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

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

FORM 10-K

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

For the fiscal year ended December 31, 2007

OR

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

For the transition period from to .

Commission File Number: 1-13199

SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

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

420 Lexington Avenue, New York, NY 10170

(Address of principal executive offices - Zip Code)

(212) 594-2700

(Registrant s telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for its 2008 Annual Stockholders Meeting to be filed within 120 days after the end of the Registrant s fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

SL GREEN REALTY CORP.

FORM 10-K

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PART I

ITEM 1. BUSINESS

General

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

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

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

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

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

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

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

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

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

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

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

Corporate Structure

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

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

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

Business and Growth Strategies

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

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

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

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

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

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

Competition

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

Manhattan Office Market Overview

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

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

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General Terms of Leases in the Midtown Manhattan Markets

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

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

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

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

Occupancy

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

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

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

Rent Growth

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

Industry Segments

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

At December 31, 2007, our real estate portfolio was primarily located in one geographical market, namely, the New York Metro area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). As of December 31, 2007, one tenant in our portfolio contributed approximately 9.6% of our portfolio annualized rent. No other tenant contributed more than 5.9% of our portfolio annualized rent. In addition, no property contributed in excess of 8.5% of our consolidated revenue for 2007. Portfolio annualized rent includes our consolidated annualized revenue and our share of joint venture annualized revenue. In addition, one borrower accounted for more than 10.0% of the revenue earned on structured finance investments at December 31, 2007.

Employees

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

Acquisitions

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

Dispositions

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

Structured Finance

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

Offering/Financings

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

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

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

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

We face risks associated with property acquisitions.

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

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

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

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

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

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

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

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

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

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

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

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

A terrorist attack could cause insurance premiums to increase significantly.

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

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

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

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

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

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

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

Scheduled debt payments could adversely affect our results of operations.

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

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

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

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

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

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

Rising interest rates could adversely affect our cash flow.

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

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

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

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

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2007, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of $1.6 billion, was approximately 55.1%. However, our policy is to incur debt only if upon a conversion our consolidated debt to market capitalization ratio would be 60.0% or less. Our board of directors can alter or eliminate this policy and may do so if our board of directors determines that this action is in the best interests of our business. If this policy is changed and we become more highly leveraged, an increase in debt service could adversely affect cash available for distribution to stockholders and could increase the risk of default on our indebtedness. In addition, any change that increases our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our board of directors is staggered into three separate classes.

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

We have a stock ownership limit.

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

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

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

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

We have a stockholder rights plan.

We adopted a stockholder rights plan which provides, among other things, that when specified events occur, our stockholders will be entitled to purchase from us a newly created series of junior preferred shares, subject to our ownership limit described above. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

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

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

- any person who beneficially owns 10% or more of the voting power of the corporation's outstanding shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.
- A person is not an interested stockholder under the statute if the board of directors approves in advance the transaction by which he otherwise would have become an interested stockholder.

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

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

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

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

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

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

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

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

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

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

- the extent of your interest in us;

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

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

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

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

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

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

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

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

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

Specifically, we have agreed not to sell our interest in this property until August 20, 2009 without the approval of unitholders holding at least 75% of the units issued in consideration for this property. The current gross carrying value of the commercial real estate of this property totaled approximately $45.5 million at December 31, 2007. We have also agreed not to reduce the mortgage indebtedness (approximately $33.1 million at December 31, 2007), other than pursuant to scheduled amortization, on 673 First Avenue until one year prior to its maturity date without the same consent. In addition, we are obligated to use commercially reasonable efforts to refinance this mortgage prior to its maturity date in an amount not less than the principal amount outstanding on the maturity date. With respect to 673 First Avenue, Mr. Green controls at least 75% of the units whose approval is necessary. Finally, during this period, we may not incur debt secured by this property if the amount of our new debt would exceed the greater of 75% of the value of the property securing the debt or the amount of existing debt being refinanced plus associated costs. The maturity date for the mortgage loan for 673 First Avenue is February 11, 2013.

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

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

We face potential conflicts of interest.

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

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

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

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

Our failure to qualify as a REIT would be costly.

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

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

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

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

We are dependent on external sources of capital.

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

We face significant competition for tenants.

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

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

Loss of our key personnel could harm our operations.

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

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

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

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

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

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

Forward-Looking Statements May Prove Inaccurate

See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Forward-looking Information for additional disclosure regarding forward-looking statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of December 31, 2007, we did not have any unresolved comments with the staff of the SEC.

ITEM 2. PROPERTIES

The Portfolio

General

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) Includes a parking garage.

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

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

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

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

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

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

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

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

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

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

Lease Expirations

Leases in our Manhattan portfolio, as at many other Manhattan office properties, typically extend for a term of seven to ten years, compared to typical lease terms of five to ten years in other large U.S. office markets. For the five years ending December 31, 2012, the average annual rollover at our Manhattan consolidated and unconsolidated properties is approximately 1.0 million square feet and 0.5 million square feet, respectively, representing an average annual expiration rate of 6.6% and 5.1% respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tenant Diversification

At December 31, 2007, our portfolio was leased to approximately 1,518 tenants, which are engaged in a variety of businesses, including professional services, financial services, media, apparel, business services and government/non-profit. The following table sets forth information regarding the leases with respect to the 30 largest tenants in our portfolio, based on the amount of square footage leased by our tenants as of December 31, 2007:

Tenant (1)	Properties	Remaining Lease Term in Months (2)	Total Leased Square Feet	Percentage of Aggregate Portfolio Leased Square Feet (%)	Percentage of Aggregate Portfolio Annualized Rent (%)
Citigroup, N.A.	388 & 390 Greenwich Street, 485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue, 333 West 34th Street, 750 Washington Blvd & Court Square	156	4,812,716	13.4%	9.6%
Viacom International Inc.	1515 Broadway	149	1,410,339	5.3%	4.9%
Credit Suisse Securities (USA), LLC	1 Madison Avenue	156	1,138,143	4.3%	5.9%
Sanofi-Aventis	55 Corporate Drive, NJ	184	670,000	1.6%	1.1%
Morgan Stanley & Co., Inc.	1221 Avenue of the Americas, 2 Jericho Plaza & 4 Landmark Square	132	645,855	3.1%	1.9%
Random House, Inc.	1745 Broadway	126	644,598	2.5%	1.1%
Debevoise & Plimpton, LLP	919 Third Avenue	168	586,528	2.5%	1.7%
Omnicom Group	220 East 42nd Street, 420 Lexington Avenue & 485 Lexington Avenue	112	576,716	1.6%	2.2%
Societe Generale	1221 Avenue of the Americas	69	486,663	1.9%	1.2%
The McGraw Hill Companies	1221 Avenue of the Americas	147	420,329	1.6%	1.0%
Advance Magazine Group	750 Third Avenue & 485 Lexington Avenue	158	342,720	0.9%	1.3%
Verizon	120 West 45th Street, 1100 King Street Bldgs 1&2, 1 Landmark Square, 2 Landmark Square & 500 Summit Lake Drive	48	315,236	0.6%	0.8%
Visiting Nurse Services of New York	1250 Broadway	132	296,247	0.7%	0.6%
C.B.S. Broadcasting, Inc.	555 West 57th Street	117	286,037	0.7%	1.0%
Schulte, Roth & Zabel LLP	919 Third Avenue	162	279,746	1.1%	0.7%
Polo Ralph Lauren Corporation	625 Madison Avenue	144	269,269	1.0%	1.4%
New York Presbyterian Hospital	555 West 57th Street & 673 First Avenue	164	262,448	0.6%	0.8%
The Travelers Indemnity Company	485 Lexington Avenue & 2 Jericho Plaza	104	250,857	0.9%	1.1%
The City University of NY-CUNY	555 West 57th Street & 28 West 44th Street	85	229,044	0.6%	0.8%
BMW of Manhattan	555 West 57th Street	55	227,782	0.3%	0.5%
Vivendi Universal US Holdings	800 Third Avenue	26	226,105	0.8%	0.5%
Fuji Color Processing Inc.	120 White Plains Road & 200 Summit Lake Drive	63	186,484	0.4%	0.5%
D.E. Shaw and Company L.P.	120 West 45th Street	111	183,126	0.8%	1.1%
Amerada Hess Corp.	1185 Avenue of the Americas	240	181,782	0.7%	1.0%
Teachers Insurance & Annuity Society	750 Third Avenue	18	177,174	0.6%	0.8%
J&W Seligman & Co., Incorporated	100 Park Avenue	13	162,050	0.5%	0.3%
King & Spalding	1185 Avenue of the Americas	214	159,858	0.6%	0.8%
Sonnenschein, Nath & Rosenthal	1221 Avenue of the Americas	121	147,997	0.6%	0.3%
National Hockey League	1185 Avenue of the Americas	179	146,241	0.8%	1.1%
Banque National De Paris	919 Third Avenue	103	145,834	0.6%	0.8%
Total Weighted Average (3)			15,867,924	51.6%	46.9%

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

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

(2) Lease term from December 31, 2007 until the date of the last expiring lease for tenants with multiple leases.

