which expire in January 2019 and December 2017, respectively. A loss of the services of either of these individuals could adversely affect our operations and could be negatively perceived by the market resulting in a decrease in our stock price.

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

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

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

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

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

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

Our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our continued efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment have required the commitment of significant financial and managerial resources. We expect these efforts to require the continued commitment of significant resources. Further, our directors, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business.

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, 2016, we did not have any unresolved comments with the staff of the SEC.

Table of Contents

ITEM 2. PROPERTIES

Our Portfolio

General

As of December 31, 2016, we owned or held interests in 24 consolidated commercial office buildings encompassing approximately 16.1 million rentable square feet and seven unconsolidated commercial office buildings encompassing approximately 6.6 million rentable square feet located primarily in midtown Manhattan. Many of these buildings include some amount of retail space on the lower floors, as well as basement/storage space. As of December 31, 2016, our portfolio also included ownership interests in 25 consolidated commercial office buildings encompassing approximately 4.1 million rentable square feet and two unconsolidated commercial office buildings encompassing approximately 640,000 rentable square feet located in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey. We refer to these buildings as our Suburban properties. Some of these buildings also include a small amount of retail space on the lower floors, as well as basement/storage space.

As of December 31, 2016, we also owned investments in 20 prime retail properties encompassing approximately 818,063 square feet, eight buildings in some stage of development or redevelopment encompassing approximately 814,149 square feet, 21 residential buildings encompassing 4,209 units (approximately 3,719,869 square feet) and two land interests under building improvements that are leased to a third party, encompassing approximately 203,456 square feet. In addition, we manage one office building owned by a third party encompassing approximately 336,000 square feet and held debt and preferred equity investments with a book value of $2.0 billion including $0.3 billion of investments recorded in balance sheet line items other than the Debt and Preferred Equity Investments line item.

The following tables set forth certain information with respect to each of the Manhattan and Suburban office, prime retail, residential, development and redevelopment properties and land interest in the portfolio as of December 31, 2016:

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
CONSOLIDATED OFFICE PROPERTIES									
"Same Store"									
100 Church Street	1959/2010	Downtown	1,047,500	4%	99.5%	$41,647,071	3%	19	$38.05
110 East 42nd Street	1921	Grand Central	215,400	1	92.0	10,024,277	1	24	53.92
125 Park Avenue	1923/2006	Grand Central	604,245	2	99.9	40,541,210	3	25	63.87
220 East 42nd Street	1929	Grand Central	1,135,000	4	75.8	41,419,549	3	28	47.72
304 Park Avenue South	1930	Midtown South	215,000	1	100.0	15,090,848	1	12	70.99
420 Lexington Ave (Graybar)	1927/1999	Grand Central North	1,188,000	4	97.0	78,306,834	6	207	55.56
461 Fifth Avenue (5)	1988	Midtown	200,000	1	99.9	18,655,416	1	11	89.91
	1956/2006		921,000	3	96.8	60,635,863	5	23	67.51

485 Lexington Avenue		Grand Central North							
555 West 57th Street	1971	Midtown West	941,000	3	99.9	40,627,045	3	9	40.28
609 Fifth Avenue	1925/1990	Rockefeller Center	160,000	1	76.6	15,376,177	1	13	123.17
625 Madison Avenue	1956/2002	Plaza District	563,000	2	98.8	59,212,718	4	25	102.95
635 Sixth Avenue	1902	Midtown South	104,000	1	100.0	8,979,247	1	2	95.22
641 Sixth Avenue	1902	Midtown South	163,000	1	100.0	13,670,136	1	7	80.60
711 Third Avenue—50.00%[6]	1955	Grand Central North	524,000	2	92.2	32,258,214	2	18	59.32
750 Third Avenue	1958/2006	Grand Central North	780,000	3	99.0	47,784,221	4	33	60.21
810 Seventh Avenue	1970	Times Square	692,000	3	93.6	44,995,971	3	47	65.72
919 Third Avenue—51.00%	1970	Grand Central North	1,454,000	5	100.0	97,465,047	4	8	65.16
1185 Avenue of the Americas	1969	Rockefeller Center	1,062,000	4	99.0	91,540,901	7	15	85.03
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	87.9	39,528,575	3	34	76.19
1515 Broadway	1972	Times Square	1,750,000	6	97.3	117,147,660	9	11	69.87
1 Madison Avenue	1960/2002	Park Avenue South	1,176,900	4	100.0	73,995,799	6	2	62.51
Subtotal / Weighted Average			15,458,045	57%	95.9%	$988,902,779	71%	573	

23

Table of Contents

Manhattan Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
"Non Same Store"									
30 East 40th Street—60.00%	1927	Grand Central South	69,446	—%	94.5%	4,508,616	—%	57	$67.92
110 Greene Street—90.00%	1908/1920	Soho	223,600	1	69.3	9,681,581	1	58	76.70
600 Lexington Avenue	1983/2009	Grand Central North	303,515	1	85.1	20,231,283	1	32	79.56
Subtotal / Weighted Average			596,561	2%	80.3%	34,421,480	2%	147	
Total / Weighted Average Manhattan Consolidated Office Properties			16,054,606	59%	95.4%	$1,023,324,259	73%	720	
UNCONSOLIDATED OFFICE PROPERTIES									
"Same Store"									
3 Columbus Circle—48.90%	1927/2010	Columbus Circle	530,981	2%	96.8%	$48,621,768	2%	34	$94.87
100 Park Avenue—50.00%	1950/1980	Grand Central South	834,000	3	92.3	61,755,892	2	39	74.35
521 Fifth Avenue—50.50%	1929/2000	Grand Central	460,000	2	89.2	28,059,134	1	42	64.14
800 Third Avenue—60.50%	1972/2006	Grand Central North	526,000	2	97.8	35,154,492	2	42	64.05
1745 Broadway—56.88%	2003	Midtown	674,000	2	100.0	43,511,618	2	1	67.50
Subtotal / Weighted Average			3,024,981	11%	95.3%	$217,102,904	9%	158	
"Non Same Store"									
11 Madison Avenue—60.00%	1929	Park Avenue South	2,314,000	9%	98.0%	134,677,360	6%	9	$60.66
280 Park Avenue—50.00%	1961	Park Avenue	1,219,158	4	82.3	104,877,831	4	30	99.74
Subtotal / Weighted Average			3,533,158	13%	92.6%	$239,555,191	10%	39	
Total / Weighted Average Unconsolidated Office Properties			6,558,139	24%	93.8%	$456,658,095	19%	197	
Manhattan Office Grand Total / Weighted Average			22,612,745	83%	94.9%	$1,479,982,354	92%	917	
						$1,220,882	92%		

