SL GREEN REALTY CORP
Form 424B5
August 20, 2004

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**Filed pursuant to Rule 424(b)(5)**
**Registration No. 333-113076**

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 11, 2004)

# 1,250,000 Shares

# Common Stock

We are offering 1,250,000 shares of common stock of SL Green Realty Corp., par value $.01 per share. Our common stock is listed on the New York Stock Exchange under the symbol "SLG." The last reported sale price of our common stock on the New York Stock Exchange on August 17, 2004 was $49.17 per share.

The shares of our common stock are subject to certain restrictions on ownership and transfer designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See "Restrictions on Ownership and Transfer" in the accompanying prospectus.

**Investing in our common stock involves risks. See "Risk Factors" beginning on page 3 of the accompanying prospectus.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ 48.50 | $ 60,625,000 |
| Underwriting discounts and commissions | $ 0.19 | $ 237,500 |
| Proceeds to us (before expenses) | $ 48.31 | $ 60,387,500 |

We have granted the underwriter a 30-day option to purchase up to an additional 187,500 shares of common stock on the same terms and conditions as set forth above to cover over-allotments.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

Lehman Brothers expects to deliver the shares on or about August 23, 2004.

# LEHMAN BROTHERS

August 18, 2004

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**Prospectus Supplement**



**Prospectus**



**About This Prospectus Supplement**

**You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized anyone to provide you with information that is different. This prospectus supplement is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference regardless of the time of delivery of this prospectus supplement or of any such shares of our common stock.**

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. This prospectus supplement adds, updates and changes information contained in the accompanying prospectus and the information incorporated by reference. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control.

Unless the context requires otherwise, in this prospectus supplement the terms "we," "us" and "our" refer to SL Green Realty Corp. and all entities owned or controlled by SL Green Realty Corp., including our operating partnership or, as the context may require, SL Green Realty

Corp. only.

## FORWARD LOOKING STATEMENTS MAY PROVE INACCURATE

This document and the documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus contain forward-looking statements that are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of our operations, including any forecasts, projections and plans and objectives for future operations. You can identify forward-looking statements by the use of forward-looking expressions such as "may," "will," "should," "expect," "believe," "anticipate," "estimate," "intend," "project," or "continue" or any negative or other variations on such expressions. Many factors could affect our actual financial results, and could cause actual results to differ materially from those in the forward-looking statements. These factors include those listed under the section titled "Risk Factors" in this prospectus supplement and in the accompanying prospectus and include, among others, the following:

- general economic or business conditions, either nationally or in New York City, 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 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 flow;
- our ability to satisfy complex rules in order for us to qualify as a real estate investment trust 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, and the ability of certain of our subsidiaries to qualify as real estate investment trusts 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;
- 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 real estate investment trusts 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 new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus supplement and the accompanying prospectus might not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

**SL GREEN REALTY CORP.**

We are a self-managed real estate investment trust, or a REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. We are the only such REIT to own, manage, lease, acquire and reposition office properties exclusively located in Manhattan. We own all of our assets and conduct substantially all of our business through our operating partnership, SL Green Operating Partnership, L.P. We are the managing general partner of our operating partnership and as of June 30, 2004, we owned 94.6% of the outstanding partnership interests in our operating partnership.

Our primary business objective is to maximize total return to shareholders through growth in funds from operations and appreciation in the value of our assets. We seek to achieve this objective by assembling a compelling portfolio of Manhattan office properties by capitalizing on current opportunities in the Manhattan office market through (i) property acquisitions (including through joint ventures), (ii) property repositioning, (iii) integrated leasing and property management and (iv) structured finance investments in the greater New York area. Generally, we are focused on properties that are within a ten minute walk of midtown Manhattan's primary commuter stations. Our office properties generally are more than 25 years old, in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan.

Our management team has developed a comprehensive knowledge of the Manhattan office market, an extensive network of tenant and other business relationships and experience in acquiring underperforming office properties and repositioning them into profitable properties through intensive full-service management and leasing efforts.