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

Environmental Matters

We engaged independent environmental consulting firms to perform Phase I environmental site assessments on our portfolio, in order to assess existing environmental conditions. All of the Phase I assessments met the ASTM Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, an 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, 2007, we were not involved in any material litigation nor, to management s knowledge, is any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

On December 6, 2006, the company announced that it and Reckson Associates Realty Corp. had reached an agreement in principal with the plaintiffs to settle the previously disclosed class action lawsuits relating to the SL Green/Reckson merger. The settlement, which remains subject to documentation and judicial review and approval, provides (1) for certain contingent profit sharing participations for Reckson stockholders relating to specified assets, (2) for potential payments to Reckson stockholders of amounts relating to Reckson s interest in contingent profit sharing participations in connection with the sale of certain Long Island industrial properties in a prior transaction, and (3) for the dismissal by the plaintiffs of all actions with prejudice and customary releases of all defendants and related parties.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the fourth quarter ended December 31, 2007.

PART II

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

Our common stock began trading on the New York Stock Exchange, or the NYSE, on August 15, 1997 under the symbol SLG. On February 15, 2008, the reported closing sale price per share of common stock on the NYSE was $87.88 and there were approximately 427 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions paid by us with respect to the periods indicated.

	2007			2006		
Quarter Ended	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
March 31	$ 156.10	$ 131.81	$ 0.70	$ 103.09	$ 77.70	$ 0.60
June 30	$ 143.47	$ 122.78	$ 0.70	$ 109.47	$ 95.31	$ 0.60
September 30	$ 133.35	$ 101.61	$ 0.70	$ 115.90	$ 107.17	$ 0.60
December 31	$ 123.28	$ 89.43	$ 0.7875	$ 139.50	$ 112.37	$ 0.70

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

UNITS

At December 31, 2007, there were 2,340,359 units of limited partnership interest of the operating partnership outstanding. These units received distributions per unit in the same manner as dividends per share were distributed to common stockholders.

ISSUER PURCHASES OF EQUITY SECURITIES

In March 2007 our board of directors approved a stock repurchase plan under which we can buy up to $300.0 million shares of our common stock. This plan will expire on December 31, 2008. As of January 31, 2008, we purchased and settled approximately $188.1 million, or 1,751,000 shares of our common stock, at an average price of $107.45 per share.

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

During the years ended December 31, 2007, 2006 and 2005, we issued 343,412, 223,361 and 104,031 shares of common stock, respectively, to holders of units of limited partnership in the operating partnership upon the redemption of such units pursuant to the partnership agreement of the operating partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(2) thereof for transactions not involving a public offering. The units were converted into an equal number of shares of common stock.

We issued 435,583, 102,826 and 251,293 shares of our common stock in 2007, 2006 and 2005, respectively, for deferred stock-based compensation in connection with employment contracts and other compensation-related grants.

See Notes 14 and 16 to the Consolidated Financial Statements in Item 8 for a description of our stock option plan and other compensation arrangements.

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

The following table summarizes information, as of December 31, 2007, relating to our equity compensation plans pursuant to which shares of our common stock or other equity securities may be granted from time to time.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	1,773,052	$ 88.26	5,156,596(3)
Equity compensation plans not approved by security holders (2)	1,333	$ 18.44	0
Total	1,774,385	$ 88.21	5,156,596

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

(2) Certain of our employees, most of whom were executive officers, were granted an aggregate of 435,000 options as part of their initial employment agreements entered into at the time the employees first joined our company. The options have a weighted average exercise price of $24.61. A substantial portion of the options were issued during or before calendar year 2000 and no option grants have been made outside of our Amended 1997 Stock Option and Incentive Plan, as amended, subsequent to February 2001.

(3) Balance is after reserving for shares to be issued under our 2005 Long-Term Outperformance Compensation Program.

ITEM 6. SELECTED FINANCIAL DATA

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

In connection with this Annual Report on Form 10-K, we are restating our historical audited consolidated financial statements as a result of Statement of Financial Accounting Standards No. 144, or SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. During the periods presented below, we classified properties as held for sale and, in compliance with SFAS No. 144, have reported revenue and expenses from these properties as discontinued operations, net of minority interest, for each period presented in our Annual Report on Form 10-K. This reclassification had no effect on our reported net income or funds from operations.

We are also providing updated summary selected financial information, which is included below reflecting the prior period reclassification as discontinued operations of the property classified as held for sale during 2007.

	Year Ended December 31,				
Operating Data	**2007**	**2006**	**2005**	**2004**	**2003**
(In thousands, except per share data)					
Total revenue	$ 1,054,523	493,827	$ 368,684	$ 276,482	$ 219,543
Operating expenses	215,030	107,128	81,877	63,958	54,217
Real estate taxes	126,519	66,613	49,443	37,396	30,402
Ground rent	32,389	20,150	19,250	15,617	12,889
Interest	265,073	90,875	71,752	55,899	39,916
Amortization of deferred finance costs	16,655	4,425	4,461	3,275	3,844
Depreciation and amortization	181,647	65,235	48,898	36,763	29,279
Marketing, general and administration	105,044	65,741	44,215	30,279	17,131
Total expenses	942,357	420,167	319,896	243,187	187,678
Income from continuing operations before items	112,166	73,660	48,788	33,295	31,865
Equity in net (loss) income from affiliates					(196)
Equity in net income of unconsolidated joint ventures	46,765	40,780	49,349	44,037	14,871
Income from continuing operations before minority interest and gain on sales	158,931	114,440	98,137	77,332	46,540
Minority interests	(23,931)	(10,270)	(5,832)	(4,612)	(2,716)
Income before gains on sale	135,000	104,170	92,305	72,720	43,824
Gain on sale of properties/partial interests	31,509	3,451	11,550	22,012	3,087
Income from continuing operations	166,509	107,621	103,855	94,732	46,911
Discontinued operations (net of minority interest)	493,901	113,098	53,564	114,698	51,248
Net income	660,410	220,719	157,419	209,430	98,159
Preferred dividends and accretion	(19,875)	(19,875)	(19,875)	(16,258)	(7,712)
Income available to common stockholders	$ 640,535	$ 200,844	$ 137,544	$ 193,172	$ 90,447
Net income per common share Basic	$ 10.90	$ 4.50	$ 3.29	$ 4.93	$ 2.80
Net income per common share Diluted	$ 10.78	$ 4.38	$ 3.20	$ 4.75	$ 2.66
Cash dividends declared per common share	$ 2.89	$ 2.50	$ 2.22	$ 2.04	$ 1.895
Basic weighted average common shares outstanding	58,742	44,593	41,793	39,171	32,265
Diluted weighted average common shares and common share equivalents outstanding	61,885	48,495	45,504	43,078	38,970

ITEM 6. **SELECTED FINANCIAL DATA**

Balance Sheet Data	**2007**	**2006**	**As of December 31, 2005 (In thousands)**	**2004**	**2003**
Commercial real estate, before accumulated depreciation	$ 8,622,496	$ 3,055,159	$ 2,222,922	$ 1,756,104	$ 1,346,431
Total assets	11,430,078	4,632,227	3,309,777	2,751,881	2,261,841
Mortgage notes payable, revolving credit facilities, term loans, unsecured notes and trust preferred securities	5,623,082	1,815,379	1,542,252	1,150,376	1,119,449
Minority interests	714,407	127,893	99,061	75,064	54,791
Stockholders equity	3,826,875	2,394,883	1,459,441	1,347,880	950,782

Other Data	**2007**	**2006**	**Year Ended December 31, 2005 (In thousands)**	**2004**	**2003**
Funds from operations available to common stockholders (1)	$ 357,957	$ 223,634	$ 189,513	$ 162,377	$ 128,780
Funds from operations available to all stockholders (1)	357,957	223,634	189,513	162,377	135,473
Net cash provided by operating activities	406,705	225,644	138,398	164,458	96,121
Net cash used in investment activities	(2,334,337)	(786,912)	(465,674)	(269,045)	(509,240)
Net cash provided by financing activities	1,856,418	654,342	315,585	101,836	393,645

(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 defines FFO as net income (loss) (computed in accordance with generally accepted accounting principles, or GAAP), excluding gains (or losses) from debt restructuring and sales of properties, 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 provided under the heading of Management s Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations.