Manhattan Office Grand Total—SLG share of Annualized Rent			
Manhattan Office Same Store Occupancy %—Combined	18,483,026	82%	95.8%

Table of Contents

Suburban Properties	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
CONSOLIDATED OFFICE PROPERTIES									
"Same Store" Westchester, NY									
1100 King Street	1983-1986	Rye Brook, Westchester	540,000	2%	70.4%	$9,976,658	1%	31	$26.62
520 White Plains Road	1979	Tarrytown, Westchester	180,000	1	96.1	4,355,388	—	13	27.29
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	1	49.5	1,611,104	—	10	23.48
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	1	66.0	4,248,251	—	11	26.37
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	1	95.8	5,885,344	1	9	25.82
500 Summit Lake Drive	1986	Valhalla, Westchester	228,000	1	97.8	5,373,160	1	7	27.22
360 Hamilton Avenue	2000	White Plains, Westchester	384,000	1	98.4	14,466,326	1	21	37.97
Westchester, NY Subtotal/Weighted Average			2,005,000	8%	81.9%	$45,916,231	4%	102	
"Same Store" Connecticut									
Landmark Square	1973-1984	Stamford, Connecticut	862,800	3%	89.6%	$22,235,257	2%	126	$34.96
680 Washington Boulevard—51.00%	1989	Stamford, Connecticut	133,000	—	87.0	5,224,048	—	9	45.69
750 Washington Boulevard—51.00%	1989	Stamford, Connecticut	192,000	1	95.0	7,867,284	1	9	43.15
1055 Washington Boulevard	1987	Stamford, Connecticut	182,000	1	66.5	4,555,476	—	19	36.27
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400	—	91.3	4,324,770	—	27	34.73
Connecticut Subtotal/Weighted Average			1,513,200	5%	87.5%	$44,206,835	3%	190	
"Same Store" New Jersey									
125 Chubb Way	2008	Lyndhurst, New Jersey	278,000	1%	73.3%	$4,734,427	—%	7	$24.40
New Jersey Subtotal/Weighted Average			278,000	1%	73.3%	$4,734,427	0%	7	
"Same Store" Brooklyn, NY									
16 Court Street	1927-1928	Brooklyn, New York	317,600	1%	95.2%	$13,042,385	1%	67	$42.86
Brooklyn, NY Subtotal/Weighted Average			317,600	1%	95.2%	$13,042,385	1%	67	
			4,113,800	15%	84.4%	$107,899,878	8%	366	

Total / Weighted Average Consolidated Office Properties									
UNCONSOLIDATED OFFICE PROPERTIES									
"Non Same Store"									
Jericho Plaza—11.67%	1980	Jericho, New York	640,000	2%	71.0%	15,786,132	—%	34	$35.48
Total / Weighted Average Unconsolidated Office Properties			640,000	2%	71.0%	$15,786,132	0%	34	
Suburban Grand Total / Weighted Average			4,753,800	17%	82.6%	$123,686,010		400	
Suburban Office Grand Total—SLG share of Annualized Rent						$103,327,369	8%		
Suburban Office Same Store Occupancy %—Combined			4,113,800	87%	84.4%				
Portfolio Office Grand Total			27,366,545	100%		$1,603,668,367		1,317	
Portfolio Office Grand Total—SLG Share of Annualized Rent						$1,324,209,214	100%		

Table of Contents

	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
PRIME RETAIL									
"Same Store" Prime Retail									
11 West 34th Street—30.00%	1920/2010	Herald Square/Penn Station	17,150	2%	100.0%	$2,647,531	1%	1	$237.45
19-21 East 65th Street—90.00%	1928-1940	Plaza District	23,610	3	26.6	491,558	1	10	55.92
21 East 66th Street—32.28%	1921	Plaza District	13,069	2	100.0	3,727,797	2	1	285.24
121 Greene Street—50.00%	1887	Soho	7,131	1	100.0	1,458,648	1	2	204.55
315 West 33rd Street—The Olivia	2000	Penn Station	270,132	33	100.0	14,903,527	21	10	55.17
717 Fifth Avenue—10.92%	1958/2000	Midtown/Plaza District	119,550	15	81.1	43,952,718	7	5	402.40
724 Fifth Avenue—50.00%	1921	Plaza District	65,010	8	97.0	24,143,799	17	10	359.83
752 Madison Avenue	1996/2012	Plaza District	21,124	3	100.0	13,597,351	19	1	643.49
762 Madison Avenue—90.00%	1910	Plaza District	6,109	1	100.0	1,798,728	2	5	273.40
Williamsburg Terrace	2010	Brooklyn, New York	52,000	6	100.0	1,791,476	2	3	34.43
Subtotal/Weighted Average			594,885	73%	93.0%	$108,513,133	72%	48	
"Non Same Store" Prime Retail									
5-7 Dey Street, 183 & 187 Broadway	1921	Lower Manhattan	82,700	10%	49.9%	$2,466,306	3%	20	$102.11
102 Greene Street	1910	SoHo	9,200	1	54.3	600,000	1	1	152.79
115 Spring Street	1900	SoHo	5,218	1	100.0	2,800,000	4	1	536.60
131-137 Spring Street—20.00%	1915	SoHo	68,342	8	93.9	12,041,005	3	9	187.84
1552-1560 Broadway—50.00%	1926/2014	Times Square	57,718	7	67.5	24,698,700	17	2	633.84
Subtotal/Weighted Average			223,178	27%	69.3%	$42,606,011	28%	33	
Total / Weighted Average Prime Retail Properties			818,063	100%	86.5%	$151,119,144	100%	81	
DEVELOPMENT/REDEVELOPMENT									
One Vanderbilt (7)	N/A	Grand Central	—	—%	—%	$—	—%	—	$—
10 East 53rd Street—55.00%	1972/2014	Plaza District	354,300	43	58.3	19,347,138	63	27	93.26

562 Fifth Avenue	1920	Plaza District	42,635	5	100.0	2,100,000	12	1	49.26
650 Fifth Avenue—50.00%	1977-1978	Plaza District	69,214	9	2.9	1,240,437	4	1	622.71
719 Seventh Avenue—75.00%	1927	Times Square	—	—	—	—	—	—	—
175-225 Third Avenue—95.00%	1972/1998	Brooklyn, New York	—	—	—	—	—	—	—
55 West 46th Street—25.00%	2009	Midtown	347,000	43	50.1	13,668,454	20	5	93.03
1640 Flatbush Avenue	1966	Brooklyn, New York	1,000	—	100.0	85,152	1	1	85.15
Total / Weighted Average Development/Redevelopment Properties			814,149	100%	52.3%	$36,441,181	100%	35	