As of June 30, 2004, our portfolio, which included interests in 27 properties aggregating 15.5 million square feet, consisted of 20 wholly-owned commercial properties, or the wholly-owned properties, and seven partially-owned commercial properties encompassing approximately 8.2 million and 7.3 million rentable square feet, respectively, located primarily in midtown Manhattan. Our wholly-owned interests in these properties represent fee ownership (14 properties), including ownership in condominium units, leasehold ownership (four 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 June 30, 2004, the weighted average occupancy (total leased square feet divided by total available square feet) of our wholly-owned properties was 96.7%. Our seven partially-owned properties, which we own through unconsolidated joint ventures, were 96.1% occupied as of June 30, 2004. In addition, we manage three office properties owned by third-parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

We were incorporated in the State of Maryland on June 10, 1997. Our executive offices are located at 420 Lexington Avenue, New York, New York 10170 and our telephone number is (212) 594-2700. We maintain a website at *www.slgreen.com.* The information on our website is not, and you must not consider the information to be, a part of this prospectus supplement.

## RECENT DEVELOPMENTS

***Gramercy Capital Corp. Completes Initial Public Offering***

With respect to our structured finance investments, we formed a new affiliated entity, Gramercy Capital Corp., that will continue a substantial portion of this business as a separate public company. Gramercy Capital Corp. completed its initial public offering in early August 2004 and we own 25.8% of its common stock. Gramercy Capital Corp. intends to operate and qualify as a REIT for federal income tax purposes. If Gramercy Capital Corp. were to fail to qualify as a REIT, that could adversely affect our ability to continue to qualify as a REIT.

***Acquisition Opportunities***

In the ordinary course of our business, we review acquisition opportunities. We currently have several acquisition opportunities in various stages of negotiation and due diligence, including a signed contract to acquire an interest in a significant New York City office property (closing under which is subject to various conditions and contingencies). There is no assurance that we will pursue or continue to pursue any of them or that any of them will be consummated, including the property under contract.

## USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately $60.1 million, or approximately $69.2 million if the underwriter's over-allotment option is exercised in full, after deducting underwriting discounts and commissions and our expenses. We will contribute the net proceeds from this offering to our operating partnership in exchange for units of limited partnership interest in our operating partnership that have substantially identical economic terms as the common stock. Our operating partnership intends to use the net proceeds from this offering to repay a portion of the amount outstanding under our unsecured revolving credit facility. In addition, we may use a portion of the proceeds to fund acquisitions and for other working capital purposes.

## UNDERWRITING

Under the terms of an underwriting agreement, which will be filed as an exhibit to a current report on Form 8-K and incorporated by reference in this prospectus supplement and the accompanying prospectus, Lehman Brothers Inc. has agreed to purchase from us, and we have agreed to sell to the underwriter, 1,250,000 shares of our common stock.

The underwriting agreement provides that the underwriter's obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the obligation to purchase all shares of common stock offered hereby if any of the shares are purchased;
- the representations and warranties made by us to the underwriter are true and correct;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriter.

**Over-Allotment Option**

We have granted the underwriter a 30-day option after the date of the underwriting agreement to purchase, in whole or in part, up to an aggregate of 187,500 additional shares of common stock at the public offering price less the underwriting discounts and commissions. This option may be exercised to cover over-allotments made in connection with this offering. To the extent that the option is exercised, the underwriter will be obligated, subject to certain conditions, to purchase the additional shares, and we will be obligated, pursuant to the option, to sell these shares to the underwriter.

**Commissions and Expenses**

The underwriter has advised us that the underwriter proposes to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus supplement, and to selected dealers, at such public offering price less a selling concession not in excess of $0.10 per share. After the offering, the underwriter may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions we will pay to the underwriter. These amounts are shown assuming both no exercise and full exercise of the underwriter's over-allotment option to purchase up to 187,500 additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriter pays us for the shares.

| | No Exercise | Full Exercise |
|---|---|---|
| Per Share | $ 0.19 | $ 0.19 |
| Total | $ 237,500 | $ 273,125 |

We estimate that the total expenses of the offering will be approximately $250,000.

**Lock-Up Agreement**

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities that are substantially similar to our common stock, including any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, any shares of our common stock, without the prior written consent of Lehman Brothers Inc. for a period of 30 days after the closing date of this offering, except issuances pursuant to employee benefit plans, qualified stock option plans, dividend reinvestment plans or other employee compensation plans existing on the date hereof, or sales or offers in private placement transactions or direct placements to sellers relating to the acquisition of real property or interests therein or in conjunction with joint venture transactions.