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

Overview

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

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

In or around February 2007, the residential housing market began to experience problems due in large part to the dislocation of the residential financing markets. The credit rating agencies began to take a more conservative view on all property-level underwriting, which led to, among other things, a more difficult environment for lenders to sell all or a portion of their interests in loans that they had closed. Underwriting standards were tightened by the lenders resulting in less liquidity being available to finance investments. The turmoil in the credit market, which persists to this day, arose in part from this new paradigm. Despite all this, demand for real estate in New York City remains strong with trophy properties continuing to trade in excess of $1,000.00 per square foot.

New York City sales activity in 2007 surpassed 2006 by approximately $13.1 billion, as total volume reached approximately $47.8 billion. In 2007, 16 transactions were consummated at prices in excess of $1,000.00 per square foot, including three deals that closed in the fourth quarter of 2007.

Leasing activity for Manhattan, a borough of New York City, totaled approximately 23.6 million square feet compared to approximately 27.1 million square feet in 2006. Of the total 2007 leasing activity in Manhattan, the Midtown submarket accounted for approximately 15.7 million square feet, or 66.5%. As a result, Midtown s overall vacancy decreased from 6.4% in 2006 to 5.8% in 2007.

Overall asking rents for direct space in Midtown increased from $53.08 at year-end 2006 to $77.57 at year-end 2007, an increase greater than 46%. This increase in leasing activity was led by financial services firms, law firms and media/communications companies. Management believes that rental rates will remain flat or decrease modestly during 2008, although we have not yet seen the impact of that in leases that we have executed in 2008. The overall vacancy rate in Manhattan remains low.

During 2007, minimal new office space was added to the Midtown office inventory. In a supply-constrained market, there are only 3.6 million square feet under construction in Midtown as of year-end, 59% of which is already pre-leased.

We saw significant fluctuations in short-term interest rates, although they still remain low compared to historical levels. The 30-day LIBOR rate ended 2007 at 4.60%, a 72 basis point decrease from the end of 2006. Ten-year US Treasuries ended 2007 at 4.03%, a 67 basis point decrease from the end of 2006.

Our investment activity in 2007 was highlighted by two major events. First, on January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. Pursuant to the terms of the Merger Agreement, each of the issued and outstanding shares of common stock of Reckson were converted into the right to receive (i) $31.68 in cash, (ii) 0.10387 of a share of the common stock, par value $0.01 per share, of SL Green and (iii) a prorated dividend in an amount equal to approximately $0.0977 in cash. We also assumed an aggregate of approximately $226.3 million of Reckson mortgage debt, approximately $287.5 million of Reckson convertible public debt and approximately $967.8 million of Reckson public unsecured notes. On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson s former executive management, or the Buyer, for a total consideration of approximately $2.0 billion. SL Green caused ROP to transfer the following assets to the Buyer in the Asset Sale: (1) certain real property assets and/or entities owning such real property assets, in either case, of ROP and 100% of certain loans secured by real property, all of which are located in Long Island, New York; (2) certain real property assets and/or entities owning such real property assets, in either case, of ROP located in White Plains and Harrison, New York; (3) all of the real property assets and/or entities owning 100% of the interests in such real property assets, in either case, of ROP located in New Jersey; (4) the entity owning a 25% interest in Reckson Australia Operating Company LLC, Reckson s Australian management company (including its Australian licensed responsible entity), and other related entities, and ROP and ROP subsidiaries rights to and interests in, all related contracts and assets, including, without limitation, property management and leasing, construction services and asset management contracts and services contracts; (5) the direct or indirect interest of Reckson in Reckson Asset Partners, LLC, an affiliate of RSVP and all of ROP s rights in and to certain loans made by ROP to Frontline Capital Group, the bankrupt parent of RSVP, and other related entities, which were purchased by a 50/50 joint venture comprised of the buyer and an affiliate of SL Green; (6) a 50% participation interest in certain loans made by a subsidiary of ROP that are secured by four real property assets located in Long Island, New York; and (7) 100% of certain loans secured by real property located in White Plains and New Rochelle,

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New York.

Second, in December 2007, we, along with our joint venture partner, acquired 388 and 390 Greenwich Street from Citigroup for approximately $1.6 billion.

Additional highlights for 2007 included:

- Acquired 16 properties valued at approximately $2.9 billion, encompassing 4.5 million square feet;
- Sold eight properties for an aggregate gross sales price of approximately $1.8 billion generating gains to us of approximately $513.3 million;
- Invested approximately $31.6 million in Gramercy Capital Corp. (NYSE:GKK), or Gramercy, a specialty finance company;
- Originated approximately $360.2 million of new structured finance investments, net of redemptions;
- Closed on approximately $5.9 billion of mortgage and corporate financings, excluding approximately $1.9 billion assumed as part of the Reckson Merger and other unrelated acquisitions, and
- Signed 296 office leases totaling 2.1 million square feet during 2007 while increasing the cash rents paid by new tenants on previously occupied space by 44.0% and 9.8% over the most recent cash rent paid by the previous tenants for the same space for the Manhattan and Suburban properties, respectively.

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

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

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

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

As of December 31, 2007, we also owned approximately 22% of the outstanding common stock of Gramercy, as well as 65.83 units of the Class B limited partner interest in Gramercy s operating partnership. See Item 1 Financial Statements, Note 6.

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.

Rental Property

On a periodic basis, our management team assesses whether there are any indicators that the value of our real estate properties, including joint venture properties and assets held for sale, and structured finance investments may be impaired. If the carrying amount of the property is greater than the estimated expected future cash flow (undiscounted and without interest charges) of the asset or sales price, impairment has occurred. We will then record an impairment loss equal to the difference between the carrying amount and the

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fair value of the asset. We do not believe that the value of any of our rental properties, development property or structured finance investments was impaired at December 31, 2007 and 2006.

A variety of costs are incurred in the acquisition, 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. Our capitalization policy on our development properties is guided by SFAS No. 34 Capitalization of Interest Cost and SFAS No. 67 Accounting for Costs and Initial Rental Operations of Real Estate Projects. The costs of land and building under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

In accordance with SFAS 141, Business Combinations, we allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above-, below-, and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years and from one to 14 years, respectively. The values of the above- and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income over the remaining term of the associated lease, which range from one to 14 years. The value associated with in-place leases are amortized over the expected term of the associated lease, which includes an estimated probability of the lease renewal, and its estimated term, which range from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence, but do not control these entities and are not considered to be the primary beneficiary under FIN 46R. We consolidate those joint ventures where we are considered to be the primary beneficiary, even though we do not control the entity. In all the joint ventures, the rights of the minority investor are both protective as well as participating. Unless we are determined to be the primary beneficiary, these rights preclude us from consolidating these investments. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 40 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us.

Revenue Recognition

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

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

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

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Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required rent 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 structured finance investments is the charge to earnings to increase the allowance for possible credit losses to the level that we estimate to be adequate considering delinquencies, loss experience and collateral quality. Other factors considered relate to geographic trends and product diversification, the size of the portfolio and current economic conditions. Based upon these factors, we establish the provision for possible credit losses by loan. When it is probable that we will be unable to collect all amounts contractually due, the account is considered impaired.

Where impairment is indicated, a valuation write-down or write-off is measured based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. Any deficiency between the carrying amount of an asset and the net sales price of repossessed collateral is charged to the allowance for credit losses. No reserve for impairment was required at December 31, 2007 or 2006.

