Empire State Realty Trust, Inc.
Form S-11
February 13, 2012
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As filed with the Securities and Exchange Commission on February 13, 2012

Registration Statement No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-11

FOR REGISTRATION

UNDER

THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

EMPIRE STATE REALTY TRUST, INC.

(Exact name of registrant as specified in its governing instruments)

One Grand Central Place

60 East 42nd Street

New York, New York 10165

(212) 953-0888

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

Anthony E. Malkin

Chairman, Chief Executive Officer and President

c/o Empire State Realty Trust, Inc.

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement. ¨

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	***Proposed Maximum Aggregate Offering Price[(1)(2)]***	***Amount of Registration Fee[(1)]***
Class A Common Stock, par value $0.01 per share	*$ 1,000,000,000*	*$ 114,600*

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes the offering price of Class A common stock that may be purchased by the underwriters upon the exercise of their option.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus, dated February 13, 2012

PROSPECTUS

Shares

Class A Common Stock

Empire State Realty Trust, Inc. is a Maryland corporation organized to qualify as a real estate investment trust that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area.

This is our initial public offering and no public market currently exists for our Class A common stock. We are offering shares of our Class A common stock as described in this prospectus. All of the shares of Class A common stock offered by this prospectus are being sold by us. We currently expect the initial public offering price to be between $ and $ per share of our Class A common stock. We intend to apply to have our Class A common stock listed on the New York Stock Exchange under the symbol ESB.

Shares of our common stock are subject to ownership limitations that are intended to, among other purposes, assist us in qualifying and maintaining our qualification as a real estate investment trust for U.S. federal income tax purposes. Our charter contains certain restrictions relating to the ownership and transfer of our common stock, including, subject to certain exceptions, a % ownership limit for all stockholders. See Description of Securities Restrictions on Ownership and Transfer beginning on page 241 of this prospectus.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 27 of this prospectus for a discussion of certain risk factors that you should consider before investing in our Class A common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters the option to purchase an additional shares of our Class A common stock for 30 days after the date of this prospectus on the same terms and conditions set forth above if the underwriters sell more than shares of Class A common stock in this offering.

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

The underwriters expect to deliver the shares of our Class A common stock on or about , 2012.

BofA Merrill Lynch **Goldman, Sachs & Co.**

The date of this prospectus is , 2012.

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[PICTURE, TEXT AND/OR GRAPHICS FOR INSIDE COVER TO COME]

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You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires or indicates, references in this prospectus to we, our, us and our company refer to (i) Empire Stat Realty Trust, Inc. (formerly known as Empire Realty Trust, Inc.), a Maryland corporation, together with its consolidated subsidiaries, including Empire State Realty OP, L.P. (formerly known as Empire Realty Trust, L.P.), a Delaware limited partnership, which we refer to in this prospectus as our operating partnership, after giving effect to the formation transactions described in this prospectus and (ii) our predecessor before giving effect to the formation transactions described in this prospectus. Unless the context otherwise requires

or indicates, the information contained in this prospectus assumes (i) the formation transactions, as described under the caption Structure and Formation of Our Company beginning on page 221, have been completed; (ii) the shares of Class A common stock to be sold in this offering are sold at $ per share, which is the mid-point of the range of prices set forth on the front cover of this prospectus; (iii) no exercise by the underwriters of their option to purchase up to an additional shares of our Class A common stock; (iv) the operating partnership units to be issued in the formation transactions are valued at $ per unit; (v) the Class B common stock to be issued in the formation transactions is valued at $ per share; and (vi) all property information is as of September 30, 2011.

Market Data

We use market data and industry forecasts and projections throughout this prospectus, and in particular in the section entitled Business and Properties. We have obtained substantially all of this information from a market study prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm in January 2012. We have paid RCG a fee for such services. Such information is included herein in reliance on RCG s authority as an expert on such matters. See Experts. In addition, we have obtained certain market data from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable. Forecasts are based on industry surveys and the preparer s expertise in the industry and there is no assurance that any of the projected amounts will be achieved. We believe this data others have compiled are reliable, but we have not independently verified this information. Any forecasts prepared by RCG are based on data (including third party data), models and experience of various professionals, and are based on various assumptions, all of which are subject to change without notice.

We own, manage, operate, acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area. We refer to our properties in Manhattan as our Manhattan properties. We use the term greater New York metropolitan area to refer only to Fairfield County, Connecticut and Westchester County, New York. We refer to our office and retail properties collectively as our portfolio. Our targeted office markets as defined by RCG include the Midtown Manhattan market, which spans from 30th Street north to Central Park (59th Street) and includes the Penn Station, Times Square South, Grand Central and West Side submarkets, and the Westchester County and Fairfield County markets. Our targeted retail markets as defined by RCG include Midtown Manhattan, Union Square (where Park Avenue meets 14th Street), the Upper East Side and Fairfield County. The manner in which we define our property markets and submarkets differs from how RCG has done so in its market study included herein. Further, RCG s definition of the New York metropolitan area differs from our definition of the greater New York metropolitan area. RCG s definition includes Putnam County and Rockland County in New York and Bergen County, Hudson County, and Passaic County in Northern New Jersey and excludes Fairfield County in Connecticut.

Predecessor Definition

Our predecessor is not a legal entity but rather a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which are owned by certain entities that are owned or controlled by the sponsors (Anthony E. Malkin and Peter L. Malkin) and/or their affiliates and family members, which we collectively refer to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities we collectively refer to as the non-controlled entities, and are presented as uncombined entities in our combined financial statements. Specifically, the term our predecessor means (i) Malkin Holdings LLC, a New York limited liability company that acts as the supervisor of, and performs various asset management services and routine administration with respect to, certain of the existing entities (as described below), which we refer to as the supervisor; (ii) the limited liability companies or limited partnerships that currently (a) own, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operate, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which include non-controlling interests in four office properties for which Malkin Holdings LLC acts as the supervisor but that are not consolidated into our predecessor for accounting purposes) and entitled land that will support the development of an approximately 340,000 rentable square foot office building and garage that we will own after the formation transactions described in this prospectus, which we refer to as the existing entities; (iii) Malkin Properties, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the existing entities in Manhattan, which we refer to as Malkin Properties; (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the existing entities in Westchester County, New York, which we refer to as Malkin Properties NY; (v) Malkin Properties of Connecticut, Inc., a

Connecticut corporation that serves as the manager and leasing agent for certain of the existing entities in the State of Connecticut, which we refer to as Malkin Properties CT; and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provides services to certain of the existing entities and third parties (including certain tenants at the properties in our portfolio), which we refer to as Malkin Construction. The term our predecessor s management companies refers to the supervisor, Malkin Properties, Malkin Properties NY, Malkin Properties CT and Malkin Construction, collectively. Our predecessor accounts for its investment in the non-controlled entities under the equity method of accounting.