	Year Built/ Renovated	SubMarket	Approximate Rentable Square Feet	Percent of Portfolio Rentable Square Feet	Percent Occupied (1)	Annualized Cash Rent (2)	Percent of Portfolio Annualized Cash Rent (3)	Number of Tenants	Annualized Cash Rent per Leased Square Foot (4)
LAND									
635 Madison Avenue		Plaza District	176,530	87%	100.0%	$3,677,574	100%		
333 East 22nd St		Midtown South	26,926	13	—	—	—		
Total / Weighted Average Land			203,456	100%	86.8%	$3,677,574	100%		

Table of Contents

		Useable Sq. Feet	Total Units	Percent Occupied (1)		Annualized Cash Rent (2)	Average Monthly Rent Per Unit
RESIDENTIAL							
"Same Store" Residential							
315 West 33rd Street	Penn Station	222,855	333	93.1	%	$15,319,536	$ 4,131
400 East 57th Street—41.00%	Upper East Side	290,482	261	88.1		10,319,420	3,396
400 East 58th Street—90.00%	Upper East Side	140,000	126	89.7		4,984,203	3,304
1080 Amsterdam - 92.50%	Upper West Side	82,250	97	96.9		4,596,240	3,864
Subtotal/Weighted Average		735,587	817	91.9	%	$35,423,999	$ 3,749
"Non Same Store" Residential							
Upper East Side Residential—90.00%	Upper East Side	27,000	28	39.3	%	$621,947	$ 1,255
605 West 42nd Street—20.00%	Midtown West	927,358	1,175	65.1		37,704,756	4,107
Stonehenge Portfolio	Various	2,029,924	2,189	91.3		100,914,675	3,892
Subtotal/Weighted Average		2,984,282	3,392	81.8	%	$139,241,378	$ 3,941
Total / Weighted Average Residential Properties		3,719,869	4,209	83.8	%	$174,665,377	$ 3,900

(1) Excludes leases signed but not yet commenced as of December 31, 2016 .

(2) Annualized Cash Rent represents the monthly contractual rent under existing leases as of December 31, 2016 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, 2016 for the 12 months ending December 31, 2017 will reduce cash rent by $76.8 million for our consolidated properties and $13.5 million for our unconsolidated properties.

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

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

(5) The Company has an option to acquire the fee interest for a fixed price on a specific date.

(6) The Company owns 50% of the fee interest.

(7) The 1,730,989 gross square foot project, which is anticipated to be completed by the third quarter of 2020, has a total development budget, including land mark-up, of $3.17 billion excluding fees paid to the Company and up to $50.0 million in discretionary owner contingencies. As of December 31, 2016, $2.30 billion of the budget remains to be spent, comprised of $863.2 million of partners' equity, and $1.44 billion of financing available under the project's construction facility.

Historical Occupancy

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

	Leased Occupancy Rate of Manhattan Operating Portfolio(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, 2016	94.9	%	90.0	%	92.2	%
December 31, 2015	94.2	%	90.9	%	91.3	%
December 31, 2014	95.3	%	89.4	%	91.6	%

December 31, 2013	94.3	%	88.3	%	89.1	%
December 31, 2012	94.3	%	89.1	%	90.0	%

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(1) Includes leases signed but not yet commenced as of the relevant date in our wholly-owned and joint venture properties.

(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.

Table of Contents

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

	Leased Occupancy Rate of Westchester Operating Portfolio(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, 2016	81.9 %	75.1 %	87.5 %	73.7 %
December 31, 2015	77.5 %	76.0 %	84.1 %	79.9 %
December 31, 2014	78.8 %	76.6 %	83.6 %	75.7 %
December 31, 2013	78.1 %	79.4 %	80.5 %	74.7 %
December 31, 2012	79.2 %	78.5 %	80.7 %	73.7 %

(1) Includes leases signed but not yet commenced as of the relevant date in our wholly-owned and joint venture properties.
(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, 2021, the average annual lease expirations at our Manhattan consolidated and unconsolidated operating properties is expected to be approximately 1.3 million square feet and approximately 0.3 million square feet, respectively, representing an average annual expiration rate of approximately 8.4% and approximately 4.3%, respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

The following tables set forth a schedule of the annual lease expirations at our Manhattan consolidated and unconsolidated operating properties, respectively, with respect to leases in place as of December 31, 2016 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Manhattan Consolidated Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet	Annualized Cash Rent of Expiring Leases(2)	Percentage of Annualized Cash Rent of Expiring Leases	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2017(4)	103	834,502	5.3 %	$ 52,380,075	5.1 %	$ 62.77
2018	81	578,443	3.7	46,786,194	4.6	80.88
2019	83	1,094,850	6.9	76,803,121	7.5	70.15
2020	91	2,324,895	14.7	151,005,604	14.8	64.95
2021	96	1,780,793	11.3	113,833,575	11.2	63.92
2022	61	1,000,636	6.3	68,373,629	6.7	68.33
2023	39	788,591	5.0	45,931,872	4.5	58.25

2024	27	263,374	1.7	18,531,973	1.8	70.36
2025	35	683,690	4.3	59,803,192	5.9	87.47
2026 & thereafter	119	6,470,098	40.8	385,199,730	37.9	59.54
Total/weighted average	735	15,819,872	100.0 %	$1,018,648,965	100.0 %	$ 64.39

(1) Tenants may have multiple leases.

(2) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2016 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, 2016 for the 12 months ending December 31, 2017 will reduce cash rent by $70.3 million for the properties.

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

(4) Includes approximately 27,470 square feet and annualized cash rent of $1.5 million occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2016.

Table of Contents

Manhattan Unconsolidated Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet		Annualized Cash Rent of Expiring Leases(2)	Percentage of Annualized Cash Rent of Expiring Leases		Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2017	15	168,865	2.7	%	$12,946,827	2.8	%	$ 76.67
2018	25	184,000	2.9		19,563,327	4.3		106.32
2019	24	394,517	6.3		31,689,930	6.9		80.33
2020	22	305,721	4.9		19,001,451	4.2		62.15
2021	19	295,237	4.7		17,890,405	3.9		60.60
2022	18	182,971	2.9		12,982,175	2.8		70.95
2023	13	468,116	7.5		35,661,293	7.8		76.18
2024	16	358,900	5.7		32,611,877	7.1		90.87
2025	13	404,759	6.5		33,761,284	7.4		83.41
2026 & thereafter	33	3,482,533	55.9		240,549,525	52.8		69.07
Total/weighted average	198	6,245,619	100.0	%	$456,658,094	100.0	%	$ 73.12

(1) Tenants may have multiple leases.