Derivative Instruments

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

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

Results of Operations

Comparison of the year ended December 31, 2007 to the year ended December 31, 2006

The following comparison for the year ended December 31, 2007, or 2007, to the year ended December 31, 2006, or 2006, makes reference to the following: (i) the effect of the Same-Store Properties, which represents all properties owned by us at January 1, 2006 and at December 31, 2007 and total 12 of our 53 consolidated properties, representing approximately 31.0% of our share of annualized rental revenue, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2006, namely, 25-27 and 29 West 34th Street (January), 521 Fifth Avenue (March), 609 Fifth Avenue (June), 717 Fifth Avenue (September), 485 Lexington (December) and in 2007, namely, 300 Main Street, 399 Knollwood, and the Reckson assets (January), 333 West 34th Street, 331 Madison Avenue and 48 East 43rd Street (April), 1010 Washington Avenue, CT, and 500 West Putnam Avenue, CT (June), and 180 Broadway and One Madison Avenue (August) and (iii) Other, which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	**2007**	**2006**	**$ Change**	**% Change**
Rental revenue	$ 696.9	$ 317.8	$ 379.1	119.3%
Escalation and reimbursement revenue	114.5	58.0	56.5	97.4
Total	$ 811.4	$ 375.8	$ 435.6	115.9%
Same-Store Properties	$ 342.6	$ 322.1	$ 20.5	6.4%
Acquisitions	451.7	38.1	413.6	1,085.6
Other	17.1	15.6	1.5	9.6
Total	$ 811.4	$ 375.8	$ 435.6	115.9%

Occupancy in the Same-Store Properties decreased from 97.3% at December 31, 2006 to 97.1% at December 31, 2007. This was offset by increases in rental rates on new leases signed in 2007.

At December 31, 2007, we estimated that the current market rents at our consolidated Manhattan properties and consolidated Suburban properties were approximately 37.4% and 19.1% higher, respectively, than then existing in-place fully escalated rents. We believe that rental rates will moderate during 2008. Approximately 4.8% of the space leased at our consolidated properties expires during 2008. We believe that occupancy rates will moderate at the Same-Store Properties in 2008.

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The increase in the Acquisitions is primarily due to owning these properties for a period during 2007 compared to a partial period or not being included in 2006.

The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties ($2.9 million) and the Acquisitions ($53.6 million). The increase in recoveries at the Same-Store Properties was primarily due to electric reimbursements ($1.7 million), and operating expense escalations ($2.4 million) which were partially offset by a reduction in recoveries from real estate tax escalations ($1.2 million).

Investment and Other Income (in millions)		**2007**		**2006**		**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$	46.8	$	40.8	$	6.0	14.7%
Investment and preferred equity income		91.8		62.0		29.8	48.1
Other income		151.3		56.1		95.2	169.7
Total	$	289.9	$	158.9	$	131.0	82.4%

The increase in equity in net income of unconsolidated joint ventures was primarily due to increased net income contributions from Gramercy ($6.1 million), 2 Herald Square ($4.1 million), 885 Third Avenue ($3.5 million), One Court Square ($1.3 million) and 800 Third Avenue ($2.3 million). This was partially offset by lower net income contributions from our investments in 521 Fifth Avenue which was under redevelopment ($1.4 million), 485 Lexington Avenue which is wholly-owned since December 2006 ($1.0 million), 1745 Broadway ($2.7 million), 100 Park Avenue which is under redevelopment ($2.3 million), 1221 Avenue of the Americas due to planned vacancy ($1.6 million) and the Mack-Green joint venture ($2.1 million). Occupancy at our joint venture same-store properties decreased from 96.1% in 2006 to 93.1% in 2007 primarily due to the redevelopment at 100 Park Avenue and the planned vacancy at 1221 Avenue of the Americas. At December 31, 2007, we estimated that current market rents at our Manhattan and Suburban unconsolidated joint venture properties were approximately 47.5% and 11.2% higher, respectively, than then existing in-place fully escalated rents. Approximately 6.2% of the space leased at our unconsolidated joint venture properties expires during 2008.

The increase in investment and preferred equity income was primarily due to higher outstanding balances during the current period. The weighted average investment balance outstanding and weighted average yield were $717.1 million and 10.3%, respectively, for 2007 compared to $398.5 million and 10.3%, respectively, for 2006.

The increase in other income was primarily due to an incentive distribution earned in 2007 upon the sale of One Park Avenue (approximately $77.2 million) and Five Madison Avenue-the Clock Tower ($5.1 million), other incentive distributions and asset management fees ($1.9 million) as well by fee income earned by GKK Manager LLC, an affiliate of ours and the external manager of Gramercy (approximately $12.6 million) and the Service Corporation ($3.2 million). This was offset by an incentive distribution earned in 2006 ($5.0 million).

Property Operating Expenses (in millions)		**2007**		**2006**		**$ Change**	**% Change**
Operating expenses	$	215.0	$	107.1	$	107.9	100.7%
Real estate taxes		126.5		66.6		59.9	89.9
Ground rent		32.4		20.2		12.2	60.4
Total	$	373.9	$	193.9	$	180.0	92.8%

Same-Store Properties	$ 172.7	$ 164.0	$ 8.7	5.3%
Acquisitions	181.3	12.5	168.8	1,350.4
Other	19.9	17.4	2.5	14.4
Total	$ 373.9	$ 193.9	$ 180.0	92.8%

Same-Store Properties operating expenses, excluding real estate taxes ($0.1 million), increased approximately $8.8 million. There were increases in repairs, maintenance and payroll expenses ($1.9 million), utilities ($5.2 million), ground rent expense ($3.1 million) and other miscellaneous expenses ($0.5 million), respectively. This was partially offset by a decrease in insurance costs ($1.9 million).

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The increase in real estate taxes was primarily attributable to the Acquisitions ($60.5 million). This was partially offset by a reduction in real estate taxes at the Same-Store properties ($0.1 million) and due to properties that were sold and other ($0.5 million).

Other Expenses (in millions)	**2007**	**2006**	**$ Change**	**% Change**
Interest expense	$ 281.7	$ 95.3	$ 186.4	195.6%
Depreciation and amortization expense	181.6	65.2	116.4	178.5
Marketing, general and administrative expense	105.0	65.7	39.3	59.8
Total	$ 568.3	$ 226.2	$ 342.1	151.2%

The increase in interest expense was primarily attributable to borrowings associated with new investment activity, primarily the Reckson Merger, and the funding of ongoing capital projects and working capital requirements as well as the write-off for exit fees, make-whole payments and the write-off of unamortized deferred financing costs in connection with the early redemption of unsecured notes and loans ($9.1 million). The weighted average interest rate decreased from 5.93% for the year ended December 31, 2006 to 5.66% for the year ended December 31, 2007. As a result of the new investment activity, the weighted average debt balance increased from $1.95 billion as of December 31, 2006 to $4.7 billion as of December 31, 2007.

Marketing, general and administrative expense represented 10.0% of total revenues in 2007 compared to 13.3% in 2006. The increase in actual cost is primarily due to higher compensation costs due to increased hiring primarily as a result of the Reckson Merger as well as the amended and restated employment agreements entered into with certain of our executive officers in 2007.

Comparison of the year ended December 31, 2006 to the year ended December 31, 2005

The following comparison for the year ended December 31, 2006, or 2006, to the year ended December 31, 2005, or 2005, makes reference to the following: (i) the effect of the Same-Store Properties, which represents all properties owned by us at January 1, 2005 and at December 31, 2007 and total 11 of our 20 wholly-owned properties, representing approximately 82.1% of our annualized rental revenue, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2005, namely, 28 West 44Pth(P) Street (February), One Madison Avenue-Clock Tower (April), 19 West 44Pth(P) Street (June), 141 Fifth Avenue (August), 1604 Broadway (November) and in 2006, namely, 25-27 and 29 West 34Pth(P) Street (January), 521 Fifth Avenue (March), 609 Fifth Avenue (June), 717 Fifth Avenue (September) and 485 Lexington Avenue (December), and (iii) Other, which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	**2006**	**2005**	**$ Change**	**% Change**
Rental revenue	$ 317.8	$ 240.4	$ 77.4	32.2%
Escalation and reimbursement revenue	58.0	45.5	12.5	27.5
Total	$ 375.8	$ 285.9	$ 89.9	31.4%
Same-Store Properties	$ 307.1	$ 265.6	$ 41.5	15.6%
Acquisitions	63.2	19.2	44.0	229.2

Other	5.5	1.1	4.4	400.0
Total	$ 375.8	$ 285.9	$ 89.9	31.4%

Occupancy in the Same-Store Properties increased from 96.0% at December 31, 2005 to 97.5% at December 31, 2006. The increase in the Acquisitions is primarily due to owning these properties for a period during the year in 2006 compared to a partial period or not being included in 2005.