Class A and Class B Common Stock and Operating Partnership Units

Following this offering, we will have two classes of common stock, Class A common stock and Class B common stock. Shares of Class A common stock entitle the holders to one vote per share whereas shares of Class B common stock will entitle holders to 50 votes per share. The continuing investors that had an option to elect operating partnership units at the time of the election of consideration in the formation transactions had an option to elect to receive one share of Class B common stock in lieu of one operating partnership unit for every 50 operating partnership units such holder would have otherwise received in the formation transactions. The Class B common stock provides the holders thereof voting rights that generally correspond to their economic interests in our company, assuming such continuing investor elected to receive the maximum amount of shares of Class B common stock to which it was entitled in the formation transactions. No continuing investor receiving shares of Class B common stock will hold shares of common stock with an aggregate voting power that exceeds such continuing investor s economic interest in our company. For a description of the material terms of our common stock, see Description of Securities. Interests in our operating partnership are denominated in units of limited partnership, which we call operating partnership units. Operating partnership units are redeemable for cash, or at our election, shares of our Class A common stock on a one-for-one basis. As used herein, when we refer to our ownership interest in our operating partnership, we mean the percentage of all operating partnership units that are expected to be held by us. Unless the context otherwise requires or indicates, the term common stock as used herein means both our Class A and Class B common stock. The term fully diluted basis means all outstanding shares of our Class A common stock at such time plus shares of Class A common stock that may be issuable upon the exchange of operating partnership units on a one-for-one basis and shares of Class A common stock issuable upon the conversion of Class B common stock on a one-for-one basis, which is not the same as the meaning of fully diluted under generally accepted accounting principles in the United States of America, or GAAP. The term owns in respect of ownership of securities of our company means the direct beneficial ownership of such securities or the ability to control the vote or disposition of such securities.

Non-GAAP Financial Measures

We use non-GAAP financial measures in this prospectus. For definitions and reconciliations of these non-GAAP financial measures, see Management s Discussion and Analysis of Financial Condition and Results of Operations Net Operating Income, Funds from Operations and EBITDA.

Miscellaneous

The term reposition means the strategic improvement of one or more of the following characteristics of a building: (i) tenant type, composition and credit quality, (ii) aggregate rentable square feet, (iii) average space leased per tenant, (iv) aggregate space leased, (v) lease term, (vi) average rent per square foot, (vii) aggregate rental revenue and/or (viii) branding and associated marketing efforts, and requires significant capital expenditures for physical improvements to the building and its amenities.

The term Malkin Group means all of the following, as a group: Anthony E. Malkin, Peter L. Malkin and each of their spouses and lineal descendants (including spouses of such descendants), any estates of any of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin for the benefit of any of the foregoing; provided, however that solely with respect to tax protection rights and parties who entered into

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the contribution agreements described in this prospectus, the Malkin Group shall also include the lineal descendants of Lawrence A. Wien and his spouse (including spouses of such descendants), any estates of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin for the benefit of the foregoing.

We refer to Anthony E. Malkin, our Chairman, Chief Executive Officer and President, David A. Karp, our Chief Financial Officer, Executive Vice President and Treasurer, Thomas P. Durels, our Executive Vice President, and Thomas N. Keltner, Jr., our General Counsel and Secretary, collectively as our senior management team.

The term the Helmsley estate means the interests of the estate of Leona M. Helmsley (including any interests in the existing entities transferred from the Helmsley estate to the Leona M. and Harry B. Helmsley Charitable Trust).

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company, including under the caption Risk Factors, as well as the historical and unaudited pro forma financial statements, including the related notes, appearing elsewhere in this prospectus.

THE COMPANY

Overview

We are a self-administered and self-managed real estate investment trust, or REIT, that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. We were formed to continue and expand the commercial real estate business of our predecessor, Malkin Holdings LLC and its affiliates. Our primary focus will be to continue to own, manage and operate our current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

As of September 30, 2011, we owned 12 office properties encompassing approximately 7.7 million rentable square feet of office space, which were approximately 79.9% leased (or 83.0% giving effect to leases signed but not yet commenced as of that date). Seven of these properties are located in the midtown Manhattan market and encompass in the aggregate approximately 5.8 million rentable square feet of office space, including the Empire State Building, the world s most famous office building. Our Manhattan office properties also contain an aggregate of 432,176 rentable square feet of premier retail space on their ground floor and/or lower levels. Our remaining five office properties are located in Fairfield County, Connecticut and Westchester County, New York, encompassing in the aggregate approximately 1.8 million rentable square feet. The majority of square footage for these five properties is located in densely populated metropolitan communities with immediate access to mass transportation. Additionally, we have entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties, that will support the development of an approximately 340,000 rentable square foot office building and garage, which we refer to herein as Metro Tower. As of September 30, 2011, our portfolio also included four standalone retail properties located in Manhattan and two standalone retail properties located in the city center of Westport, Connecticut, encompassing 204,452 rentable square feet in the aggregate. As of September 30, 2011, our standalone retail properties were approximately 96.8% leased in the aggregate (or 96.8% giving effect to leases signed but not yet commenced as of that date).

In addition, we have an option to acquire from affiliates of our predecessor two additional Manhattan office properties encompassing approximately 1.4 million rentable square feet of office space and 153,298 rentable square feet of ground floor retail space. These option properties currently are subject to ongoing litigation and we have an option to acquire fee, long-term leasehold, sub-leasehold and/or sub-subleasehold interests in these two properties, as applicable, after such litigation is resolved. We refer to these properties as our option properties. For more information, please see Business and Properties Description of Option Properties.

From 2002 through 2006, we gradually gained day-to-day management of our Manhattan office properties. Since then, we have been undertaking a comprehensive renovation and repositioning strategy of our Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. From 2002 through September 30, 2011, we have invested a total of approximately $296.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties pursuant to this program. We currently intend to invest between $175.0 million and $215.0 million of additional capital through the end of 2013. We expect to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program. In addition, we currently estimate that between $55.0 million and $65.0 million of capital is needed

beyond 2013 to complete the renovation program at the Empire State Building, which we expect to complete substantially in 2016, due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. We intend to fund these capital improvements through a combination of operating cash flow and borrowings.

These improvements, within our renovation and repositioning program, include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of our properties and have contributed significantly to our tenant repositioning efforts, which seek to increase our occupancy; raise our rental rates; increase our rentable square feet; increase our aggregate rental revenue; lengthen our average lease term; increase our average lease size; and improve our tenant credit quality. We have also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown attractive results to date, as illustrated by the case studies which are described in Business and Properties Renovation and Repositioning Case Studies, and we believe has the potential to improve our operating margins and cash flows in the future. We believe we will continue to enhance our tenant base and improve rents as our pre-renovation leases continue to expire and be re-leased.

The Empire State Building is our flagship property and provides us with a significant and diversified source of revenue through its office and retail leases, observatory operations and broadcasting licenses and related leased space. On a pro forma basis, during the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, we generated approximately $156.7 million and $197.4 million of revenue from the Empire State Building. The ongoing repositioning of the Empire State Building, which comprises 2,675,779 rentable square feet of office space and 163,655 rentable square feet of retail space, is representative of our strategic vision for our Manhattan office properties. To date, our renovation and repositioning efforts have enabled us to lease significant amounts of space at the Empire State Building to new higher credit-quality tenants, including: LF USA; Skanska; Coty, Inc.; the Federal Deposit Insurance Corporation; Funaro & Co.; LinkedIn; Noven Pharmaceuticals; People s Daily Online USA; Taylor Global; Turkish Airlines; and World Monuments Fund. We believe completing the repositioning program for the Empire State Building, as well as our other Manhattan office properties, represents a significant growth opportunity for our company.

We are led by Anthony E. Malkin, our Chairman, Chief Executive Officer and President, who has a strong reputation in the industry for quality management, repositioning and marketing expertise. Mr. Malkin, together with our senior management team, has developed our strategy with a focus on tenant and broker relationships and the cultivation of our brand to attract higher credit-quality tenants to our improved buildings and negotiate attractive rental terms. Mr. Malkin has over 23 years of real estate experience specifically in expanding, renovating, repositioning and managing this portfolio. Our senior management team has an average of approximately 28 years of experience covering all aspects of real estate, including asset and property management, leasing, marketing, acquisitions, construction, development, legal and finance, and Messrs. Malkin, Durels and Keltner have worked together for our predecessor for over 22 years, and have supervised the design and implementation of our renovation and repositioning program.