**Listing**

Our common stock is listed on the New York Stock Exchange under the symbol "SLG."

**Indemnification**

We have agreed to indemnify the underwriter against liabilities relating to the offering, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that the underwriter may be required to make for these liabilities.

**Stabilization and Short Positions**

The underwriter may engage in over-allotment, stabilizing transactions and covering transactions, or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934, as amended:

Over-allotment involves sales by the underwriter of shares of common stock in excess of the number of shares the underwriter is obligated to purchase, which creates a short position. The underwriter may close out any short position by either exercising its over-allotment option and/or purchasing shares of common stock in the open market.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover short positions.

These stabilizing transactions and covering transactions may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the underwriter make any representation that the underwriter will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

**Stamp Taxes**

Purchasers of the shares of common stock offered by this prospectus supplement may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering per share price. Accordingly, we urge you to consult a tax advisor with respect to whether you may be required to pay those taxes or charges, as well as any other tax consequences that may arise under the laws of the country of purchase.

**Electronic Distribution**

A prospectus supplement accompanied by a prospectus in electronic format may be made available on the Internet sites or through other online services maintained by the underwriter or by their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriter may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriter on the same basis as other allocations.

Other than the prospectus supplement and accompanying prospectus in electronic format, the information on the underwriter's website and any information contained in any other website maintained by the underwriter is not part of the prospectus supplement, the accompanying prospectus or the registration statement of which the prospectus forms a part, has not been approved and/or endorsed by us or the underwriter and should not be relied upon by investors.

**Relationships**

The underwriter and some of its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

## LEGAL MATTERS

The validity of the issuance of the common stock offered hereby will be passed upon for us by Clifford Chance US LLP, New York, New York and for Lehman Brothers Inc. by Hogan & Hartson L.L.P., and the legal matters described under "Material Federal Income Tax Consequences" in the accompanying prospectus will be passed upon by Solomon and Weinberg LLP, New York, New York.

## EXPERTS

Ernst & Young LLP, independent registered public accounting firm, have audited our consolidated financial statements and schedule included in our Annual Report on Form 10-K for the year ended December 31, 2003, as set forth in their report, which is incorporated by reference in this prospectus supplement and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains an Internet website (http://www.sec.gov) that contains reports, proxy statements and information statements, and other information regarding issuers that file electronically with the SEC. Our SEC filings are also available on our Internet website (http://www.slgreen.com). Our securities are listed on the NYSE and all such material filed by us with the NYSE also can be inspected at the offices of the NYSE, 20 Broad Street, New York 10005.

We have filed with the SEC a registration statement on Form S-3, of which this prospectus supplement is a part, under the Securities Act of 1933, as amended, with respect to the securities. This prospectus supplement does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information concerning our company and the securities, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other documents are not necessarily complete, and in each instance, reference is made to the copy of such contract or documents filed as exhibits to the registration statement, each such statement being qualified in all respects by such reference.

The SEC allows us to "incorporate by reference" information into this prospectus supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except for any information superseded by information in this prospectus. This prospectus supplement incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us, our business and our finances.

| Document | Period |
| --- | --- |
| Annual Report on Form 10-K (File No. 1-13199) | Year ended December 31, 2003 |
| Quarterly Report on Form 10-Q (File No. 1-13199) | Quarter ended March 31, 2004 |
| Quarterly Report on Form 10-Q (File No. 1-13199) | Quarter ended June 30, 2004 |

| | Filed |
| --- | --- |
| Current Reports on Form 8-K (File No. 1-13199) | January 9, 2004<br>January 14, 2004<br>May 20, 2004<br>July 14, 2004<br>July 21, 2004<br>August 9, 2004 |

| | Filed |
| --- | --- |
| Definitive Proxy Statement on Schedule 14A (File No. 1-13199) | April 15, 2004 |

| | Filed |
| --- | --- |
| Description of our common stock in Registration Statement on Form 8-A (File No. 1-13199) | July 21, 1997 |
| Description of the rights to purchase shares of our Series B junior participating preferred stock in Registration Statement on Form 8-A (File No. 1-13199) | March 16, 2000 |
| Description of our Series C cumulative redeemable preferred stock in Registration Statement on Form 8-A (File No. 1-13199) | December 10, 2003 |
| Description of our Series D cumulative redeemable preferred stock in Registration Statement on Form 8-A (File No. 1-13199) | May 20, 2004 |
| Description of our Series D cumulative redeemable preferred stock in Registration Statement on Form 8-A/A (File No. 1-13199) | July 14, 2004 |

All documents which we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement but before the end of any offering of securities made under this prospectus supplement will also be considered to be incorporated by reference.