At December 31, 2006, we estimated that the current market rents on our wholly-owned properties were approximately 30.2% higher than then existing in-place fully escalated rents. We believe that the trend of increasing rental rates will continue during 2006 and 2008. Approximately 4.0% of the space leased at wholly-owned properties expires during the remainder of 2006.

The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties ($7.2 million) and the Acquisitions ($4.9 million). The increase in recoveries at the Same-Store Properties was primarily due to electric reimbursements ($0.8 million), operating expense escalations ($4.4 million) and real estate tax escalations ($2.0 million).

Investment and Other Income (in millions)	**2006**	**2005**	**$ Change**	**% Change**
Equity in net income of unconsolidated joint ventures	$ 40.8	$ 49.3	$ (8.5)	(17.2)%
Investment and preferred equity income	62.0	45.0	17.0	37.8
Other income	56.1	37.8	18.3	48.4
Total	$ 158.9	$ 132.1	$ 26.8	20.3%

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The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from 1515 Broadway ($10.1 million), 1250 Broadway ($0.5 million), 180 Madison Avenue ($0.7 million), Mack-Green joint venture ($2.6 million) and 1221 Avenue of the Americas ($0.9 million). This was partially offset by increased net income contributions from our investments in Gramercy ($6.1 million) and 485 Lexington Avenue ($0.6 million). Occupancy at our joint venture same-store properties decreased from 97.4% at December 31, 2005 to 97.1% at December 31, 2006. At December 31, 2006, we estimated that current market rents at our joint venture properties were approximately 40.9% higher than then existing in-place fully escalated rents. Approximately 4.7% of the space leased at our joint venture properties expires during the remainder of 2006.

The increase in investment and preferred equity income was primarily due to income earned on cash-on-hand ($7.4 million) and fee income received upon redemption of several investments in 2006 in excess of 2005 redemptions. The weighted average investment balance outstanding and weighted average yield were $398.5 million and 10.3%, respectively, for 2006 compared to $393.9 million and 10.5%, respectively, for 2005.

The increase in other income was primarily due to fee income earned by GKK Manager, an affiliate of ours and the external manager of Gramercy (approximately $11.7 million), an increase in lease buy-out income (approximately $6.9 million) and incentive distributions, promote and other income (approximately $1.5 million), which was partially offset by reduced income from the Service Corporation ($1.7 million).

Property Operating Expenses (in millions)	**2006**	**2005**	**$ Change**	**% Change**
Operating expense	$ 107.1	$ 81.9	$ 25.2	30.8%
Real estate taxes	66.6	49.4	17.2	34.8
Ground rent	20.2	19.3	0.9	4.7
Total	$ 193.9	$ 150.6	$ 43.3	28.8%
Same-Store Properties	$ 158.0	$ 132.0	$ 26.0	19.7%
Acquisitions	23.7	8.4	15.3	182.1
Other	12.2	10.2	2.0	19.6
Total	$ 193.9	$ 150.6	$ 43.3	28.8%

Same-Store Properties operating expenses, excluding real estate taxes ($10.6 million), increased approximately $15.4 million. There were increases in repairs, maintenance and payroll expenses ($8.2 million), utilities ($1.4 million), insurance costs ($3.9 million), ground rent expense ($0.2 million) and other miscellaneous expenses ($1.7 million), respectively.

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($10.6 million) due to higher assessed property values and the Acquisitions ($6.6 million).

Other Expenses (in millions)	**2006**	**2005**	**$ Change**	**% Change**
Interest expense	$ 95.3	$ 76.2	$ 19.1	25.1%
Depreciation and amortization expense	65.2	48.9	16.3	33.3
Marketing, general and administrative expense	65.7	44.2	21.5	48.6
Total	$ 226.2	$ 169.3	$ 56.9	33.6%

The increase in interest expense was primarily attributable to borrowings associated with new investment activity and the funding of ongoing capital projects and working capital requirements. The weighted average interest rate increased from 5.54% for the year ended December 31, 2005 to 5.93% for the year ended December 31, 2006. As a result of the new investment activity, the weighted average debt balance increased from $1.5 billion as of December 31, 2005 to $1.95 billion as of December 31, 2006.

Marketing, general and administrative, or MG&A, expenses represented 13.3% of total revenues in 2006 compared to 12.0% in 2005. MG&A expenses for 2006 include approximately $8.1 million of costs associated with Gramercy compared to approximately $7.4 million in 2005. In addition, the compensation committee of our board of directors elected to pay approximately $10.0 million of additional incentive compensation to various senior executives in recognition of their extraordinary efforts in 2006, including the approval of the Reckson merger, as well as the Company s sector leading performance.

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Liquidity and Capital Resources

We currently expect that our principal sources of working capital and funds for acquisition and redevelopment of properties, tenant improvements and leasing costs and for structured finance investments will include:

(1) Cash flow from operations;

(2) Borrowings under our 2005 unsecured revolving credit facility;

(3) Other forms of secured or unsecured financing;

(4) Proceeds from common or preferred equity or debt offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership and trust preferred securities); and

(5) Net proceeds from divestitures of properties and redemptions and participations of structured finance investments.

Cash flow from operations is primarily dependent upon the occupancy level of our portfolio, the net effective rental rates achieved on our leases, the collectibility of rent and operating escalations and recoveries from our tenants and the level of operating and other costs. Additionally, we believe that our joint venture investment programs will also continue to serve as a source of capital for acquisitions.

We believe that our sources of working capital, specifically our cash flow from operations and borrowings available under our 2005 unsecured revolving credit facility, and our ability to access private and public debt and equity capital, are adequate for us to meet our short-term and long-term liquidity requirements for the foreseeable future.

Cash Flows

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

Cash and cash equivalents were $46.0 million and $117.2 million at December 31, 2007 and December 31, 2006, respectively, representing a decrease of $71.2 million. The decrease was a result of the following increases and decreases in cash flows (in thousands):

	Year ended December 31,		
	2007	**2006**	**Increase (Decrease)**
Net cash provided by operating activities	$ 406,705	$ 225,644	$ 181,061

Net cash used in investing activities	$	(2,334,337)	$	(786,912)	$	(1,547,425)
Net cash provided by financing activities	$	1,856,418	$	654,342	$	1,202,076

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2007, our portfolio was 95.5% occupied. In addition, rental rates continue to increase and tenant concession packages decrease in the Manhattan marketplace. Our structured finance and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. In the first quarter of 2007, we acquired Reckson for approximately $4.0 billion which included the assumption of approximately $1.5 billion of consolidated debt and the issuance of approximately $1.0 billion of common stock. During the year ended December 31, 2007, when compared to the year ended December 31, 2006, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	$	(3,615,533)
Capital expenditures and capitalized interest		(41,405)
Escrow cash-capital improvements/acquisition deposits		333,457
Joint venture investments		(656,151)
Distributions from joint ventures		40,601
Proceeds from sales of real estate		818,265
Structured finance and other investments		(391,573)
Proceeds from asset sale		1,964,914

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We generally fund our investment activity through property-level financing, our 2005 unsecured revolving credit facility, term loans, unsecured notes, construction loans and, from time to time, we issue common and preferred stock. During the year ended December 31, 2007, when compared to the year ended December 31, 2006, the following financing activities provided the funds to complete the investing activity noted above (in thousands):

Proceeds from our debt obligations	$	3,564,940
Repayments under our debt obligations		(1,812,838)
Net proceeds from sale of common stock		(800,269)
Repurchases of common stock		(150,719)
Minority interest in other partnerships and other financing activities		471,101
Dividends and distributions paid		(70,139)

Capitalization

As of December 31, 2007, we had 58,758,622 shares of common stock, 2,340,359 units of limited partnership interest in our operating partnership, 6,300,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock and 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, outstanding.