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Market Information

Unless otherwise indicated, all information in this Market Information section is derived from the market studies prepared by Rosen Consulting Group, or RCG, a national commercial real estate advisory company. Market data not derived from the market studies prepared by RCG were derived from publicly available information and other industry sources. These sources generally state that the information they provide has been obtained from sources believed to be reliable. Forecasts are based on data (including third-party data), models and experience of these sources, and are based on various assumptions, all of which are subject to change without notice. There is no assurance any of the projected amounts will be achieved. We believe the data others have compiled are reliable, but we have not independently verified this information.

Manhattan Office Market

Manhattan s office market is by far the largest in the United States, measured by total square footage, with approximately 393 million square feet of office space. Manhattan s sustained job growth, skilled labor force, excellent transportation access and broad range of service industries drive strong demand for office space through economic cycles. Correspondingly, the Manhattan office market commands the highest overall average gross asking rents of any market in the United States based on asking rents as of December 31, 2011. While the office tenant base is broad, several industries are more prominent than others, including financial services, legal services, media and publishing, advertising, communications, and fashion/apparel. RCG believes Manhattan s office market as a whole is in the early stages of a recovery, particularly within the Midtown submarket. Demand for office space in Manhattan continued its recovery in 2011 with leasing activity up 14% over 2010 to its highest level in a decade. During 2011, Manhattan experienced a positive net absorption of approximately 5.5 million square feet and rent growth of 5.4% over 2010 compared to a 15% decline in asking rents in 2009. The overall vacancy rate decreased to 9.1% as of the fourth quarter of 2011 from 10.5% at year-end 2010. RCG expects this recovery to continue with average annual rent growth of 9.4% between 2012 and 2015 and a decrease in the overall vacancy rate from 9.1% in 2011 to 7.4% in 2015.

New York City and Manhattan Retail Market

New York s retail market benefits from positive fundamentals, including favorable demographics, high average income, strong local demand base, significant barriers to entry, and a high volume of domestic and international visitors. RCG s outlook for the New York City and Manhattan retail markets is positive with sustained job growth, declining unemployment, stabilizing home values and improving consumer confidence. With a combined population greater than 20 million, New York City metropolitan region is by far the most populous in the country. In addition to the local population, domestic and international leisure travelers are drawn to New York City for its theaters, historical sites, museums, shopping and other cultural opportunities. A record high 50.2 million travelers visited New York City in 2011, according to NYC & Company, while direct visitor spending in New York City reached $32.0 billion in 2011, up from $14.7 billion in 1998.

The borough of Manhattan contains approximately 110 million square feet of retail space according to the Real Estate Board of New York. The main retail corridors have improved during the early stages of economic recovery as consumer spending has stabilized and tourism activity has rebounded. Spaces in prime corridors are among the most highly sought-after retail locations in the world and therefore command among the highest rents. Retail demand in Manhattan is driven by an affluent local population, commuters and a high concentration of business and leisure travelers.

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Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of office and retail properties as a result of the following competitive strengths:

Irreplaceable Portfolio of Office Properties in Midtown Manhattan. Our Manhattan office properties are located in one of the most prized office markets in the world due to a combination of supply constraints, high barriers to entry, near-term and long-term prospects for job creation, vacancy absorption and rental rate growth. Management believes these properties could not be replaced today on a cost-competitive basis, if at all. As of September 30, 2011, we owned seven Manhattan office properties encompassing approximately 5.8 million rentable square feet of office space, including the Empire State Building, our flagship property and the world s most famous office building. All of these properties include premier retail space on their ground floor and/or lower levels, which comprise 432,176 rentable square feet in the aggregate and all of which have recently undergone significant renovations.

Expertise in Repositioning and Renovating Manhattan Office Properties. We have substantial expertise in renovating and repositioning Manhattan office properties, having invested a total of approximately $296.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties since we assumed day-to-day management of these properties beginning with One Grand Central Place in November 2002. We have gained substantial experience in upgrading, renovating and modernizing (or are in the process thereof) all building lobbies, corridors, bathrooms and elevator cabs and old, antiquated spaces to include new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning, as well as enhanced tenant amenities). We have successfully aggregated and are continuing to aggregate smaller spaces to offer larger blocks of space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. As part of this program, we converted some or all of the ground office floors of certain of our Manhattan office properties to higher rent retail space. We believe that the post-renovation high quality of our buildings and the service we provide also attract higher credit-quality tenants and allow us to grow cash flow.

Leader in Energy Efficiency Retrofitting. We have pioneered certain practices in energy efficiency at the Empire State Building where we have partnered with the Clinton Climate Initiative, Johnson Controls Inc., Jones Lang LaSalle and the Rocky Mountain Institute to create and implement a groundbreaking, replicable process for integrating energy efficiency retrofits in the existing built environment. The reduced energy consumption reduces costs for us and our tenants, and we believe creates a competitive advantage for our properties. We believe that higher quality tenants in general place a higher priority on sustainability, controlling costs, and minimizing contributions to greenhouse gases. We believe our expertise in this area gives us the opportunity to attract higher quality tenants at higher rental rates and to reduce our expenses. As a result of our efforts, the Empire State Building is now an Energy Star building and has been awarded LEED EBOM-Gold certification. We plan on implementing energy efficiency retrofitting projects in our Manhattan office properties based on our work at the Empire State Building. Finally, we maintain a series of management practices utilizing recycling of tenant and construction waste, recycled content carpets, low off-gassing paints and adhesives, green pest control and cleaning solutions, and recycled paper products throughout our office portfolio. We believe that our portfolio s attractiveness is enhanced by these practices and that this should result in higher rental rates, longer lease terms and higher quality tenants.

Attractive Retail Locations in Densely Populated Metropolitan Communities. As of September 30, 2011, our portfolio also included six standalone retail properties and retail space at the ground floor and/or lower levels of our Manhattan office properties, encompassing 636,628 rentable square feet in the aggregate, which were approximately 86.2% leased in the aggregate (or 87.0% giving effect to leases signed but not yet commenced as of that date). All of these properties are located in premier retail corridors with convenient access to mass transportation, a diverse tenant base and high pedestrian traffic and/or main destination locations. Our retail portfolio includes 615,195 rentable square feet located in Manhattan and 21,433 rentable square feet located in Westport, Connecticut. Our retail

tenants cover a number of industries, including financial services, and include AT&T; Ann Taylor; Bank of America; Bank Santander (Sovereign Bank); Best Buy; Billabong; Charles Schwab; Chipotle; Duane Reade; Ethan Allen; the GAP; HSBC; JP Morgan Chase; Loews Theatre; Lululemon; Men s Wearhouse; Nike; Panera Bread; Sprint; Starbuck s; Theory; TJ Maxx; and Walgreens.

Experienced and Committed Management Team with Proven Track Record. Our senior management team is highly regarded in the real estate community and has extensive relationships with a broad range of brokers, owners, tenants and lenders. We have developed relationships we believe enable us to both secure high credit-quality tenants on attractive terms, as well as provide us with potential acquisition opportunities. We have substantial in-house expertise and resources in asset and property management, leasing, marketing, acquisitions, construction, development and financing and a platform that is highly scalable. Members of our senior management team have worked in the real estate industry for an average of approximately 28 years, and Messrs. Malkin, Durels and Keltner have worked together for our predecessor for over 22 years. Upon completion of this offering, our senior management team is expected to own % of our common stock on a fully diluted basis, and therefore their interests are expected to be aligned with those of our stockholders, and they are incentivized to maximize returns for our stockholders.