If you request, either orally or in writing, we will provide you with a copy of any or all documents which are incorporated by reference. Such documents will be provided to you free of charge, but will not contain any exhibits, unless those exhibits are incorporated by reference into the document. Requests should be addressed to Andrew S. Levine, Esq., SL Green Realty Corp., 420 Lexington Avenue, New York, NY 10170, telephone number (212) 594-2700.

**PROSPECTUS**

# $500,000,000

# Common Stock, Preferred Stock, Depositary Shares and Warrants

We may from time to time offer, in one or more series or classes, separately or together, and in amounts, at prices and on terms to be set forth in one or more supplements to this prospectus, the following securities:

- shares of common stock, par value $.01 per share;
- shares of preferred stock, par value $.01 per share;
- depositary shares representing entitlement to all rights and preferences of fractions of shares of preferred stock of a specified series and represented by depositary receipts; or
- warrants to purchase shares of common stock, preferred stock or depositary shares.

We refer to the common stock, preferred stock, depositary shares and warrants collectively as the "securities" in this prospectus. The securities will have an aggregate initial offering price of $500,000,000, or its equivalent in a foreign currency based on the exchange rate at the time of sale, in amounts, at initial prices and on terms determined at the time of the offering.

The specific terms of the securities in respect of which this prospectus is being delivered will be set forth in the applicable prospectus supplement. The prospectus supplement will also contain information, where applicable, about certain federal income tax considerations relating to, and any listing on a securities exchange of, the securities covered by such prospectus supplement, not contained in this prospectus. It is important that you read both this prospectus and the applicable prospectus supplement before you invest.

We may offer the securities directly, through agents, or to or through underwriters. The prospectus supplement will describe the terms of the plan of distribution and set forth the names of any underwriters involved in the sale of the securities. See "Plan of Distribution" beginning on page 48 for more information on this topic. No securities may be sold without delivery of a prospectus supplement describing the method and terms of the offering of those securities.

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol "SLG." On February 24, 2004, the closing sale price of our common stock on the NYSE was $43.72 per share. Our 7.625% Series C cumulative redeemable preferred stock, liquidation preference $25.00 per share, is listed on the NYSE under the symbol "SLGPrC." On February 24, 2004, the closing sale price of our 7.625% Series C cumulative redeemable preferred stock on the NYSE was $25.80 per share.

**See "Risk Factors" beginning on page 3 of this prospectus for a description of risk factors that should be considered by purchasers of the securities.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 11, 2004.

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**INFORMATION ABOUT SL GREEN**

We are a self-managed real estate investment trust, or a REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. We are the only such REIT to own, manage, lease, acquire and reposition office properties predominantly located in Manhattan. We own all of our assets and conduct substantially all of our business through our operating partnership, SL Green Operating Partnership, L.P. We are the managing general partner of our operating partnership and as of September 30, 2003, we owned 94.0% of the outstanding partnership interests in our operating partnership. Unless the context requires otherwise, all references to "we," "our" and "us" in this prospectus means SL Green Realty Corp. and all entities owned or controlled by SL Green Realty Corp., including our operating partnership.

Our primary business objective is to maximize total return to shareholders through growth in funds from operations and appreciation in the value of our assets. We seek to achieve this objective by assembling a compelling portfolio of Manhattan office properties by capitalizing on current opportunities in the Manhattan office market through (i) property acquisitions (including through joint ventures), (ii) property repositioning, (iii) integrated leasing and property management and (iv) structured finance investments in the greater New York area. Generally, we are focused on properties that are within a ten minute walk of midtown Manhattan's primary commuter stations. Our office properties generally are more than 25 years old, in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan.

Our management team has developed a comprehensive knowledge of the Manhattan office market, an extensive network of tenant and other business relationships and experience in acquiring underperforming office properties and repositioning them into profitable properties through intensive full-service management and leasing efforts.