(2) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2016 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, 2016 for the 12 months ending December 31, 2017 will reduce cash rent by $13.5 million for the joint venture properties.

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

(4) Includes approximately 291 square feet and annualized cash rent of $6,600 occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2016.

Table of Contents

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, 2021, the average annual lease expirations at our Suburban consolidated and unconsolidated operating properties is expected to be approximately 0.4 million square feet and approximately 48,870 square feet, respectively, representing an average annual expiration rate of approximately 11.0% per year and approximately 10.9%, 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 operating properties, respectively, with respect to leases in place as of December 31, 2016 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Suburban Consolidated Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet		Annualized Cash Rent of Expiring Leases(2)	Percentage of Annualized Cash Rent of Expiring Leases		Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)
2017[4]	60	253,908	7.8	%	$9,406,110	8.7	%	$ 37.05
2018	55	291,529	8.9		10,024,149	9.3		34.38
2019	53	476,105	14.5		13,908,934	12.9		29.21
2020	37	304,384	9.3		11,368,742	10.5		37.35
2021	42	467,193	14.3		14,739,151	13.7		31.55
2022	31	149,124	4.6		5,753,446	5.3		38.58
2023	20	174,333	5.3		5,751,636	5.3		32.99
2024	15	212,802	6.5		7,222,120	6.7		33.94
2025	16	167,698	5.1		5,503,511	5.1		32.82
2026 & thereafter	37	776,078	23.7		24,222,082	22.5		31.21
Total/weighted average	366	3,273,154	100.0	%	$107,899,881	100.0	%	$ 32.97

(1) Tenants may have multiple leases.

(2) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2016 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, 2016 for the 12 months ending December 31, 2017 will reduce cash rent by $6.5 million for the properties.

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

(4) Includes approximately 66,467 square feet and annualized cash rent of $2.4 million occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2016.

Suburban Unconsolidated Operating Properties Year of Lease Expiration	Number of Expiring Leases(1)	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet	Annualized Cash Rent of Expiring Leases(2)	Percentage of Annualized Cash Rent of Expiring Leases	Annualized Cash Rent Per Leased Square Foot of Expiring Leases(3)

2017[4]	8	47,077	10.5 %	$1,603,049	10.2 %	$ 34.05
2018	2	22,538	5.0	925,624	5.9	41.07
2019	6	31,879	7.1	1,075,837	6.8	33.75
2020	3	38,562	8.7	1,496,230	9.5	38.80
2021	5	104,296	23.4	3,882,572	24.6	37.23
2022	1	16,383	3.7	585,204	3.7	35.72
2023	2	42,334	9.5	1,422,001	9.0	33.59
2024	2	52,707	11.8	1,813,260	11.5	34.40
2025	1	1,729	0.4	57,600	0.4	33.31
2026 & thereafter	4	88,854	19.9	2,924,754	18.4	32.92
Total/weighted average	34	446,359	100.0 %	$15,786,131	100.0 %	$ 35.37

Table of Contents

(1) Tenants may have multiple leases.

(2) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2016 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, 2016 for the 12 months ending December 31, 2017 will reduce cash rent by zero for the joint venture properties.

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

(4) Includes approximately 4,060 square feet and annualized cash rent of $0.1 million occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2016.

Tenant Diversification

At December 31, 2016, our Manhattan and Suburban office properties were leased to 1,317 tenants, which are engaged in a variety of businesses, including professional services, financial services, media, apparel, business services and government/non-profit. The following table sets forth information regarding the leases with respect to the 30 largest tenants in our Manhattan and Suburban office properties, which are not intended to be representative of our tenants as a whole, based on the amount of square footage leased by our tenants as of December 31, 2016:

Tenant	Properties	Lease Expiration	Total Leased Square Feet	Percentage of Aggregate Portfolio Leased Square Feet		Percentage of SL Green's Share of Aggregate Portfolio Annualized Cash Rent	
Credit Suisse Securities (USA), Inc.	1 Madison Avenue, 11 Madison Avenue & 1055 Washington Blvd	2017, 2019, 2020 & 2037	2,401,307	8.8	%	8.1	%
Viacom International, Inc.	1515 Broadway	2031	1,330,735	4.9		6.7	
Penguin Random House, Inc.	1745 Broadway	2020 & 2033	644,598	2.4		1.9	
Sony Corporation	11 Madison Avenue	2031	578,791	2.1		1.9	
Debevoise & Plimpton, LLP	919 Third Avenue	2021	576,867	2.1		1.8	
The City of New York	16 Court Street, 100 Church Street & 420 Lexington Avenue	2017, 2020, 2030 & 2034	554,694	2.0		1.5	
Omnicom Group, Inc., Cardinia Real Estate	220 East 42nd Street	2017 & 2032	391,593	1.4		1.3	
Citigroup, N.A.	485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue & 750 Washington Blvd	2017, 2019 & 2027	388,753	1.4		1.5	
Ralph Lauren Corporation	625 Madison Avenue	2019	385,325	1.4		2.2	
Advance Magazine Group, Fairchild Publications	750 Third Avenue & 485 Lexington Avenue	2021	339,195	1.2		1.3	
C.B.S. Broadcasting, Inc.	555 West 57th Street	2023	338,527	1.2		1.1	
Metro-North Commuter Railroad Company	110 East 42nd Street & 420 Lexington Avenue	2021 & 2034	328,957	1.2		1.3	
Schulte, Roth & Zabel LLP	919 Third Avenue	2036	263,186	1.0		0.7	
Bloomberg LP	919 Third Avenue	2029	256,107	0.9		0.5	
	100 Church Street	2032	230,394	0.8		0.6	

HF Management Services LLC					
BMW of Manhattan	555 West 57th Street	2022	227,782	0.8	0.5
The City University of New York - CUNY	555 West 57th Street & 16 Court Street	2020, 2024 & 2030	227,622	0.8	0.7
WME IMG, LLC	11 Madison Avenue & 304 Park Avenue	2028 & 2030	214,707	0.8	1.0
Bloomingdales, Inc.	919 Third Avenue	2024	205,821	0.8	0.5
Amerada Hess Corp.	1185 Avenue of the Americas	2027	181,569	0.7	1.1
The Travelers Indemnity Company	485 Lexington Avenue	2021	176,838	0.6	0.9
Newmark & Company Real Estate Inc.	125 Park Avenue, 110 East 42nd Street & 680 Washington Blvd	2026 & 2031	173,438	0.6	0.7
United Nations	220 East 42nd Street	2017, 2021 & 2022	171,091	0.6	0.6
RSM McGladrey, Inc.	1185 Avenue of the Americas	2018	164,771	0.6	0.8