Strong Balance Sheet Well Positioned For Future Growth. Upon completion of this offering, we expect to have pro forma total debt outstanding of approximately $1.04 billion, with a weighted average interest rate of 5.29%, a weighted average maturity of 4.5 years and 84.0% of which is fixed-rate indebtedness. Additionally, we expect to have approximately $179.1 million of available borrowing capacity under our loans on a pro forma basis. Upon completion of this offering and on a pro forma basis for the year ended December 31, 2010, we had a debt-to-earnings before interest, income tax, depreciation and amortization, or EBITDA, ratio of approximately 5.18x. For the year ended December 31, 2010, our pro forma EBITDA and pro forma net income were approximately $201.6 million and $84.6 million, respectively. We have no debt maturing in 2012 and approximately $58.3 million maturing in 2013.

Business and Growth Strategies

Our primary business objectives are to maximize cash flow and total returns to our stockholders and to increase the value of our properties through the pursuit of the following business and growth strategies:

Lease-up Available Space at Manhattan Office Properties. As of September 30, 2011, our Manhattan office properties were approximately 76.9% leased (or 80.6% giving effect to leases signed but not yet commenced as of that date) and had approximately 1.1 million rentable square feet of available space (excluding leases signed but not yet commenced). This compares to an average of 90.4% leased in midtown Manhattan according to RCG as of December 31, 2011. We believe our renovation and repositioning program for our Manhattan office properties is a catalyst for additional lease-up. We have created large blocks of available space and intend to continue to create such blocks over the next several years as part of our comprehensive repositioning strategy to attract larger, higher credit-quality tenants at higher rents for longer lease terms with higher average retention rates and greater prospects for growth. Individual and multiple floors have been assembled and are being assembled for larger users. To date we believe these efforts have accelerated our ability to lease space to new higher credit-quality tenants, many of which have expanded the office space they lease from us over time. Examples of this include LF USA, Coty. Inc., the Federal Deposit Insurance Corporation, and Actimize which collectively have leases signed with us for over 1,275,265 rentable square feet that represent additional annualized base rent of $51,117,013 as of September 30, 2011. We also employ a pre-built suite strategy in selected portions of some of our properties to appeal to many credit-worthy smaller tenants by fitting out some available space with new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning) for immediate occupancy.

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Increase Existing Below-Market Rents. We believe we can capitalize on the successful repositioning of our Manhattan office portfolio and improving market fundamentals to increase rents. For example, we expect to benefit from the re-leasing of 26.1%, or approximately 1.5 million rentable square feet (including month-to-month leases), of our Manhattan office leases expiring through December 31, 2014, which we generally believe are currently at below market rates. These expiring leases represent a weighted average base rent of $35.72 per square foot based on current measurements. As older leases expire, we expect to continue to upgrade certain space to further increase rents and we expect to increase the total rentable square footage of such space as a result of remeasurement and application of market loss factors to our space which we expect will generate additional rental revenue.

Complete the Redevelopment and Repositioning of Our Current Portfolio. We intend to continue to increase occupancy, improve tenant quality and enhance cash flow and value by completing the renovation and repositioning of our Manhattan office properties. We intend selectively to continue to allow leases for smaller spaces to expire or relocate smaller tenants in order to aggregate, demolish and re-demise existing office space into larger blocks of vacant space, which we believe will attract higher credit-quality tenants at higher rental rates. We apply rigorous underwriting analysis to determine if aggregation of vacant space for future leasing to larger tenants will improve our cash flows over the long term. In addition, we are a leader in developing economically justified energy efficiency retrofitting and sustainability and have made it a portfolio-wide initiative. We believe this makes our properties desirable to high credit-quality tenants at higher rental rates and longer lease terms.

Pursue Attractive Acquisition and Development Opportunities. We will opportunistically pursue attractive opportunities to acquire office and retail properties, including the option properties. We intend to focus our acquisition strategy primarily on Manhattan office properties and, to a lesser extent, office and multi-tenanted retail properties in densely populated communities in the greater New York metropolitan area and other markets we may identify in the future. We believe we can utilize our industry relationships (including well-known real estate owners in Manhattan), brand recognition, and our expertise in redeveloping and repositioning office properties to identify acquisition opportunities where we believe we can increase occupancy and rental rates. Our strong balance sheet, access to capital, and ability to offer operating partnership units in tax deferred acquisition transactions should give us significant flexibility in structuring and consummating acquisitions.

Proactively Manage Our Portfolio. We believe our proactive, service-intensive approach to asset and property management helps increase occupancy and rental rates. We utilize our comprehensive building management services and our strong commitment to tenant and broker relationships and satisfaction to negotiate attractive leasing deals and to attract high credit-quality tenants. We proactively manage our rent roll and maintain continuous communication with our tenants. We believe long-term tenant relationships will improve our operating results over time by reducing leasing, marketing and tenant improvement costs and reducing tenant turnover.

Our Portfolio Summary

As of September 30, 2011, our portfolio consisted of 12 office properties and six standalone retail properties totaling approximately 8.3 million rentable square feet and was approximately 80.4% leased (or 83.3% giving effect to leases signed but not yet commenced as of that date). In addition, we owned entitled land that will support the development of an approximately 340,000 rentable square foot office building and garage (Metro Tower) at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties, as of September 30, 2011. The table below presents an overview of our portfolio and our option properties as of September 30, 2011:

Property Name	Submarket	Year Built / Renovated[1]	Rentable Square Feet[2]	Percent Leased[3]	Annualized Base Rent[4]	Annualized Base Rent Per Leased Square Foot[5]	Net Effective Rent Per Leased Square Foot[6]	Number of Leases[7]
Manhattan Office Properties								
The Empire State Building	Penn Station-Times Square South	1930 / In process					$ 39.40	
Office[8]			2,675,779	67.3%	$ 62,642,545	$ 34.79		282
Retail [9]			163,655	89.7%	$ 14,382,077	$ 98.01		24
One Grand Central Place	Grand Central	1930 / In process					$ 47.43	
Office			1,157,911	79.7%	$ 41,343,400	$ 44.77		306
Retail			68,343	87.1%	$ 5,713,916	$ 96.00		19
250 West 57th Street	Columbus Circle-West Side	1921 / In process					$ 42.73	
Office			476,870	84.6%	$ 15,760,697	$ 39.05		191
Retail			53,837	100.0%	$ 4,479,500	$ 83.20		6
501 Seventh Avenue	Penn Station-Times Square South	1923 / In process					$ 35.12	
Office			431,971	90.8%	$ 13,596,266	$ 34.66		33
Retail			37,765	93.1%	$ 1,742,195	$ 49.55		11
1359 Broadway	Penn Station-Times Square South	1924 / In process					$ 37.54	
Office			437,943	96.3%	$ 15,620,373	$ 37.03		35
Retail			27,618	78.9%	$ 1,665,115	$ 76.37		6
1350 Broadway[10]	Penn Station-Times Square South	1929 / In process					$ 56.29	
Office			359,691	74.7%	$ 10,651,056	$ 39.65		74
Retail			30,895	100.0%	$ 5,724,987	$ 185.30		6
1333 Broadway	Penn Station-Times Square South	1915 / In process					$ 43.98	
Office			296,565	93.2%	$ 11,391,478	$ 41.23		10
Retail			50,063	6.4%	$ 725,713	$ 226.86		3
Sub-Total / Weighted Average Manhattan Office Properties			**6,268,906**	**77.2%**	**$ 205,439,318**	**$ 42.47**	**$ 42.11**	**1,006**
Office			**5,836,730**	**76.9%**	**$ 171,005,815**	**$ 38.12**		**931**
Retail			**432,176**	**81.3%**	**$ 34,433,503**	**$ 98.06**		**75**
Greater New York Metropolitan Area Office Properties								
First Stamford Place[11]	Stamford, Connecticut[12]	1986 / 2003	784,487	90.1%	$ 27,526,218	$ 38.95	$ 38.93	36
Metro Center	Stamford, Connecticut[12]	1987 / 1999	275,608	100.0%	$ 12,897,836	$ 46.80	$ 47.29	24
383 Main Avenue	Norwalk, Connecticut[13]	1985 / 1996	260,468	81.3%	$ 5,836,564	$ 27.55	$ 28.00	19
500 Mamaroneck Avenue	Harrison, New York[14]	1986 / 2004	289,682	91.4%	$ 7,144,466	$ 26.98	$ 27.38	30
10 Bank Street	White Plains, New York[15]	1989 / 2001	228,933	81.7%	$ 6,186,454	$ 33.08	$ 33.97	27
Sub-Total / Weighted Average Greater New York Metropolitan Area Office Properties			**1,839,178**	**89.5%**	**$ 59,591,538**	**$ 36.21**	**$ 36.50**	**136**
Total / Weighted Average Office Properties			**7,675,908**	**79.9%**	**$ 230,597,353**	**$ 37.60**		**1,067**