As of September 30, 2003, our portfolio, which included interests in 25 properties aggregating 12.61 million square feet, consisted of 19 wholly-owned and six partially-owned commercial properties encompassing approximately 7.97 million and 4.64 million rentable square feet, respectively, located primarily in midtown Manhattan. As of September 30, 2003, we self-managed all of our wholly-owed and partially owned properties. Our wholly-owned interests in these properties represent fee ownership (14 properties), including ownership in condominium units, leasehold ownership (three 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 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 September 30, 2003, the weighted average occupancy (total occupied square feet divided by total available square feet) of our wholly owned properties was 97.3%. Our six partially-owned properties, which we own through unconsolidated joint ventures, were 92.6% occupied as of September 30, 2003. In addition, we manage three office properties owned by third-parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

We were incorporated in the State of Maryland on June 10, 1997. Our executive offices are located at 420 Lexington Avenue, New York, New York 10170 and our telephone number is (212) 594-2700. We maintain a website at www.slgreen.com. The information on our website is not, and you must not consider the information to be, a part of this prospectus.

## RECENT DEVELOPMENTS

**Acquisition of Interest in 1221 Avenue of the Americas**

On December 29, 2003, we acquired a 45% ownership interest in the property located at 1221 Avenue of the Americas for $450.0 million from The McGraw-Hill Companies. Rockefeller Group International, Inc. will retain its 55% ownership interest in the property and will continue to manage the property. 1221 Avenue of the Americas is an approximately 2.55 million square foot, 50-story class "A" office building located in Rockefeller Center. The purchase price, which was reduced by an amount equal to 45% of underlying property ownership indebtedness in the amount of $175.0 million, was paid in cash. The acquisition was funded, in part, with proceeds from our offering of $157.5 million Series C cumulative redeemable preferred stock that closed in December 2003, with the balance funded using our unsecured revolving credit facility and a secured non-recourse $100.0 million term loan.

**Acquisition of 461 Fifth Avenue**

On October 1, 2003, we acquired the long-term leasehold interest in 461 Fifth Avenue for $60.9 million. 461 Fifth Avenue is an approximately 200,000 square foot office building located on Fifth Avenue between 40th and 41st Streets. The leasehold acquisition was funded, in part, with the proceeds from the sale of 1370 Broadway, which closed on July 31, 2003. As a 1031 tax-free exchange, the transaction enabled us to defer gains from the sale of 1370 Broadway and from the sale of 17 Battery Place South, which gains were initially re-invested in 1370 Broadway. The balance of the acquisition was funded using our unsecured revolving credit facility.

**Restatement of Historical Financial Statements**

We filed a Current Report on Form 8-K on December 3, 2003, (the "Form 8-K") restating our historical financial statements in connection with the adoption of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS-144"). During 2003, we sold certain properties and in compliance with SFAS 144 have reported revenue, expenses and gain on sale from these properties as income from discontinued operations for each period presented in our quarterly reports filed since the date of the sales (including the comparable period of the prior year). The rules and regulations of the SEC applicable to us require that we reclassify the reported revenue, expenses and gain on sale from these properties as income from discounted operations in our annual financial statements for each of the years shown in our Annual Report on Form 10-K for the year ended December 31, 2002, if those financials are incorporated by reference in subsequent filings with the SEC under the Securities Act of 1933, as amended, even though those financial statements related to a period prior to the date of the respective sales.

**Changes in Management**

On January 5, 2004, Marc Holliday was promoted to chief executive officer of our company. Mr. Holliday, 37, joined us in 1998 as chief investment officer and remains president, a post he has held since 2001. Stephen L. Green, our founder and prior chief executive officer, will continue in his position as chairman of the board of directors and will be a full-time executive officer of our company. In connection with Mr. Holliday's promotion to chief executive officer, we have amended his employment agreement to extend it through January 2010. Pursuant to the amended employment agreement, Mr. Holliday will receive an additional 270,000 restricted shares of our common stock plus a 40% gross-up for income taxes. 95,000 of the restricted shares will vest immediately and be non-transferable for a period of two years. The balance of the restricted shares will vest over the remaining term of the employment agreement subject to achieving certain time and performance criteria.

On February 3, 2004, Gregory F. Hughes was appointed chief financial officer of our company. Mr. Hughes succeeded Thomas E. Wirth, who will remain with us until at least April 30, 2004 to assist with the transition. We also announced that Michael W. Reid, our chief operating officer, will leave our company effective April 30, 2004 to pursue a business venture.