Table of Contents

Verizon	1100 King Street Bldg 1, 1 Landmark Square, 2 Landmark Square & 500 Summit Lake Drive	2018, 2019 & 2026	162,409	0.6	0.3
News America Incorporated	1185 Avenue of the Americas	2020	161,722	0.6	1.2
King & Spalding	1185 Avenue of the Americas	2025	159,943	0.6	1.1
Young & Rubicam, Inc.	3 Columbus Circle	2033	159,394	0.6	0.4
Yelp, Inc.	11 Madison Avenue	2025	152,232	0.6	0.6
National Hockey League	1185 Avenue of the Americas	2022	148,217	0.5	1.0
Total			11,696,585	42.6%	44.1%

Environmental Matters

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

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2016, the Company and the Operating Partnership were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio which if adversely determined could have a material adverse impact on us.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

Table of Contents

PART II

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

SL GREEN REALTY CORP.

SL Green's common stock trades on the New York Stock Exchange, or the NYSE, under the symbol "SLG." On February 17, 2017, the reported closing sale price per share of common stock on the NYSE was $111.28 and there were 330 holders of record of SL Green's common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the dividends declared by us with respect to the periods indicated.

	2016			2015		
Quarter Ended	High	Low	Dividends	High	Low	Dividends
March 31	$110.92	$80.54	$ 0.72	$134.00	$121.32	$ 0.60
June 30	$106.72	$95.51	$ 0.72	$121.32	$109.89	$ 0.60
September 30	$119.20	$102.56	$ 0.72	$116.97	$100.95	$ 0.60
December 31	$112.89	$94.23	$ 0.775	$121.80	$108.56	$ 0.72

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

UNITS

At December 31, 2016, there were 4,363,716 units of limited partnership interest of the Operating Partnership outstanding and held by persons other than the Company, which received distributions per unit in the same manner as dividends per share were distributed to common stockholders.

SL GREEN OPERATING PARTNERSHIP, L.P.

There is no established public trading market for the common units of the Operating Partnership. On February 17, 2017, there were 330 holders of record and 105,257,631 common units outstanding, 100,579,714 of which were held by SL Green. The table below sets forth the quarterly distributions paid by the Operating Partnership to holders of its common units with respect to the periods indicated.

	Distributions	
Quarter Ended	2016	2015
March 31	$0.72	$0.60
June 30	$0.72	$0.60
September 30	$0.72	$0.60
December 31	$0.775	$0.72

SL Green expects to pay dividends to its stockholders on a quarterly basis based on the distributions from the Operating Partnership to it primarily from property revenues net of operating expenses or, if necessary, from working capital or borrowings. If SL Green declares a dividend, such dividend is generally paid in the subsequent quarter.

In order for SL Green to maintain its qualification as a REIT, it must make annual distributions to its stockholders of at least 90% of its taxable income (not including net capital gains). SL Green has adopted a policy of paying regular quarterly dividends on its common stock, and the Operating Partnership has adopted a policy of paying regular quarterly distributions to its common units corresponding to dividends paid by SL Green. Cash distributions have been paid on the common stock of SL Green and the common units of the Operating Partnership since the initial public offering of SL Green. Distributions are declared at the discretion of the board of directors of SL Green and depend on actual and anticipated cash from operations, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors SL Green’s board of directors may consider relevant.

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

Table of Contents

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

ISSUER PURCHASES OF EQUITY SECURITIES

None.

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

During the years ended December 31, 2016, 2015, and 2014, we issued 292,291, 482,311 and 315,054 shares of SL Green's common stock, respectively, to holders of units of limited partnership interest in the Operating Partnership upon the redemption of such units pursuant to the partnership agreement of the Operating Partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(a)(2) thereof for transactions not involving a public offering. The units were converted into an equal number of shares of SL Green's common stock.

The following table summarizes information, as of December 31, 2016, relating to our equity compensation plans pursuant to which shares of SL Green's common stock or other equity securities may be granted from time to time.

	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))	
Plan category	(a)		(b)		(c)	
Equity compensation plans approved by security holders [1]	4,146,700	(2)	$ 87.72	(3)	9,904,194	(4)
Equity compensation plans not approved by security holders	—		—		—	
Total	4,146,700		$ 87.72		9,904,194	

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

(2) Includes (i) $1,737,213 shares of common stock issuable upon the exercise of outstanding options (748,617 of which are vested and exercisable), (ii) 78,300 restricted stock units and 89,790 phantom stock units that may be settled in shares of common stock (89,790 of which are vested), (iii) 2,079,600 LTIP units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to us for redemption and acquired by us for shares of SL Green's common stock (1,494,100 of which are vested) and (iv) shares of common stock reserved in connection with LTIP units issued pursuant to the 2014 Outperformance Plan, all of which remain subject to performance-based vesting and a dollar value limitation on the number of LTIP units that may be earned based on SL Green's common stock price when the LTIP units are earned.

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

(4) Balance is after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan, which remain subject to performance-based

vesting. The number of securities remaining available consists of shares remaining available for issuance under our 2008 Employee Stock Purchase Plan and Third Amended and Restated 2005 Stock Option and Incentive Plan and 2014 Outperformance Plan.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

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

Table of Contents

SL GREEN REALTY CORP.