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Property Name	Submarket	Year Built / Renovated[1]	Rentable Square Feet[2]	Percent Leased[3]	Annualized Base Rent[4]	Annualized Base Rent Per Leased Square Foot[5]	Net Effective Rent Per Leased Square Foot[6]	Number of Leases[7]
Standalone Retail Properties								
10 Union Square	Union Square	1988 / 1997	58,005	92.1%	$ 3,668,753	$ 68.64	$ 70.01	12
1542 Third Avenue	Upper East Side	1993[16]	56,250	100.0%	$ 2,833,796	$ 50.38	$ 47.15	3
1010 Third Avenue	Upper East Side	1963 / 2007[17]	44,662	100.0%	$ 2,812,709	$ 62.98	$ 65.88	2
77 West 55th Street	Midtown	1962[16]	24,102	100.0%	$ 2,104,651	$ 87.32	$ 79.62	3
69-97 Main Street	Westport, Connecticut	1922 / 2005	17,103	88.3%	$ 1,303,460	$ 86.33	$ 89.46	4
103-107 Main Street	Westport, Connecticut	1900[16]	4,330	100.0%	$ 423,696	$ 97.85	$ 94.69	3
Sub-Total / Weighted Average Standalone Retail Properties			**204,452**	**96.8%**	**$ 13,147,065**	**$ 66.44**	**$ 65.78**	**27**
Total / Weighted Average Retail Properties[18]			**636,628**	**86.2%**	**$ 47,580,568**	**$ 86.66**		**102**
Portfolio Total			**8,312,536**	**80.4%**	**$ 278,177,921**	**$ 41.64**	**$ 41.43**	**1,169**
Option Properties								
112-122 West 34th Street[19]	Penn Station-Times Sq. South	1954 / In process					$ 34.64	
Office			562,935	86.8%				64
Retail			133,437	100.0%				3
1400 Broadway	Penn Station-Times Sq. South	1930 / In process					$ 34.09	
Office			853,690	81.0%				84
Retail			19,861	36.8%				6
Option Properties Total			**1,569,923**					**157**

(1) For more information regarding the status of ongoing renovations at certain of our properties, see Business and Properties Description of Our Properties.
(2) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across our portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to our observatory.
(3) Based on leases signed and commenced as of September 30, 2011 and calculated as (i) rentable square feet less available square feet divided by (ii) rentable square feet.
(4) Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to the office properties for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $3,659,861. Total annualized base rent, net of abatements and free rent, for our office properties is $226,937,492. Annualized base rent for retail properties (including the retail space in our Manhattan office properties) is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements, tenant reimbursements and free rent with respect to the retail properties (including the retail space in our Manhattan office properties) for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $99,206. Total annualized base rent, net of abatements, tenant reimbursements and free rent, for our retail properties is $47,481,362. Annualized base rent data for our office and retail properties is as of September 30, 2011 and does not reflect scheduled lease expirations for the 12 months ending September 30, 2012.
(5) Represents Annualized Base Rent under leases commenced as of September 30, 2011 divided by leased square feet.
(6) Net effective rent per leased square foot represents (i) the contractual base rent for office and retail leases in place as of September 30, 2011, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of September 30, 2011.
(7) Represents the number of leases at each property or on a portfolio basis. If a tenant has more than one lease, whether or not at the same property, but with different expirations, the number of leases is calculated equal to the number of leases with different expirations.
(8) Includes 88,499 rentable square feet of space leased by our broadcasting tenants.
(9) Includes 3,457 rentable square feet of space leased by Host Services of New York, a licensee of our observatory.
(10) Denotes a ground leasehold interest in the property with a remaining term, including unilateral extension rights available to us, of approximately 39 years (expiring July 31, 2050).
(11) First Stamford Place consists of three buildings.
(12) This submarket is part of the Stamford, Connecticut central business district (CBD) submarket as defined by RCG. See Economic and Market Overview.

(13) This submarket is part of the South Central Stamford, Connecticut submarket as defined by RCG. See Economic and Market Overview.
(14) This submarket is part of the Eastern Westchester County submarket as defined by RCG. See Economic and Market Overview.
(15) This submarket is part of the White Plains, New York CBD submarket as defined by RCG. See Economic and Market Overview.
(16) No major renovation activity was undertaken at this property.
(17) This property underwent major renovations in 2007 to coincide with the signing of a significant retail lease.
(18) Includes 432,176 rentable square feet of retail space in our Manhattan office properties.
(19) 112-122 West 34th Street consists of two parcels having separate owners and ownership structures. The real property interests that we will acquire with respect to the parcel located at 112-120 West 34th Street consist of (i) a ground leasehold interest currently held by 112 West 34th Street Associates L.L.C., one of the affiliates of our predecessor with whom we have entered into an option agreement and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C., another affiliate of our predecessor with whom we have entered into an option agreement. The real property interests that we will acquire with respect to the parcel located at 122 West 34th Street consist of (i) a fee interest and a subleasehold interest currently held by 112 West 34th Street Associates L.L.C. and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C.

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Renovation and Repositioning Case Studies

The below table provides case study information regarding our renovation and repositioning efforts at two of our buildings, Empire State Building and 1333 Broadway. The data represents full floors where we have completed renovation and repositioning efforts, including 22 of the 81 non-retail and non-observatory floors at the Empire State Building and eight of the ten non-retail floors at 1333 Broadway. These renovation activities are illustrative of the renovation efforts we have made which have allowed us to improve the overall value and attractiveness of our properties and have contributed significantly to our tenant repositioning efforts, which seek to increase our occupancy; raise our rental rates; increase our rentable square feet; increase our aggregate rental revenue; lengthen our average lease term; increase our average lease size; and improve our tenant credit quality. There can be no assurance that our renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost or that the results we expect to achieve will be accomplished. Accordingly, the information presented in the case studies should not be considered as indicative of our possible results and you should not rely on this information as an indication of our future performance.