In March 2007, our board of directors approved a stock repurchase plan under which we can buy up to $300.0 million shares of our common stock. This plan will expire on December 31, 2008. As of January 31, 2008, we purchased and settled approximately $188.1 million, or 1,751,000 shares of our common stock, at an average price of $107.45 per share.

Rights Plan

We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our common stockholders will be entitled to purchase from us a newly created series of junior preferred shares, subject to our ownership limit described below. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a purchase announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

Dividend Reinvestment and Stock Purchase Plan

We filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which was declared effective on September 10, 2001. The DRIP commenced on September 24, 2001. We registered 3,000,000 shares of common stock under the DRIP.

During the years ended December 31, 2007 and 2006, we issued approximately 108,000 and 132,000 shares of our common stock and received approximately $13.8 million and $13.0 million of proceeds from dividend reinvestments and/or stock purchases under the DRIP, respectively. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base share price of $30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess total return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2002. In April 2007, the Compensation Committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. We record the expense of the restricted stock award in accordance with SFAS 123-R. The fair value of the award on the date of grant was determined to be $3.2 million. Forty percent of the value of the award was amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of $0.4 million, $0.65 million and $0.65 million related to this plan was recorded during the years ended December 31, 2007, 2006 and 2005, respectively.

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2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of $68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30 consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30 day period. Each participant s award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark is achieved. Individual awards would be made in the form of partnership units, or LTIP Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. On June 14, 2006, the Compensation Committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in our operating partnership, that, subject to certain conditions, are convertible into shares of the Company s common stock or cash, at our election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately, $2.1 million, $2.0 million and $0.3 million of compensation expense during the years ended December 31, 2007, 2006 and 2005, respectively, in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

On August 14, 2006, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2006 Outperformance Plan. Participants in the 2006 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from August 1, 2006 through July 31, 2009 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of $106.39 per share. The size of the pool will be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum award of $60 million. The maximum award will be reduced by the amount of any unallocated or forfeited awards. In the event the potential performance pool reaches the maximum award before July 31, 2009 and remains at that level or higher for 30 consecutive days, the performance period will end early and the pool will be formed on the last day of such 30 day period. Each participant s award under the 2006 Outperformance Plan will be designated as a specified percentage of the aggregate performance pool. Assuming the 30% benchmark is achieved, the pool will be allocated among the participants in accordance with the percentage specified in each participant s participation agreement. Individual awards will be made in the form of partnership units, or LTIP Units, that, subject to vesting and the satisfaction of other conditions, are exchangeable for a per unit value equal to the then trading price of one share of our common stock. This value is payable in cash or, at our election, in shares of common stock. LTIP Units will be granted prior to the determination of the performance pool; however, they will only vest upon satisfaction of

performance and time vesting thresholds under the 2006 Outperformance Plan, and will not be entitled to distributions until after the performance pool is established. Distributions on LTIP Units will equal the dividends paid on our common stock on a per unit basis. The 2006 Outperformance Plan provides that if the pool is established, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period. Those distributions will be paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units that are a part of the performance pool, whether vested or unvested. Although the amount of earned awards under the 2006 Outperformance Plan (i.e. the number of LTIP Units earned) will be determined when the performance pool is established, not all of the awards will vest at that time. Instead, one-third of the awards will vest on July 31, 2009 and each of the first two anniversaries thereafter based on continued employment.

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In the event of a change in control of our company on or after August 1, 2007 but before July 31, 2009, the performance pool will be calculated assuming the performance period ended on July 31, 2009 and the total return continued at the same annualized rate from the date of the change in control to July 31, 2009 as was achieved from August 1, 2006 to the date of the change in control; provided that the performance pool may not exceed 200% of what it would have been if it was calculated using the total return from August 1, 2006 to the date of the change in control and a pro rated benchmark. In either case, the performance pool will be formed as described above if the adjusted benchmark target is achieved and all earned awards will be fully vested upon the change in control. If a change in control occurs after the performance period has ended, all unvested awards issued under our 2006 Outperformance Plan will become fully vested upon the change in control.

The cost of the 2006 Outperformance Plan (approximately $9.6 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately $2.5 million and $1.1 million of compensation expense during the years ended December 31, 2007 and 2006, respectively, in connection with the 2006 Outperformance Plan.

Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 6,000,000 shares, or the Fungible Pool Limit, may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the amended and restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At December 31, 2007, approximately 4.3 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 6.1 million shares if all shares available under the 2005 Plan were issued as five-year options.

Deferred Stock Compensation Plan for Directors

Under our Independent Director s Deferral Program, which commenced July 2004, our non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees and meeting fees. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The phantom stock units are convertible into an equal number of shares of common stock upon such directors termination of service from the board of directors or a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of our common stock on the applicable dividend record date for the respective quarter. Each participating non-employee director s account is also credited for an equivalent amount of phantom stock units based on the dividend rate for each quarter.

During the year ended December 31, 2007, approximately 4,953 phantom stock units were earned. As of December 31, 2007, there were approximately 15,513 phantom stock units outstanding.

Market Capitalization

At December 31, 2007, borrowings under our mortgage loans, 2005 unsecured revolving credit facility, unsecured notes, secured term loan and trust preferred securities (including our share of joint venture debt of approximately $1.6 billion) represented 55.1% of our combined market capitalization of approximately $13.3 billion (based on a common stock price of $93.46 per share, the closing price of our common stock on the New York Stock Exchange on December 31, 2007). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our operating partnership, and our share of joint venture debt.

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Indebtedness

The table below summarizes our consolidated mortgage debt, 2005 unsecured revolving credit facility, unsecured notes and trust preferred securities outstanding at December 31, 2007 and 2006, respectively (in thousands).

	December 31,	
Debt Summary:	**2007**	**2006**
Balance		
Fixed rate	**$ 4,607,144**	$ 1,026,714
Variable rate hedged	**160,000**	485,000
Total fixed rate	**4,767,144**	1,511,714
Variable rate	**764,011**	291,665
Variable rate supporting variable rate assets	**191,927**	12,000
Total variable rate	**955,938**	303,665
Total	**$ 5,723,082**	$ 1,815,379
Percent of Total Debt:		
Total fixed rate	**83.3%**	83.3%
Variable rate	**16.7%**	16.7%
Total	**100.0%**	100.0%
Effective Interest Rate for the Year:		
Fixed rate	**5.35%**	5.75%
Variable rate	**6.57%**	6.57%
Effective interest rate	**5.66%**	5.93%

The variable rate debt shown above bears interest at an interest rate based on 30-day LIBOR (4.60% and 5.32% at December 31, 2007 and 2006, respectively). Our consolidated debt at December 31, 2007 had a weighted average term to maturity of approximately 9.1 years.

Certain of our structured finance investments, totaling $191.9 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2007.

Mortgage Financing

As of December 31, 2007, our total mortgage debt (excluding our share of joint venture debt of approximately $1.6 billion) consisted of approximately $2.4 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.97% and approximately $0.4 million of variable rate debt with an effective weighted average interest rate of approximately 6.67%.

Corporate Indebtedness

2005 Unsecured Revolving Credit Facility

We have a $1.5 billion unsecured revolving credit facility, or the 2005 unsecured revolving credit facility. We increased the capacity under the 2005 unsecured revolving credit facility by $300.00 million in January 2007, by an additional $450.0 million in June 2007 and by an additional $250.0 million in October 2007. The 2005 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR, based on our leverage ratio. As of December 31, 2007, the spread was 80 basis points. This facility matures in June 2011 and has a one-year extension option. The 2005 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2005 unsecured revolving credit facility had $708.5 million outstanding at December 31, 2007. Availability under the 2005 unsecured revolving credit facility was further reduced at December 31, 2007 by the issuance of approximately $40.3 million in letters of credit. The 2005 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

Term Loans

We had a $325.0 million unsecured term loan, which was scheduled to mature in August 2009. This unsecured term loan bore interest at a spread ranging from 110 basis points to 140 basis points over the 30-day LIBOR. The unsecured term loan was repaid and terminated in March 2007.

We had a $200.0 million five-year non-recourse term loan, secured by a pledge of our ownership interest in 1221 Avenue of the Americas. The loan was scheduled to mature in May 2010. This term loan had a floating rate of 125 basis points over the current 30-day LIBOR rate. The secured term loan was repaid and terminated in June 2007.