Operating Data	Year Ended December 31, 2016	2015	2014	2013	2012
(in thousands, except per share data)					
Total revenue	$1,863,981	$1,662,829	$1,519,978	$1,371,065	$1,290,052
Operating expenses	312,859	301,624	282,283	276,589	275,872
Real estate taxes	248,388	232,702	217,843	203,076	194,371
Ground rent	33,261	32,834	32,307	31,951	31,504
Interest expense, net of interest income	321,199	323,870	317,400	310,894	309,681
Amortization of deferred finance costs	24,564	27,348	22,377	15,855	18,558
Depreciation and amortization	821,041	560,887	371,610	324,461	311,860
Loan loss and other investment reserves, net of recoveries	—	—	—	—	564
Transaction related costs	7,528	11,430	8,707	3,985	5,402
Marketing, general and administrative	99,759	94,873	92,488	86,192	82,840
Total expenses	1,868,599	1,585,568	1,345,015	1,253,003	1,230,652
Equity in net income from unconsolidated joint ventures	11,874	13,028	26,537	9,921	76,418
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	44,009	15,844	123,253	3,601	37,053
Purchase price fair value adjustment	—	40,078	67,446	(2,305)	—
Gain on sale of real estate, net	238,116	175,974	—	—	—
Gain (loss) on sale of investment in marketable securities	(83)	—	3,895	(65)	4,940
Depreciable real estate reserves	(10,387)	(19,226)	—	—	—
(Loss) gain on early extinguishment of debt	—	(49)	(32,365)	(18,518)	(6,978)
Income from continuing operations	278,911	302,910	363,729	110,696	170,833
Discontinued operations	—	14,549	182,134	40,587	38,867
Net income	278,911	317,459	545,863	151,283	209,700
Net income attributable to noncontrolling interest in the Operating Partnership	(10,136)	(10,565)	(18,467)	(3,023)	(5,597)
Net income attributable to noncontrolling interests in other partnerships	(7,644)	(15,843)	(6,590)	(10,629)	(5,591)
Preferred unit distributions	(11,235)	(6,967)	(2,750)	(2,260)	(2,107)
Net income attributable to SL Green	249,896	284,084	518,056	135,371	196,405
Preferred stock redemption costs	—	—	—	(12,160)	(10,010)
Perpetual preferred stock dividends	(14,950)	(14,952)	(14,952)	(21,881)	(30,411)
Net income attributable to SL Green common stockholders	$234,946	$269,132	$503,104	$101,330	$155,984
Net income per common share—Basic	$2.35	$2.71	$5.25	$1.10	$1.75
Net income per common share—Diluted	$2.34	$2.70	$5.23	$1.10	$1.74
Cash dividends declared per common share	$2.94	$2.52	$2.10	$1.49	$1.08
Basic weighted average common shares outstanding	100,185	99,345	95,774	92,269	89,319
Diluted weighted average common shares and common share equivalents outstanding	104,881	103,734	99,696	95,266	92,873

Table of Contents

	As of December 31,				
Balance Sheet Data (in thousands)	2016	2015	2014	2013	2012
Commercial real estate, before accumulated depreciation	$12,743,332	$16,681,602	$14,069,141	$12,333,780	$11,662,953
Total assets	15,857,787	19,727,646	17,096,587	14,959,001	14,386,296
Mortgages and other loans payable, revolving credit facility, term loan and senior unsecured notes and trust preferred securities, net	6,481,666	10,275,453	8,178,787	6,919,908	6,520,420
Noncontrolling interests in the Operating Partnership	473,882	424,206	469,524	265,476	212,907
Total equity	7,750,911	7,719,317	7,459,216	7,016,876	6,907,103

	Year Ended December 31,				
Other Data (in thousands)	2016	2015	2014	2013	2012
Net cash provided by operating activities	634,714	526,484	490,381	386,203	346,753
Net cash used in investing activities	2,122,570	(2,265,911)	(796,835)	(628,435)	(1,163,403)
Net cash provided by financing activities	(2,733,240)	1,713,417	381,171	258,940	868,442
Funds from operations available to all stockholders(1)	869,855	661,825	583,036	490,255	413,813

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(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 related impairment charges, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, particularly those that own and operate commercial office properties. We also use FFO as one of several criteria to determine performance-based bonuses for members of our senior management. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs, providing perspective not immediately apparent from net income. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

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

Table of Contents

SL GREEN OPERATING PARTNERSHIP, L.P.

	Year Ended December 31,				
Operating Data	2016	2015	2014	2013	2012
(in thousands, except per unit data)					
Total revenue	$1,863,981	$1,662,829	$1,519,978	$1,371,065	$1,290,052
Operating expenses	312,859	301,624	282,283	276,589	275,872
Real estate taxes	248,388	232,702	217,843	203,076	194,371
Ground rent	33,261	32,834	32,307	31,951	31,504
Interest expense, net of interest income	321,199	323,870	317,400	310,894	309,681
Amortization of deferred finance costs	24,564	27,348	22,377	15,855	18,558
Depreciation and amortization	821,041	560,887	371,610	324,461	311,860
Loan loss and other investment reserves, net of recoveries				—	564
Transaction related costs	7,528	11,430	8,707	3,985	5,402
Marketing, general and administrative	99,759	94,873	92,488	86,192	82,840
Total expenses	1,868,599	1,585,568	1,345,015	1,253,003	1,230,652
Equity in net income from unconsolidated joint ventures	11,874	13,028	26,537	9,921	76,418
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	44,009	15,844	123,253	3,601	37,053
Purchase price fair value adjustment	—	40,078	67,446	(2,305)	—
Gain on sale of real estate, net	238,116	175,974	—	—	—
Gain (loss) on sale of investment in marketable securities	(83)	—	3,895	—	4,940
Depreciable real estate reserves	(10,387)	(19,226)	—	—	—
(Loss) gain on early extinguishment of debt	—	(49)	(32,365)	(18,518)	(6,978)
Income from continuing operations	278,911	302,910	363,729	110,761	170,833
Discontinued operations	—	14,549	182,134	40,587	38,867
Net income	278,911	317,459	545,863	151,348	209,700
Net income attributable to noncontrolling interests in other partnerships	(7,644)	(15,843)	(6,590)	(10,629)	(5,591)
Preferred unit distributions	(11,235)	(6,967)	(2,750)	(2,260)	(2,107)
Net income attributable to SLGOP	260,032	294,649	536,523	138,459	202,002
Preferred unit redemption costs	—	—	—	(12,160)	(10,010)
Perpetual preferred unit distributions	(14,950)	(14,952)	(14,952)	(21,881)	(30,411)
Net income attributable to SLGOP common stockholders	$245,082	$279,697	$521,571	$104,418	$161,581
Net income per common unit—Basic	$2.35	$2.71	$5.25	$1.10	$1.75
Net income per common unit—Diluted	$2.34	$2.70	$5.23	$1.10	$1.74
Cash dividends declared per common unit	$2.52	$2.52	$2.10	$1.49	$1.08
Basic weighted average common units outstanding	104,508	103,244	99,288	95,004	92,526
Diluted weighted average common units and common units equivalents outstanding	104,881	103,734	99,696	95,266	92,873

	As of December 31,				
Balance Sheet Data (in thousands)	2016	2015	2014	2013	2012
Commercial real estate, before accumulated depreciation	$12,743,332	$16,681,602	$14,069,141	$12,333,780	$11,662,953
Total assets	15,857,787	19,727,646	17,096,587	14,959,001	14,386,296

Mortgages and other loans payable, revolving credit facility, term loan and senior unsecured notes and trust preferred securities, net	6,481,666	10,275,453	8,178,787	6,919,908	6,520,420
Total capital	7,750,911	7,719,317	7,459,216	7,282,352	6,650,339

Table of Contents

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

Overview

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

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

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

The New York City commercial real estate market remained strong in 2016, and we took advantage of this market in improving asking rents and strategically selling or forming joint venture properties at attractive market valuations.