The pre-renovation and repositioning statistics in the table below represent the leases existing on the applicable floor of the applicable building at a date within a three-year period prior to the commencement of tenant repositioning efforts which were implemented on such floor and which generally represented the highest occupancy for such floor during such period. The tenant repositioning efforts include the exercise of our rights to relocate tenants, negotiated relocations of tenants, the strategic expiration of existing leases to aggregate large blocks of space, including whole floors, as well as the implementation of marketing efforts in such space including the signing of significant tenants prior to the onset of the renovation work. Post-renovation and repositioning statistics in the table below represent full floors where we have completed our renovation and repositioning efforts and reflect leases signed for such space. In certain circumstances, certain tenants have signed leases where only a portion of their lease has commenced with the remainder of the lease to commence through 2012, except with respect to one tenant where such tenant s leases will commence through 2014. The information in the table below presents statistics as if all such space under such leases have commenced.

	Number of Leases	Total Rentable Square Feet(1)	Percent Leased(2)	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent(3)	Weighted Average Annualized Gross Rent per Leased Square Foot(4)
Empire State Building (completed floors)							
Pre	167	805,746	69.4%	3,346	8.5	$ 19,787,463	$ 35.41
Post	18	1,050,344	99.0%	57,740	14.8	$ 43,236,247	$ 41.60
Change	**(149)**	**244,598**	**29.6%**	**54,394**	**6.3**	**118.5%**	**17.5%**
1333 Broadway (completed floors)							
Pre	59	216,622	52.0%	1,909	4.6	$ 3,468,743	$ 30.80
Post	6	235,337	100.0%	39,223	13.3	$ 9,854,310	$ 41.87
Change	**(53)**	**18,715**	**48.0%**	**37,314**	**8.7**	**184.1%**	**36.0%**

(1) The change in total rentable square footage results from a combination of remeasurement of, and changes in loss factor applied to, the renovated spaces. Post-renovation and repositioning property measurements are based on the Real Estate Board of New York measurement standards. Includes leases that have been signed but have not yet commenced.
(2) Percent leased is calculated as (a) rentable square feet less available square feet divided by (b) rentable square feet.
(3) Pre-renovation and repositioning annualized gross rent represents the last annualized fully escalated gross rent prior to the start of the renovation and repositioning of the floor and post-renovation and repositioning annualized gross rent represents annualized contractual first monthly base rent (after free rent periods) for leases that have been signed and assumes the lease has commenced.
(4) Represents annualized gross rent divided by leased square feet.

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Summary Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors, together with all the other information contained in this prospectus, before making an investment decision to purchase our Class A common stock. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a significant part of your investment in our Class A common stock.

All of our properties are located in Manhattan and the greater New York metropolitan area, in particular midtown Manhattan, and adverse economic or regulatory developments in this area could materially and adversely affect us.

Adverse economic and geopolitical conditions in general and in Manhattan and the greater New York metropolitan area commercial office and retail markets in particular, could have a material adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders.

There can be no assurance that our renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost, or that we will achieve the results we expect from our renovation and repositioning program, which could materially and adversely affect our financial condition and results of operations.

We may be unable to renew leases, lease vacant space or re-lease space on favorable terms as leases expire, which could materially and adversely affect our financial condition, results of operations and cash flow.

We are exposed to risks associated with property redevelopment and development that could materially and adversely affect our financial condition and results of operations.

We depend on significant tenants in our office portfolio, including LF USA, Legg Mason, Thomson Reuters, Warnaco and the Federal Deposit Insurance Company, which together represented approximately 18.4% of our total portfolio s annualized base rent as of September 30, 2011.

Our dependence on rental income may materially and adversely affect our profitability, our ability to meet our debt obligations and our ability to make distributions to our stockholders.

Our option properties are subject to various risks, and we may not be able to acquire them.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions, which may impede our growth.

The observatory operations at the Empire State Building are not traditional real estate operations, and competition and changes in tourist trends may subject us to additional risks.

The broadcasting operations at the Empire State Building are not traditional real estate operations, and competition and changes in the broadcasting of signals over air may subject us to additional risks.

Our outstanding indebtedness upon completion of this offering reduces cash available for distribution and may expose us to the risk of default under our debt obligations.

The continuing threat of a terrorist event may materially and adversely affect our properties, their value and our ability to generate cash flow.

We did not negotiate the value of our properties at arm s-length as part of the formation transactions, and the consideration given by us in exchange for them may exceed their fair market value.

We may assume unknown liabilities in connection with the formation transactions, which, if significant, could materially and adversely affect our business.

The departure of any of our key personnel could materially and adversely affect us.

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Our Chairman, Chief Executive Officer and President has outside business interests that will take his time and attention away from us, which could materially and adversely affect us.

Our operating performance and value are subject to risks associated with real estate assets and the real estate industry, the occurrence of which could materially and adversely affect us.

We have no operating history as a REIT or as a publicly-traded company, and our inexperience could materially and adversely affect us.

Certain provisions of Maryland law could inhibit changes in control of our company, which could negatively affect the market price of our shares.

There has been no public market for our Class A common stock prior to this offering and an active trading market may not develop or be sustained following this offering, which may negatively affect the market price of shares of our Class A common stock and make it difficult for investors to sell their shares.

Initial estimated cash available for distribution may not be sufficient to make distributions at expected levels.

You will experience immediate and substantial dilution from the purchase of the shares of Class A common stock sold in this offering.

Our failure to qualify or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

The REIT distribution requirements could require us to borrow funds during unfavorable market conditions or subject us to tax, which would reduce the cash available for distribution to our stockholders.

Structure and Formation of Our Company

Prior to or concurrently with the completion of this offering, we will consummate the formation transactions which consist of a series of contributions, mergers and other transactions and which are designed to:

consolidate the ownership of our portfolio and our predecessor s management companies into our operating partnership, which we refer to herein as the consolidation;

facilitate this offering;

enable us to raise capital on more favorable, flexible terms than typical mortgage financings or financings that otherwise previously have been available to us as a private company;

- enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2012;
- defer the recognition of taxable gain by certain continuing investors (as defined below); and
- enable continuing investors to obtain liquidity (after the expiration of applicable lock-up periods) for their investments.

Pursuant to the formation transactions, the following have occurred or will occur prior to or concurrently with the completion of this offering (all amounts are based on the mid-point of the range of prices set forth on the front cover of this prospectus):

- We were formed as a Maryland corporation on July 29, 2011.
- Our operating partnership was formed as a Delaware limited partnership on November 28, 2011. We are the sole general partner of our operating partnership.

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We will acquire, prior to or concurrently with the completion of this offering, through a series of contributions and merger transactions, the assets and liabilities of our predecessor, and the holders of interests in our predecessor will receive operating partnership units, shares of our common stock and/or cash. We refer to holders of interests in our predecessor that will own operating partnership units and/or shares of our common stock following consummation of the formation transactions as predecessor continuing investors. The agreements relating to the consolidation are subject to customary closing conditions, including the closing of this offering.

We will acquire, through a series of contributions and merger transactions, the assets and liabilities of the entities through which our predecessor holds non-controlling interests in four properties, or the related properties, for which our predecessor acts as the supervisor but which are not combined into our predecessor for accounting purposes, and the holders of interests in such properties will receive operating partnership units, shares of our common stock and/or cash. We refer to holders of interests in these four properties that will own operating partnership units and/or shares of our common stock following consummation of the formation transactions as non-predecessor continuing investors. We refer to predecessor continuing investors and non-predecessor continuing investors collectively as the continuing investors.