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In January 2007, we closed on a $500.0 million unsecured bridge loan, which matures in January 2010. This term loan bore interest at a spread ranging from 85 basis points to 125 basis points over LIBOR, based on our leverage ratio. This unsecured bridge loan was repaid and terminated in June 2007.

In December 2007, we closed on a $276.7 million ten-year term loan which carries an effective fixed interest rate of 5.19%. This loan is secured by our interest in 388 and 390 Greenwich Street. This secured term loan matures in December 2017.

Unsecured Notes

In March 2007, we issued $750.0 million of 3.00% exchangeable senior notes which are due in 2027. The notes were offered in accordance with Rule 144A under the Securities Act of 1933, as amended. The notes will pay interest semiannually at a rate of 3.00% per annum and mature on March 30, 2027. Interest on these notes is payable semi-annually on March 30 and September 30. The notes will have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes will be senior unsecured obligations of our operating partnership and will be exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes will be redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes.

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date (in thousands):

Issuance		Face Amount	Coupon Rate(2)	Term (in Years)	Maturity
March 26, 1999		200,000	7.75%	10	March 15, 2009
January 22, 2004		150,000	5.15%	7	January 15, 2011
August 13, 2004		150,000	5.875%	10	August 15, 2014
March 31, 2006		275,000	6.00%	10	March 31, 2016
June 27, 2005 (1)		287,500	4.00%	20	June 15, 2025
March 26, 2007		750,000	3.00%	20	March 30, 2027
		1,812,500			
Net discount		(19,212)			
	$	1,793,288			

(1) Exchangeable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491.

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

On April 27, 2007, the $50.0 million 6.0% unsecured notes scheduled to mature in June 2007 and the $150.0 million 7.20% unsecured notes scheduled to mature in August 2007, assumed as part of the Reckson Merger, were redeemed.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued $100.0 million of Trust Preferred Securities, which are reflected on the balance sheet at December 31, 2007 as Junior Subordinate Deferrable Interest Debentures. The proceeds were used to repay our unsecured revolving credit facility. The $100.0 million of junior subordinate deferrable interest debentures have a 30-year term ending July 2035. They bear interest at a fixed rate of 5.61% for the first 10 years ending July 2015. Thereafter, the rate will float at three month LIBOR plus 1.25%. The securities are redeemable at par beginning in July 2010.

Restrictive Covenants

The terms of our 2005 unsecured revolving credit facility and unsecured bonds include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90% of funds from operations for such period, subject to certain other adjustments. As of December 31, 2007 and 2006, we were in compliance with all such covenants.

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Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2007 and 2006, would increase our annual interest cost by approximately $9.2 million and $2.9 million and would increase our share of joint venture annual interest cost by approximately $6.9 million and $6.7 million, respectively.

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

Approximately $4.8 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of December 31, 2007 ranged from LIBOR plus 62.5 basis points to LIBOR plus 275 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and notes payable, 2005 unsecured revolving credit facility, secured term loan, unsecured notes and bonds, trust preferred securities, our share of joint venture debt, excluding extension options, estimated interest expense, and our obligations under our capital lease, air rights and ground leases, as of December 31, 2007 are as follows (in thousands):

	2008	2009	2010	2011	2012	Thereafter	Total
Property Mortgages	$ 304,330	$ 154,750	$ 132,780	$ 243,461	$ 29,846	$ 1,979,477	$ 2,844,644
Revolving Credit Facility				708,500			708,500
Trust Preferred Securities						100,000	100,000
Term loan and Unsecured Notes		200,000		150,000		1,719,938	2,069,938
Capital lease	1,416	1,416	1,451	1,555	1,555	48,760	56,153
Ground leases	34,977	32,803	32,362	29,588	28,708	611,036	769,474
Estimated interest expense	306,387	283,438	265,207	227,534	194,277	1,107,554	2,384,397
Joint venture debt	451,196	438	115,164	72,065	33,372	921,011	1,593,246
Total	$ 1,098,306	$ 672,845	$ 546,964	$ 1,432,703	$ 287,758	$ 6,487,776	$ 10,526,352

Off-Balance Sheet Arrangements

We have a number of off-balance sheet investments, including joint ventures and structured finance investments. These investments all have varying ownership structures. Substantially all of our joint venture arrangements are accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control over the operating and financial decisions of these joint venture arrangements. Our off-balance sheet arrangements are discussed in Note 5, Structured Finance Investments and Note 6, Investments in Unconsolidated Joint

Ventures in the accompanying financial statements. Additional information about the debt of our unconsolidated joint ventures is included in Contractual Obligations above.

Capital Expenditures

We estimate that for the year ending December 31, 2008, we will incur, approximately $128.5 million of capital expenditures (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties will be approximately $36.8 million. We expect to fund these capital expenditures with operating cash flow, borrowings under our credit facility, additional property level mortgage financings, and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period and thereafter through a combination of net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay

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regular quarterly dividends to our stockholders. Based on our current annual dividend rate of $3.15 per share, we would pay approximately $185.5 million in dividends to our common stockholders. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility and our unsecured term loan, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

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

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. First Quality also provides additional services directly to tenants on a separately negotiated basis. 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. First Quality leases 26,800 square feet of space at 70 West 36th Street pursuant to a lease that expires on December 31, 2015. We received approximately $75,000 in rent from Alliance in 2007. We sold this property in March 2007. We paid Alliance approximately $14.8 million, $13.6 million and $11.0 million for three years ended December 31, 2007 respectively, for these services (excluding services provided directly to tenants).

Leases

Nancy Peck and Company leases 507 square feet of space at 420 Lexington Avenue on a month-to-month basis. Nancy Peck and Company is owned by Nancy Peck, the wife of Stephen L. Green. The rent due under the lease is $15,210 per year. Prior to February 2007, Nancy Peck and Company leased 2,013 square feet of space at 420 Lexington Avenue, pursuant to a lease that expired on June 30, 2005 and which provided for annual rental payments of approximately $66,000. The rent due pursuant to that lease was offset against a consulting fee of $11,025 per month an affiliate paid to her pursuant to a consulting agreement, which was canceled in July 2006.

Management Fees

S.L. Green Management Corp. receives property management fees from certain entities in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entities was approximately $297,100 in 2007, $205,000 in 2006 and $209,000 in 2005.

Management Indebtedness

In January 2001, Mr. Marc Holliday, then our president, received a non-recourse loan from us in the principal amount of $1.0 million pursuant to his amended and restated employment and non-competition agreement he executed at the time. This loan bore interest at the applicable federal rate per annum and was secured by a pledge of certain of Mr. Holliday s shares of our common stock. The principal of and interest on this loan was forgivable upon our attainment of specified financial performance goals prior to December 31, 2006, provided that Mr. Holliday remains employed by us until January 17, 2007. As a result of the performance goals being met, this loan was forgiven in January 2007. In April 2000, Mr. Holliday received a loan from us in the principal amount of $300,000 with a maturity date of July 2003. This loan bore interest at a rate of 6.60% per annum and was secured by a pledge of certain of Mr. Holliday s shares of our common stock. In May 2002, Mr. Holliday entered into a loan modification agreement with us in order to modify the repayment terms of the $300,000 loan. Pursuant to the agreement, $100,000 (plus accrued interest thereon) was forgivable on each of January 1, 2004, January 1, 2005 and January 1, 2006, provided that Mr. Holliday remains employed by us through each of such date. This loan was forgiven in 2006.

Brokerage ServicesU

Sonnenblick-Goldman Company, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2006, our 485 Lexington Avenue joint venture paid approximately $757,000 to Sonnenblick in connection with refinancing the property and increasing the first mortgage to $390.0 million. Also in 2006, an entity in which we hold a preferred equity investment paid approximately $438,000 to Sonnenblick in connection with refinancing the property held by that entity and increasing the first mortgage to $90.0 million. In 2007, our 1604-1610 Broadway joint venture paid approximately $146,500 to Sonnenblick in connection with obtaining a $27.0 million first mortgage and we paid $759,000 in connection with the refinancing of 485 Lexington Avenue.

In 2007, we paid a consulting fee of $525,000 to Stephen Wolff, the brother-in-law of Marc Holliday, in connection with our aggregate investment of $119.1 million in the joint venture that owns 800 Third Avenue and approximately $68,000 in connection with our acquisition of 16 Court Street for $107.5 million.