Leasing and Operating

In 2016, our same-store Manhattan office property occupancy based on leases signed was 97.1% compared to 97.2% in the prior year. We signed office leases in Manhattan encompassing approximately 3.2 million square feet, of which approximately 2.6 million square feet represented office leases that replaced previously occupied space. Our mark-to-market on these approximately 2.6 million square feet of signed Manhattan office leases that replaced previously occupied space was 27.6% for 2016.

According to Cushman & Wakefield, new leasing activity in Manhattan in 2016 totaled approximately 26.3 million square feet. Of the total 2016 leasing activity in Manhattan, the Midtown submarket accounted for approximately 17.9 million square feet, or approximately 68.1%. Midtown's overall office vacancy increased from 8.5% at December 31, 2015 to 9.3% at December 31, 2016.

Overall average asking rents in Manhattan increased in 2016 by 1.7% from $71.58 per square foot at December 31, 2015 to $72.82 per square foot at December 31, 2016. Midtown Manhattan average asking rents increased in 2016 by 2.3% from $76.65 per square foot at December 31, 2015 to $78.39 per square foot at December 31, 2016. The Midtown South average asking rent rose 1.7% year-over-year to $70.86 per square foot while downtown average asking rents decreased 0.5% year-over-year to $59.30 per square foot.

Acquisition and Disposition Activity

Overall Manhattan sales volume decreased by 31.5% in 2016 to $39.6 billion as compared to $57.8 billion in 2015. Consistent with our multi-faceted approach to property acquisitions, we selectively sourced the off-market purchase of a retail and residential mixed-use property that provides value enhancement opportunities for $28.5 million.

We also continued to take advantage of significant interest by both international and domestic institutions and individuals seeking ownership interests in Manhattan properties to sell assets, disposing of a significant volume of properties that were non-core or had more limited growth opportunities, raising efficiently priced capital that was used primarily for debt reduction. During the year, we sold all or part of our interest in 11 Madison Avenue, 388-390 Greenwich Street, 885 Third Avenue, 248-252 Bedford Avenue, 400 East 57th Street, 500 West Putnam and 7 International Drive for total gross valuations of $5.3 billion.

Debt and Preferred Equity

In 2015 and 2016, in our debt and preferred equity portfolio we continued to focus on the origination of financings, typically in the form of mezzanine debt, for owners, acquirers or developers of New York City properties. This investment strategy provides us with the opportunity to fill a need for additional debt financing by providing higher leverage than are often available through traditional lending sources, while achieving attractive risk adjusted returns to us on the investments and receiving a significant amount of additional information on the New York City real estate market. The typical investments made by us during 2015 and 2016 were to reputable owners or acquirers which have sizable equity subordinate to our last dollar exposure. During 2016, our debt and preferred equity activities included purchases and originations, inclusive of advances under future funding obligations, discount and fee amortization, and paid-in-kind interest, net of premium amortization, of $1,015 million, and sales, redemption and participations of $1,045 million.

Table of Contents

For descriptions of significant activities in 2016, refer to "Part I, Item 1. Business - Highlights from 2016".

Critical Accounting Policies

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

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be other than temporarily impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property.

We also evaluate our real estate properties for potential impairment when a real estate property has been classified as held for sale. Real estate assets held for sale are valued at the lower of either their carrying value or fair value less costs to sell. We do not believe that there were any indicators of impairment at any of our consolidated properties at December 31, 2016

During the second quarter of 2016, we recorded a $10.4 million charge in connection with the sale of one property, 500 West Putnam, which closed in the third quarter of 2016. This charge is included in depreciable real estate reserves in the consolidated statements of operations.

During the three months ended September 30, 2015, we recorded a $19.2 million charge in connection with the sale of two of our properties, which closed in the fourth quarter of 2015. This charge is included in depreciable real estate reserves in the consolidated statements of operations.

During the fourth quarter of 2015, we entered into an agreement to sell 885 Third Avenue and recorded a $6.6 million charge which was included in gain on sale of real estate, net in the consolidated statement of operations. At December 31, 2015, 885 Third Avenue was not reclassified as held for sale as a result of not meeting the criteria in ASC 360-10, Property, Plant and Equipment - Impairment and Disposal of Long-Lived Assets. In February 2016, we closed on the sale of this property but do not anticipate meeting the criteria for the full accrual method in ASC 360-20, Property, Plant and Equipment - Real Estate Sales and as a result the property will remain on our consolidated balance sheet until the criteria is met.

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

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

We recognize the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests in an acquired entity at their fair values on the acquisition date. We expense transaction costs related to the acquisition of certain assets as incurred, which are included in transaction related costs on our consolidated statements of operations. When we acquire our partner's equity interest in an existing unconsolidated joint venture and gain control over the investment, we record the consolidated investment at fair value. The difference between the book value of our equity investment on the purchase date and our share of the fair value of the investment's purchase price is recorded as a purchase price fair value adjustment in our consolidated statements of operations. In December 2015, we recognized a purchase price fair value adjustment of $40.1 million in connection with the consolidation of 600 Lexington Avenue. In May 2014, we recognized a purchase price fair value adjustment

Table of Contents

of $71.4 million in connection with the consolidation of 388-390 Greenwich Street. These acquisitions were previously accounted for as investments in unconsolidated joint ventures.

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

Investments in Unconsolidated Joint Ventures

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

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint ventures' projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at December 31, 2016.

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

Revenue Recognition

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

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

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

Table of Contents

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

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

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

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

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If additional information reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during years ended December 31, 2016, 2015, and 2014.

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

Derivative Instruments

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

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

Table of Contents

Results of Operations

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

The following comparison for the year ended December 31, 2016, or 2016, to the year ended December 31, 2015, or 2015, makes reference to the following: (i) the effect of the “Same-Store Properties,” which represents all operating properties owned by us at January 1, 2015 and still owned by us in the same manner at December 31, 2016 (Same-Store Properties totaled 55 of our 68 consolidated operating properties, representing 75.7% of our share of annualized cash rent), (ii) the effect of the “Acquisition Properties,” which represents all properties or interests in properties acquired in 2016 and 2015 and all non-Same-Store Properties, including properties that are under development, redevelopment or deconsolidated during the period, and (iii) “Other,” which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Any assets sold or held for sale are excluded from the income from continuing operations and from the following discussion.