## RISK FACTORS

*This section describes some, but not all, of the risks of purchasing our securities, including our common stock and preferred stock. You should carefully consider these risks, in addition to the other information contained in this document, in an applicable prospectus supplement, or incorporated by reference herein, before purchasing any of our securities. In connection with the forward-looking statements that appear in this prospectus, you should carefully review the factors discussed below and the cautionary statements referred to in "Forward-Looking Statements May Prove Inaccurate" beginning on page 15 of this prospectus.*

**Declines in the demand for office space in New York City, and in particular, in midtown Manhattan, 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 shareholders.**

Most of our 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 shareholders.

***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 2008, leases will expire on approximately 37.4% and 39.8% of the rentable square feet at our wholly owned and joint venture properties, respectively. As of September 30, 2003, approximately 3.0 million and 1.7 million square feet are scheduled to expire by December 31, 2008 and these leases currently have annualized escalated rental income totaling $98.8 million and $57.3 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 shareholders would be adversely affected.

***The expiration of long term leases or operating sublease interests could adversely affect our results of operations.*** Our interest in four of our 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 will significantly adversely affect our results of operations. These properties are 673 First Avenue, 420 Lexington Avenue, 1140 Avenue of the Americas and 125 Broad Street. The average remaining term of these long term leases, including our unilateral extension rights on two of the properties, is 43.8 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. The annualized escalated rents of these properties at September 30, 2003 totaled $87.9 million, or 33.9%, of our total annualized revenue associated with wholly-owned properties. We have exercised our option to acquire our portion of the underlying fee interest in 125 Broad Street for $5.9 million. This transaction is expected to close during the third quarter of 2004.

***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 September 30, 2003 for wholly owned and joint venture properties as of that date, our five largest tenants, based on square footage leased, accounted for approximately 18.8% of our share of total annualized rental revenues, and other than one tenant, Viacom International Inc., who accounted for 9.2% of our share of annualized rent, no tenant accounted for more than 3.8% 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.

MCI/Worldcom, a tenant occupying 83,752 square feet at three of our properties, is in a bankruptcy proceeding. MCI/Worldcom represents approximately 0.9% of our share of annualized rent at September 30, 2003. The tenant is current with their rent payments. However, there can be no assurance that they will continue to make rent payments or that they will not breach any of the leases.

**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 shareholders.

**We face risks associated with property acquisitions.**

Since our initial public offering, we have made large acquisitions of properties and portfolios of properties. We intend to continue to acquire properties and portfolios of properties, including large portfolios that could continue to 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, institutional investment funds and private investors;

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of 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;

- acquired properties may fail to perform as we expected;

- our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;

- 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.

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

As of September 30, 2003, three of our properties, 420 Lexington Avenue, 220 East 42nd Street and 1515 Broadway, accounted for over 34.0% of our annualized rent, including our share of joint venture annualized rent, and 420 Lexington Avenue alone accounted for approximately 14.0% of our 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 groundlease for the 420 Lexington Avenue 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 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, default under their leases or file 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.**

The real estate industry witnessed a sharp rise in property insurance costs after the terrorist attacks on September 11, 2001. Recently, there has been some stabilizing of these costs, primarily as a result of Federal legislation that required insurance companies to provide certain forms of terrorism coverage while providing a financial backstop in the event of a non-domestic terrorist attack. We recently renewed our insurance policy at a modestly reduced cost. We carry comprehensive all risk (fire, flood, extended coverage and rental loss insurance) and liability insurance with respect to our property portfolio. This policy has a limit of $350 million of terrorism coverage for the properties in our portfolio and expires in October 2004. 1515 Broadway has stand-alone insurance coverage, which provides for full all risk coverage but has a limit of $300 million in terrorism coverage. This policy will expire in May 2004. While we believe our insurance coverage is adequate, in the event of a major catastrophe resulting from an act of terrorism, we may not have sufficient coverage to replace a significant property. We do not know if sufficient insurance coverage will be available when the current policies expire, nor do we know the costs for obtaining renewal policies containing terms similar to our current policies. In addition, our policies may not cover properties that we may acquire in the future, and additional insurance may need to be obtained prior to October 2004, or in the case of 1515 Broadway, May 2004.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), ground leases and our secured and unsecured revolving credit facilities and unsecured 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 such 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, it could adversely affect our ability to finance and/or refinance our properties and to expand our portfolio.