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

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 13, Related Party Transactions in the accompanying financial statements.

Other

Insurance

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

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

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

Funds from Operations

Funds From Operations, or FFO, is a widely recognized measure of REIT performance. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do. The revised White Paper on FFO approved by the Board of Governors of NAREIT in April 2002 defines FFO as net income (loss) (computed in accordance with Generally Accepted Accounting Principles, or GAAP), excluding gains (or losses) from debt restructuring and sales of properties, 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.

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

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.

FFO for the years ended December 31, 2007, 2006 and 2005 are as follows (in thousands):

	Year Ended December 31,		
	2007	**2006**	**2005**
Net income available to common stockholders	**$ 640,535**	$ 200,844	$ 137,544
Add:			
Depreciation and amortization	**181,647**	65,235	48,898
Minority interest	**23,931**	10,270	5,832
FFO from discontinued operations	**19,186**	30,769	32,725
FFO adjustment for unconsolidated joint ventures	**18,972**	34,049	30,412
Less:			
Income from discontinued operations	**(12,151)**	(19,122)	(19,689)
Gain on sale of discontinued operations	**(481,750)**	(93,976)	(33,875)
Gain on sale of joint venture property/ partial interest	**(31,509)**	(3,451)	(11,550)
Depreciation on non-rental real estate assets	**(904)**	(984)	(784)
Funds from Operations - available to common stockholders	**357,957**	223,634	189,513
Dividends on convertible preferred shares			
Funds from Operations - available to all stockholders	**$ 357,957**	$ 223,634	$ 189,513
Cash flows provided by operating activities	**$ 406,705**	$ 225,644	$ 138,398
Cash flows used in investing activities	**$ (2,334,337)**	$ (786,912)	$ (465,674)
Cash flows provided by financing activities	**$ 1,856,418**	$ 654,342	$ 315,585

Inflation

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

Recently Issued Accounting Pronouncements

The Recently Issued Accounting Pronouncements are discussed in Note 2, Significant Accounting Policies-Recently Issued Accounting Pronouncements in the accompanying financial statements.

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

Forward-Looking Information

This report includes certain statements that may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements relate to, without limitation, our future capital expenditures, dividends and acquisitions (including the amount and nature thereof) and other development trends of the real estate industry and the Manhattan, Westchester County, Connecticut, Long Island and New Jersey office markets, business strategies, and the expansion and growth of our operations. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Act and Section 21E of the Exchange Act. Such statements are subject to a number of assumptions, risks and uncertainties which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are generally identifiable by the use of the words may, will, should, expect, anticipate, estimate, believe, intend, projec the negative of these words, or other similar words or terms. Readers are cautioned not to place undue reliance on these forward-looking statements. Among the factors about which we have made assumptions are:

- general economic or business (particularly real estate) conditions, either nationally or in the New York metro area being less favorable than expected;
- reduced demand for office space;
- risks of real estate acquisitions;
- risks of structured finance investments;
- availability and creditworthiness of prospective tenants;
- adverse changes in the real estate markets, including increasing vacancy, decreasing rental revenue and increasing insurance costs;
- availability of capital (debt and equity);
- unanticipated increases in financing and other costs, including a rise in interest rates;
- market interest rates could adversely affect the market price of our common stock, as well as our performance and cash flows;
- our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes, our operating partnership s ability to satisfy the rules in order for it to qualify as a partnership for federal income tax purposes, the ability of certain of our subsidiaries to qualify as REITs and certain of our subsidiaries to qualify as taxable REIT subsidiaries for federal income tax purposes and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;
- accounting principles and policies and guidelines applicable to REITs;

- competition with other companies;
- the continuing threat of terrorist attacks on the national, regional and local economies including, in particular, the New York City area and our tenants;
- legislative or regulatory changes adversely affecting REITs and the real estate business; and
- environmental, regulatory and/or safety requirements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect the Company s business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

The table below presents principal cash flows based upon maturity dates of our debt obligations and structured finance investments and the related weighted-average interest rates by expected maturity dates as of December 31, 2007 (in thousands):

	Long-Term Debt				Structured Finance Investments	
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**	**Amount**	**Weighted Yield**
2008	$ 24,892	5.38%	$ 279,438	6.10%	$ 50,438	11.1%
2009	226,750	5.30%	128,000	5.86%	219,065	14.4%
2010	132,779	5.25%		%	55,989	9.6%
2011	553,461	5.14%	548,500	5.84%		%
2012	29,846	5.08%		%		%
Thereafter	3,799,416	3.97%		%	479,723	9.6%
Total	**$ 4,767,144**	**3.97%**	**$ 955,938**	**5.97%**	**$ 805,215**	**11.0%**
Fair Value	$ 4,698,019		$ 955,938		$ 805,215	

The table below presents the gross principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of December 31, 2007 (in thousands):

	Long Term Debt			
Date	**Fixed Rate**	**Average Interest Rate**	**Variable Rate**	**Average Interest Rate**
2008 (1)	$ 406	5.56%	$ 450,790	6.05%
2009	438	5.56%		%
2010	29,955	5.56%	85,208	6.20%
2011	1,702	5.56%	70,363	6.50%
2012	13,330	5.56%	20,042	6.68%
Thereafter	921,010	5.54%		%
Total	**$ 966,841**	**5.56%**	**$ 626,404**	**6.16%**
Fair Value	$ 960,258		$ 626,404	

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(1) Included in this item is $63,250 based on the contractual maturity date of the debt on 1250 Broadway. This loan has a one-year as-of-right extension option. Also included is $343,750 based on the contractual maturity date of the debt on 1515 Broadway. This loan has two one-year as-of-right extension options.

The table below lists all of our derivative instruments, which are hedging variable rate debt, including joint ventures, and their related fair value as of December 31, 2007 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	Credit facility	LIBOR	$ 100,000	4.650%	5/2006	12/2008	$ (716)
Interest Rate Swap	Credit facility	LIBOR	60,000	4.364%	1/2007	5/2010	(951)
Interest Rate Cap	Mortgage	LIBOR	192,500	6.000%	6/2007	1/2008	
Interest Rate Cap	Mortgage	LIBOR	112,700	6.000%	7/2006	8/2008	23
Interest Rate Cap	Mortgage	LIBOR	128,000	6.000%	1/2007	2/2009	
Total Consolidated Hedges			$ 593,200				$ (1,644)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All these interest rate caps were out of the money and had no value at December 31, 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Schedules

SL GREEN REALTY CORP.

Schedules

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of SL Green Realty Corp.:

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, SL Green Realty Corp. adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment and EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2008 expressed an unqualified opinion thereon.

/S/ ERNST & YOUNG LLP
Ernst & Young LLP

New York, New York
February 27, 2008

Report of Independent Registered Public Accounting Firm

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

We have audited SL Green Realty Corp. s (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2007 of the Company and our report dated February 27, 2008 expressed an unqualified opinion thereon.

/S/ ERNST & YOUNG LLP
Ernst & Young LLP

New York, New York
February 27, 2008

SL Green Realty Corp.

Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	December 31, 2007	December 31, 2006
Assets		
Commercial real estate properties, at cost:		
Land and land interests	**$ 1,436,569**	$ 439,986
Building and improvements	**5,919,746**	2,111,970
Building leasehold and improvements	**1,253,973**	490,995
Property under capital lease	**12,208**	12,208
	8,622,496	3,055,159
Less: accumulated depreciation	**(381,510)**	(279,436)
	8,240,986	2,775,723
Assets held for sale	**41,568**	
Cash and cash equivalents	**45,964**	117,178
Restricted cash	**105,475**	252,272
Tenant and other receivables, net of allowance of $13,932 and $11,079 in 2007 and 2006, respectively	**49,015**	34,483
Related party receivables	**13,082**	7,195
Deferred rents receivable, net of allowance of $13,400 and $10,925 in 2007 and 2006, respectively	**136,595**	96,624
Structured finance investments, net of discount of $30,783 and $14,804 in 2007 and 2006, respectively	**805,215**	445,026
Investments in unconsolidated joint ventures	**1,438,123**	686,069
Deferred costs, net	**134,354**	97,850
Other assets	**419,701**	119,807
Total assets	**$ 11,430,078**	