	Same-Store				Acquisition		Other		Consolidated			
(in millions)	2016	2015	$ Change	% Change	2016	2015	2016	2015	2016	2015	$ Change	% Change
Rental revenue	$1,015.3	$996.2	$19.1	1.9 %	$144.9	$46.6	$163.6	$203.2	$1,323.8	$1,246.0	$77.8	6.2 %
Escalation and reimbursement	180.2	165.3	14.9	9.0 %	14.8	7.2	1.9	6.0	196.9	178.5	18.4	10.3 %
Investment income	—	—	—	— %	—	0.1	213.0	181.1	213.0	181.1	31.9	17.6 %
Other income	6.9	22.8	(15.9)	(69.7)%	1.3	7.0	122.1	27.4	130.3	57.2	73.1	127.8 %
Total revenues	1,202.4	1,184.3	18.1	1.5 %	161.0	60.9	500.6	417.7	1,864.0	1,662.8	201.2	12.1 %
Property operating expenses	530.1	514.2	15.9	3.1 %	39.4	13.5	25.0	39.5	594.5	567.2	27.3	4.8 %
Transaction related costs	—	—	—	— %	0.6	7.9	6.9	3.5	7.5	11.4	(3.9)	(34.2)%
Marketing, general and administrative	—	—	—	— %	—	—	99.8	94.9	99.8	94.9	4.9	5.2 %
	530.1	514.2	15.9	3.1 %	40.0	21.4	131.7	137.9	701.8	673.5	28.3	4.2 %
Net operating income	$672.3	$670.1	$2.2	0.3 %	$121.0	$39.5	$368.9	$279.8	$1,162.2	$989.3	$172.9	17.5 %
Other income (expenses):												
Interest expense and amortization of deferred financing costs, net of interest income									(345.8)	(351.2)	5.4	(1.5)%
Depreciation and									(821.0)	(560.9)	(260.1)	46.4 %

amortization				
Equity in net income from unconsolidated joint ventures	11.9	13.0	(1.1)	(8.5)%
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	44.0	15.8	28.2	178.5 %
Purchase price fair value adjustment	—	40.1	(40.1)	(100.0)%
Gain on sale of real estate, net	238.1	176.0	62.1	35.3 %
Depreciable real estate reserves	(10.4)	(19.2)	8.8	(45.8)%
Gain on sale of investment in marketable securities	(0.1)	—	(0.1)	100.0 %
Income from continuing operation	278.9	302.9	(24.0)	(7.9)%
Net income from discontinued operations	—	0.4	(0.4)	(100.0)%
Gain on sale of discontinued operations	—	14.1	(14.1)	(100.0)%
Net income	$278.9	$317.4	$(38.5)	(12.1)%

Rental, Escalation and Reimbursement Revenues

Rental revenues increased primarily as a result of the properties acquired ($98.2 million), which included the acquisition of 11 Madison in the third quarter of 2015 together with the subsequent sale of a 40% interest in 11 Madison in the third quarter of 2016 ($59.2 million), the consolidation of 600 Lexington Avenue in the fourth quarter of 2015 ($19.3 million), and an increase in rents at our Same-Store Properties ($19.1 million). In addition, rental revenues increased as a result of the accelerated recognition

43

Table of Contents

of non-cash deferred income from 388-390 Greenwich Street as a result of Citigroup, Inc. ("Citi") exercising its option to purchase the property and entering into an agreement to accelerate the sale ($37.1 million). This increase was partially offset by the sale of 120 West 45th Street in the third quarter of 2015 ($18.3 million), the sale of 885 Third Avenue in the first quarter of 2016 ($11.9 million), as well as accounting write-offs ($17.4 million) and decreased cash revenue ($2.0 million) related to the space previously leased to Aeropostale at 1515 Broadway following the tenant's bankruptcy.

Escalation and reimbursement revenue increased primarily as a result of higher real estate tax recoveries at the Same-Store Properties ($14.9 million) and Acquisition Properties ($7.6 million) attributable to an increase in the related tax expense. This was partially offset by decreased real estate tax recoveries due to the sale of 120 West 45th Street ($2.3 million), and 140 Grand Street ($1.3 million).

Occupancy in our Same-Store Manhattan consolidated office operating portfolio, excluding leases signed but not yet commenced was 95.9% at December 31, 2016 as compared to 96.5% at December 31, 2015. Occupancy for our Same-Store Suburban consolidated office operating portfolio, excluding leases signed but not yet commenced, increased to 84.4% at December 31, 2016 as compared to 81.4% at December 31, 2015.

The following table presents a summary of the commenced leasing activity for the year ended December 31, 2016 in our Manhattan and Suburban portfolio:

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) (1)	Prev. Escalated Rent (per rentable SF) (2)	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Manhattan							
Space available at beginning of the period	1,395,967						
Sold Vacancies	—						
Properties placed in service	235,629						
Space which became available during the period(3)							
• Office	1,024,824						
• Retail	83,256						
• Storage	14,198						
	1,122,278						
Total space available	2,753,874						
Leased space commenced during the period:							
• Office(4)	1,491,233	1,605,582	$ 68.68	$ 60.35	$ 56.85	7.0	10.5
• Retail	81,648	94,236	$ 173.91	$ 167.67	$ 50.16	5.7	16.3
• Storage	31,422	31,758	$ 24.01	$ 25.12	$ 37.46	14.5	12.4
Total leased space commenced	1,604,303	1,731,576	$ 73.59	$ 63.70	$ 56.13	7.1	10.8
Total available space at end of period	1,149,571						
Early renewals							
• Office	1,600,623	1,720,763	$ 73.88	$ 57.78	$ 30.47	3.5	10.5
• Retail	100,324	118,695	$ 105.52	$ 80.92	$ 28.43	0.6	14.5
• Storage	13,757	10,496	$ 20.70	$ 53.41	$ —	0.2	17.7
Total early renewals	1,714,704	1,849,954	$ 75.60	$ 59.24	$ 30.17	3.3	10.8
Total commenced leases, including replaced previous vacancy							

• Office	3,326,345	$ 71.37	$ 58.59	$ 43.20	5.2	10.5
• Retail	212,931	$ 135.79	$ 97.03	$ 38.05	2.9	15.3
• Storage	42,254	$ 23.19	$ 46.03	$ 28.15	10.9	13.8
Total commenced leases	3,581,530	$ 74.63	$ 60.62	$ 42.72	5.1	10.8

Table of Contents

	Useable SF	Rentable SF	New Cash Rent (per rentable SF) (1)	Prev. Escalated Rent (per rentable SF) (2)	TI/LC per rentable SF	Free Rent (in months)	Average Lease Term (in years)
Suburban							
Space available at beginning of period	1,175,375						
Sold Vacancies	(63,292)						
Properties placed in service	—						
Space which became available during the period(3)							
• Office	270,255						
• Retail	2,336						
• Storage	960						