**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.

**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 $792.4 million as of September 30, 2003, $14.0 million of which was borrowings under our secured credit facility, $81.0 million under our unsecured credit facility, $165.0 million under our unsecured term loan and $532.4 million of which was non-recourse mortgage loans on eight of our properties. 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 and our credit facilities and term loan. Our secured credit facility matures on December 20, 2004. Our unsecured credit facility matures on March 16, 2006. Our unsecured term loan matures on June 5, 2008. As of September 30, 2003, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was $755.2 million, of which our proportionate share was $402.6 million.

If we are unable to make payments under our secured or unsecured credit facilities and unsecured term loan, all amounts due and owing at such time shall accrue interest at a rate equal to 4% 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 the 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 2004, $225.7 million of debt on two of our wholly owned buildings will mature and in 2005, $48.1 million of debt on one of our wholly owned buildings will mature. In 2004, $592.0 million of debt on four of our joint venture properties will mature. At the present time we intend to exercise extension options or refinance the debt associated with these 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 shareholders.

***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 secured and unsecured credit facilities contain customary restrictions and requirements on our method of operations. Our secured and unsecured credit facilities 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 shareholders.

***Rising interest rates could adversely affect our cash flow.*** Advances under our secured and unsecured credit facilities and unsecured term loan and certain property-level mortgage debt bear interest at a variable rate. These variable rate borrowings totaled $253.0 million at September 30, 2003. Borrowings under our unsecured credit facility and unsecured term loan bear interest at a spread equal to the London Interbank Offered Rate, which we refer to as LIBOR, plus from 130 basis points to 170 basis points, depending on our leverage ratio. Borrowings under our secured credit facility bear interest at a spread equal to the LIBOR plus 150 basis points. As of September 30, 2003 borrowings under the secured and unsecured credit facilities and unsecured term loan totaled $14.0, $81.0 and $165.0 million and bore interest at 2.67%, 2.56% and 5.09%, 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 shareholders. At September 30, 2003, a hypothetical 100 basis point increase in interest rates along the entire interest rate curve would increase our annual interest costs by approximately $2.7 million and would increase our share of joint venture annual interest costs by approximately $1.6 million.

***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 September 30, 2003, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our consolidated debt to market capitalization ratio, excluding our share of joint venture debt of $402.6 million, was approximately 36.5%. However, our policy is to incur debt only if upon a conversion our consolidated debt to market capitalization ratio would be 55.0% or less. Our board of directors can alter or eliminate this policy and would 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 shareholders 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 share 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 expenses which could adversely affect our results of operations.**

We owned mezzanine loans, junior participations and preferred equity interests in fifteen properties with an aggregate book value of $167.9 million at September 30, 2003. To the extent we invest in mezzanine loans, junior participations and preferred equity, 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 foreclose our mortgages or protect our investments by acquiring title to a property and thereafter making substantial improvements or repairs 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.

**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 September 30, 2003, we were participating in six unconsolidated joint ventures encompassing six properties and had an aggregate cost basis in the joint ventures totaling $205.8 million. As of September 30, 2003, our share of joint venture debt totaled $402.6 million.

**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, we may be entitled under a particular joint venture agreement to an economic share in the profits of the joint venture that is smaller than our ownership percentage in the joint venture, 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. In addition, although we believe that we adequately insure our properties, we are subject to the risk that our insurance may not cover all of the costs to restore a property which is damaged by a fire or other similar catastrophic event. The occurrence of any of these events could have an adverse impact on our cash flows and ability to make distributions to shareholders.

**Our charter documents and applicable law may hinder any attempt to acquire us, which could discourage takeover attempts and prevent our shareholders 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 shareholders 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 for tax purposes;
- the board of director's ability to issue additional common stock and preferred stock without shareholder approval; and
- shareholder 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 2004, 2005 and 2006, 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 share ownership limit for REIT tax purposes.*** 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. To avoid violating this rule regarding share ownership limitations and maintain our REIT qualification, our articles of incorporation prohibit ownership by any single shareholder 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 shareholder if deemed to be in our best interest. To obtain a waiver, a shareholder 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 shareholder's rights to distributions and to vote would terminate. The shareholder 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 shareholder rights plan.*** We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our shareholders 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 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.