We will jointly elect with Empire State Realty Observatory TRS, LLC, a New York limited liability company, or Observatory TRS, which is the current lessee and operator of the observatory and which will be wholly owned by our operating partnership following the completion of this offering, for Observatory TRS to be treated as a taxable REIT subsidiary, or a TRS, under the Internal Revenue Code of 1986, as amended, or the Code, for U.S. federal income tax purposes following the completion of this offering. Observatory TRS will lease the Empire State Building observatory from the operating partnership pursuant to an existing lease that provides for fixed base rental payments and variable rental payments equal to certain percentages of Observatory TRS s gross receipts from the operation of the observatory. In addition, we will jointly elect with Empire State Realty Holdings TRS, LLC, a Delaware limited liability company, or Holding TRS, that will be wholly owned by our operating partnership following the completion of this offering, for Holding TRS to be treated as a TRS under the Code for U.S. federal income tax purposes following the completion of this offering. Holding TRS and/or its wholly owned subsidiaries will provide certain construction services to third parties and will provide certain services to the tenants of our properties.

In consideration for the acquisition of our predecessor and the related properties, we expect to issue an aggregate of operating partnership units (of which units will be received by certain members of our senior management team, their affiliates and related persons and operating partnership units will be received by our other continuing investors), shares of our Class A common stock (of which shares will be received by certain members of our senior management team, their affiliates and related persons and shares will be received by our other continuing investors) and shares of our Class B common stock (of which shares will be received by certain members of our senior management team, their affiliates and related persons and shares will be received by our other continuing investors), and pay approximately $ in cash from the net proceeds of this offering (of which $ is expected to be paid to non-accredited investors, and none of which will be paid to members of our senior management team, their affiliates and related persons). The aggregate value of the consideration to be issued and paid by us in the consolidation will be approximately $ million (of which approximately $ will be paid to certain members of our senior management team, their affiliates and related persons and $ will be paid to our other continuing investors). An increase in the actual public offering price will result in an increase in the value of the consideration paid to continuing investors, including certain members of our senior management team, their affiliates and related persons. Likewise, a decrease in the actual public offering price will result in a decrease in the value of the consideration paid to continuing

investors. Investors who are not accredited investors, as defined under Regulation D of the Securities Act of 1933, as amended, or the Securities Act, will receive cash consideration rather than shares of our common stock or operating partnership units to ensure that the issuance of common stock and/or operating partnership units to accredited investors in the formation transactions can be effected in reliance upon an exemption from registration provided by Section 4(2) and Regulation D of the Securities Act.

The aggregate historical combined net tangible book value of our predecessor was a deficit of approximately $(76.7) million as of September 30, 2011. Net tangible book value measures the historical costs of tangible assets (net of accumulated depreciation) reduced by outstanding tangible liabilities and is reflective of the manner in which assets and liabilities are recorded on the balance sheet of a business enterprise under GAAP. Because the net tangible book value of our predecessor is based on the historical costs of tangible assets acquired and tangible liabilities incurred over more than 50 years of business activities, we do not believe that net tangible book value is reflective of the fair market value of the existing entities.

As a result of the formation transactions, we will assume approximately $1.04 billion of total debt (based on September 30, 2011 pro forma outstanding balances), and we expect to have approximately $179.1 million of additional borrowing capacity under our loans on a pro forma basis.

We will sell shares of our Class A common stock in this offering and an additional shares of our Class A common stock if the underwriters exercise their option to purchase additional shares of our Class A common stock in full. We will contribute the net proceeds from this offering to our operating partnership in exchange for operating partnership units (or operating partnership units if the underwriters exercise their option to purchase up to an additional shares of our Class A common stock in full).

We intend to grant to certain members of our senior management team a total of LTIP units and/or restricted shares of our Class A common stock, and we intend to grant restricted shares of our Class A common stock to our independent directors, all of which LTIP units and shares will be subject to certain vesting requirements.

We have entered into a representation, warranty and indemnity agreement with Anthony E. Malkin and his siblings, Scott D. Malkin and Cynthia M. Blumenthal, pursuant to which they have made limited representations and warranties to us regarding the entities, properties and assets that we will own following the formation transactions for one year following the completion of this offering and agreed to indemnify us and our operating partnership for breaches of such representations subject to a $1,000,000 deductible and a cap of $25,000,000. Other than these individuals, none of the continuing investors, other owners of the existing entities or our predecessor will provide us with any indemnification.

We intend to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin pursuant to which we will agree to indemnify the Malkin Group and one additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership s sale, transfer, conveyance or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent approximately 17.8% of our annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the formation transactions, for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both of Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by these properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such

indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these continuing investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of $160 million of aggregate indebtedness meeting certain requirements, until such continuing investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such continuing investor received in the formation transactions.

We expect to use a portion of the net proceeds from this offering to repay a loan in the amount of $3.6 million made in connection with 500 Mamaroneck Avenue to fund leasing costs at the property, of which approximately $1.17 million of such loan was made by Anthony E. Malkin and Peter L. Malkin.

We intend to enter into management agreements with the entities that own interests in the excluded properties and the excluded businesses. See Certain Relationships and Related Transactions Excluded Properties and Businesses.

We have executed option agreements with affiliates of our predecessor granting us the right to acquire long-term leasehold and/or sub-leasehold interests in the option properties. Concurrently with the consummation of this offering, we intend to enter into management agreements with respect to each of the option properties. See Certain Relationships and Related Transactions Option Agreements.

Consequences of This Offering and the Formation Transactions

Upon completion of this offering and the formation transactions (all amounts are based on the mid-point of the range of prices set forth on the front cover of this prospectus):

Our operating partnership will directly or indirectly own 100% of the fee simple, leasehold or other interests in all of the properties in our portfolio and the assets of our predecessor s management companies.

Purchasers of shares of our Class A common stock in this offering are expected to own % of our outstanding common stock, or % on a fully diluted basis. If the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, purchasers of shares of our Class A common stock in this offering will own % of our outstanding common stock, or % on a fully diluted basis.

Continuing investors will own % of our outstanding common stock, or % on a fully diluted basis. If the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, the continuing investors will own % of our outstanding common stock, or % on a fully diluted basis.

Continuing investors that receive shares of our Class B common stock in the formation transactions will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full), while such continuing investors will have % of the voting power in our company (% if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full).

We are the sole general partner in our operating partnership. We will contribute the net proceeds from this offering to our operating partnership in exchange for operating partnership units.

We will own % of the operating partnership units and the continuing investors, including certain members of our senior management team, their affiliates and related persons, will own % of the operating partnership units. If the underwriters exercise their option to purchase an

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additional shares of our Class A common stock in full, we are expected to own % of the operating partnership units and the continuing investors, including certain members of our senior management team, their affiliates and related persons, are expected to own % of the operating partnership units.

We will have an option to purchase each of the option properties.

We expect to be a party to management agreements with the entities that own long-term leasehold, sub-leasehold and/or sub-subleasehold interests in the option properties and with the entities that own interests in the excluded properties and the excluded businesses.

Substantially all of the current employees of our predecessor s management companies will become our employees.

We expect to have pro forma total consolidated indebtedness of approximately $1.04 billion, and we expect to have approximately $179.1 million of additional borrowing capacity under our loans on a pro forma basis.

