

Integrity and Trust

An Interview with

Stephen L. Green, Chairman of the Board, SL Green Realty Corp.

EDITORS' NOTE Since founding SL Green Properties in 1980, Stephen Green has been involved in the acquisition of over 75 Manhattan office buildings containing in excess of 50 million square feet of space. Green launched his career in commercial real estate in 1980 when he began purchasing older, underperforming loft buildings. In the mid-1990s, he formed the first public REIT to focus solely on New York City and aggressively expanded his portfolio. Green received his B.A. from Hartwick College in 1959 and earned his J.D. from Boston College Law School in 1962. He later attended New York University Law School's Graduate Tax Program and went on to practice trial law for five years. He serves on the board of governors and the executive committee of the Real Estate Board of New York. Green is also on the board of directors of StreetSquash.



Stephen L. Green

COMPANY BRIEF Since its IPO in 1997, SL Green (www.slgreen.com) has experienced remarkable growth. When the firm went public, SL Green Realty Corp. owned six properties comprising 1.2 million square feet and had a market capitalization of \$258 million. Today, the company is Manhattan's largest owner of office buildings, with 42 buildings totaling over 25 million square feet. SL Green Realty Corp. now has a combined market capitalization of more than \$12 billion. Over the past three years, based on total return, SL Green Realty Corp. has been ranked as the number one office REIT in the United States.

What makes your operation so successful and allows it to grow in challenging economic times?

SL Green has achieved an extraordinary amount of portfolio growth since its IPO. We started out 15 years ago with about 2 million square feet of commercial real estate assets; we now have approximately 28 million. That's more than a tenfold increase and it makes SL Green the largest owner of commercial real estate in New York City. Even more satisfying is the fact that we have delivered over 600 percent in total returns to shareholders over that period of time, making us one of the best performing office REITs in the country.

Those achievements stem from our steadfast confidence in the economic vitality of New York. We will always make year-to-year adjustments in our specific activities to account for the market

cycle, but our long-term view of this city never wavers and we maintain our focus on uncovering and developing maximum value in properties through all cycles. But perhaps just as important is our priority in identifying, nurturing, and retaining the industry's best professional talent.

Would you provide an overview of your service offerings and discuss how these services have evolved?

The company is a fully and vertically integrated investment and operations platform. We have over 300 employees in our headquarters office

who work on every aspect of real estate investments, operations, leasing, construction, and finance. Our commitment to superior customer (tenant) service is very strong, which is a key reason why we consistently achieve occupancy rates that outperform the rest of the industry. As part of the process to maintain those levels, we submit ourselves to annual reviews by our tenants to ensure that we are delivering best of class services and facilities to them. If they identify or we discover ways that we can do better, we take that seriously and respond accordingly.

With the challenging economic environment today, is this a time for opportunity in the commercial real estate market?

We do best in challenging markets because that is when we can differentiate our talent, brand, and access to capital. Over the past three years alone, we have made over \$4 billion of investments in transitional assets – buildings that need to be redeveloped and repositioned in order to unlock their potential and to produce substantial incremental earnings that will be realized by our company over the next few years. Our willingness and proven ability to take on such challenges and successes is what sets us apart from many competitors in the market. And it's why we are able to attract capital from prospective lenders and partners from all over the world.

How does the New York real estate market grow when so many other areas are being challenged?

New York City has emerged as the commercial and cultural capital of the world. The best and the brightest migrate to this city to compete on this most challenging stage. No other city in the world offers as much opportunity to excel. For those reasons, Fortune 500 companies, small startups, entertainment, media, tech, financial services, and others must have a presence here.

What are the key ingredients that you look for when deciding to invest in a property?

While the real estate industry is increasingly dominated by capital market experts, we continue to rely on basic elements of real estate investing that have guided us well for years – looking for properties that can be acquired at a significant discount to replacement costs and where the in-place rents are well below market. This holds true even in instances where income growth is not immediate. As a patient investor, we are willing to forego current return for long-term capital appreciation if that is necessary.

What advice would you give to young people starting their careers who hope to build the next great companies?

Do not listen to friends and relatives who will tell you the business is now overcrowded and the time to start was years ago. You do not need to be a pioneer. Whatever your business or idea is, you have to have a passion to succeed and using a basketball metaphor, you have to be the type of person who is ready to take the last shot at the end of a tied game.

Would you highlight the strength and expertise of your senior leadership and how critical attracting top talent has been?

Many of my peers have private companies that are built around family tradition and legacy. I decided to take a different approach and seek out the best and brightest resources in the real estate industry, and surround myself with executives and employees who could take the SL Green platform and build it into one of New York City's leading real estate companies. Today, through the efforts of our management team led by our CEO Marc Holliday and our President Andrew Mathias, with over 28 million square feet and over \$15 billion of enterprise value, that goal has been reached.

You have achieved so much in your career. What are you most proud of?

In a city then dominated by well entrenched families, we started in the mid-'80s with the purchase of one loft building and two employees. Over the next 13 years, we grew the company building by building and took the company public in 1997. From there, we became New York City's commercial market leader and the first REIT to be solely focused on New York City.

In addition, I am especially proud of my decision to bring Marc Holliday on board shortly after the IPO. At the time, I saw an extremely bright young professional with enormous leadership potential. And he has certainly proven me right – Marc is now globally recognized as one of our industry's top executives. ●