***Certain provisions of Maryland law could inhibit changes in control.*** Certain provisions of the Maryland General Corporation Law, which we refer to as the Maryland corporation law, may have the effect of inhibiting a third party from making an acquisition proposal for our company or of impeding a change in control of our company under circumstances that otherwise could provide the holders of securities with the opportunity to realize a premium over the then-prevailing market price of such securities. We have opted out of these provisions of the Maryland corporation law, but our board of directors may elect to adopt these provisions in the future. See "Certain Anti-takeover Provisions of Maryland Law" beginning on page 32 of this prospectus.

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

Our articles of incorporation authorize our board of directors to issue additional shares of common stock and preferred stock without shareholder approval. Any such issuance could dilute our existing shareholders' 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.**

One of the factors that you may consider important in deciding whether to buy or sell shares of a REIT is the dividend with respect to such REIT's shares as a percentage of the price of such shares, relative to market interest rates. 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 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 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 the operating partnership. If the operating partnership were to retire such debt, then he would experience a decrease in his share of liabilities which, for tax purposes, would be treated as a distribution of cash to him. To the extent the deemed distribution of cash exceeded his tax basis, he would recognize gain.

**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 and 470 Park Avenue South. During the period of time that these restrictions apply, our ability to manage or use these properties 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 these restricted assets 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 shareholders.

Specifically, we have agreed not to sell our interest in these properties until August 20, 2009 without the approval of unitholders holding at least 75% of the units issued in consideration for these properties. The current gross carrying value of the commercial real estate of these properties totaled $87.1 million at September 30, 2003. We have also agreed not to reduce the mortgage indebtedness ($35.0 million at September 30, 2003), 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, Stephen Green controls at least 75% of the units whose approval is necessary. With respect to 470 Park Avenue South, Stephen Green controls at least 65% of the units whose approval is necessary. Finally, during this period, we may not incur debt secured by any of these properties 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 and condominium interests in the property located at 125 Broad Street, New York, New York on March 28, 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 these properties prior to the acquisitions for a period of seven years, in the case of 220 East 42nd Street, and a period of three years, in the case of 125 Broad Street, after the respective acquisitions.

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.*** Two entities owned by one of Mr. Green's sons, First Quality Maintenance, L.P. and Classic Security LLC, currently provide cleaning, exterminating and security services to all of our office properties, with the exception of cleaning services at one property. Our company and our tenants accounted for approximately 31.0% of First Quality Maintenance, L.P.'s 2002 total revenue and 47.0% of Classic Security LLC's 2002 total revenue. In addition, Bright Star Courier, LLC, a messenger service company owned by one of Mr. Green's sons, has provided messenger services at two of our properties since May 1, 2002. We accounted for approximately 17.0% of Bright Star Courier, LLC's 2002 total revenue. While the contracts pursuant to which these services are provided are reviewed by our board of directors, they 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.

***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, Michael Reid, Gregory Hughes, Andrew Levine, Gerard Nocera and Andrew Mathias entered into employment and noncompetition agreements with us pursuant to which they have agreed not to 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 shareholders 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 shareholders. 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 shareholders.

**New tax legislation reduces tax rates for dividends paid by non-REIT corporations.**

Under legislation recently enacted, 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. Recent conditions have demonstrated that 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 shareholders' 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 office building properties are concentrated in highly developed areas of midtown Manhattan. Manhattan is the largest office market in the United States. The number of competitive office properties in Manhattan 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. These competing properties may be newer or better located. In addition, we may compete with other property owners (including other REITs that currently invest in markets other than Manhattan) that are willing to acquire properties in transactions that are more highly leveraged than we are willing to undertake and therefore, our ability to make future acquisitions may be limited.

**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, and Marc Holliday, our chief executive officer and president. A loss of the services of either of these individuals could adversely affect our operations.

**FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE**

This document and the documents that are incorporated by reference herein contain forward-looking statements that are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of our operations, including any forecasts, projections and plans and objectives for future operations. You can identify forward-looking statements by the use of forward-looking expressions such as "may," "will," "should," "expect," "believe," "anticipate," "estimate," "intend," "project," or "continue" or any negative or other variations on such expressions. Many factors could affect our actual financial results,