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Our Structure

The following diagram depicts our ownership structure upon completion of this offering and the formation transactions, based on the mid-point of the range of prices set forth on the front cover of this prospectus.[1]

(1) On a fully diluted basis, our public stockholders, our senior management team, their affiliates and related persons and our directors, and our other continuing investors, as a group, are expected to own %, % and %, respectively, of our outstanding common stock. If the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, on a fully diluted basis, our public stockholders, our senior management team, their affiliates and related persons and our directors, and our other continuing investors, as a group, are expected to own %, % and %, respectively, of our outstanding common stock.

(2) Our public stockholders, certain members of our senior management team, their affiliates and related persons and our directors, and our other continuing investors, as a group, will own %, % and %, respectively, of our outstanding common stock, and we, certain members of our senior management team, their affiliates and related persons and our directors, and our other continuing investors will own %, % and %, respectively, of the outstanding operating partnership units. If the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, our public stockholders, certain members of our senior management team, their affiliates and related persons and our directors, and our other continuing investors, as a

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group, will own %, % and %, respectively, of our outstanding common stock, and we, certain members of our senior management team, their affiliates and related persons and our directors, and our other continuing investors will own %, % and %, respectively, of the outstanding operating partnership units.

Benefits to Related Parties

Upon completion of this offering or in connection with the formation transactions, our senior management team, our directors and our continuing investors will receive material benefits, including the following (all amounts are based on the mid-point of the range of prices set forth on the front cover of this prospectus):

Anthony E. Malkin, our Chairman, Chief Executive Officer and President, together with the Malkin Group, is expected to own % of our outstanding common stock, or % on a fully diluted basis (% if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, or % on a fully diluted basis), with a total value of $ million represented by shares of our Class A common stock, shares of our Class B common stock, operating partnership units and LTIP units and/or restricted shares of Class A common stock.

Peter L. Malkin, our Chairman Emeritus, together with the Malkin Group, is expected to own % of our outstanding common stock, or % on a fully diluted basis (% if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, or % on a fully diluted basis), with a total value of $ million represented by shares of our Class A common stock, shares of our Class B common stock, operating partnership units and LTIP units and/or restricted shares of Class A common stock.

David A. Karp, our Chief Financial Officer, Executive Vice President and Treasurer, is expected to own % of our outstanding common stock, or % on a fully diluted basis (% if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, or % on a fully diluted basis), with a total value of $ million represented by LTIP units and/or restricted shares of Class A common stock.

Thomas P. Durels, our Executive Vice President, is expected to own % of our outstanding common stock, or % on a fully diluted basis (% if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, or % on a fully diluted basis), with a total value of $ million represented by shares of our Class A common stock, operating partnership units and LTIP units and/or restricted shares of Class A common stock.

Thomas N. Keltner, Jr., our General Counsel and Secretary, is expected to own % of our outstanding common stock, or % on a fully diluted basis (% if the underwriters exercise their option to purchase an additional shares of our Class A common stock in full, or % on a fully diluted basis), with a total value of $ million represented by shares of our Class A common stock, operating partnership units and LTIP units and/or restricted shares of Class A common stock.

We intend to enter into an employment agreement with Anthony E. Malkin, providing for salary, bonus and other benefits, including severance upon a termination of employment under certain circumstances and the issuance of equity awards as described under Management Executive Compensation and Management Employment Agreement.

We intend to enter into indemnification agreements with our directors, executive officers, chairman emeritus and certain other parties at the closing of this offering, providing for the indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against (i) our directors, executive officers and chairman emeritus and (ii) our executive officers,

chairman emeritus and certain other parties who are former members, managers, shareholders, directors, limited partners, general partners, officers or controlling persons of our predecessor in their capacities as such.

We intend to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin pursuant to which we will agree to indemnify the Malkin Group and one additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership s sale, transfer, conveyance or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent approximately 17.8% of our annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the formation transactions, for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both of Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by these properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these continuing investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of $160 million of aggregate indebtedness meeting certain requirements, until such continuing investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such continuing investor received in the formation transactions.

We have entered into the option agreements with affiliates of our predecessor.

We intend to enter into management agreements with the entities that own long-term leasehold and/or sub-leasehold interests in the option properties, which entities are owned in part by Anthony E. Malkin, together with the Malkin Group. See Certain Relationships and Related Transactions Option Agreements.

We intend to enter into management agreements with the entities that own interests in the excluded properties and the excluded businesses, which entities are owned in part by Anthony E. Malkin, together with the Malkin Group. See Certain Relationships and Related Transactions Excluded Properties and Businesses.

Peter L. Malkin and Anthony E. Malkin will be released from or otherwise indemnified for liabilities arising under certain bad boy guarantees with respect to approximately $1.12 billion of mortgage loans (including currently undrawn amounts) on our properties, which will be assumed by us upon closing of the formation transactions in respect of obligations arising after the closing. In connection with this assumption, we will seek to have the guarantors released from these guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor. To the extent lenders do not consent to the release of these guarantors, and they remain guarantors on assumed indebtedness following this offering, our operating partnership will enter into indemnification agreements with the guarantors pursuant to which our operating partnership will be obligated to indemnify such guarantors for any amounts paid by them under guarantees with respect to the assumed indebtedness.

As part of the contribution agreements, we will release (i) Anthony E. Malkin and Peter L. Malkin from all claims, liabilities, damages and obligations against them related to their ownership of our predecessor s management companies and interests in our predecessor and (ii) certain members of our senior management team from all claims, liabilities, damages and obligations against them related to their ownership in the existing entities and their employment with our predecessor s management

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companies that exist at the closing of the formation transactions, other than breaches by them or entities related to them, as applicable, of the employment and non-competition agreement and the contribution agreements and the merger agreements entered into by them and these entities in connection with the formation transactions.

We intend to enter into a registration rights agreement with certain persons receiving shares of our common stock or operating partnership units in the formation transactions, including certain members of our senior management team and our other continuing investors. The registration rights agreement will provide for the registration of our shares of Class A common stock received in the formation transactions or that are issuable upon the redemption, conversion or exchange of shares of Class B common stock or operating partnership units.

We intend to grant LTIP units and/or restricted shares of our Class A common stock, subject to certain vesting requirements, to each of our executive officers.

We intend to grant an aggregate of restricted shares of our Class A common stock to our independent directors.

We expect to use a portion of the net proceeds from this offering to repay a loan in the amount of $3.6 million made in connection with 500 Mamaroneck Avenue to fund leasing costs at the property, of which approximately $1.17 million of such loan was made by Anthony E. Malkin and Peter L. Malkin.

As part of the contribution agreements, we will reimburse $ of expenses incurred in connection with the formation transactions and this offering that have been paid by each applicable existing entity and the entities which own the option properties, or the option entities, and of which $ will be paid to the Malkin Group, including Anthony E. Malkin and Peter L. Malkin, in accordance to their ownership interests in our predecessor and each applicable existing entity.

The existing entities and our predecessor s management companies will declare final distributions to the investors in such entities, including members of our senior management team and certain of our directors, in the amount of approximately $ in the aggregate, and of which $ will be paid to the Malkin Group, including Anthony E. Malkin and Peter L. Malkin, in accordance to their ownership interests in each applicable existing entity and predecessor management company.

Restrictions on Transfer

Under the operating partnership agreement, holders of operating partnership units do not have redemption or exchange rights and may not otherwise transfer their operating partnership units, except under certain limited circumstances, for a period of 12 months after consummation of this offering. In addition, each continuing investor, including members of our senior management team, and our independent directors will be required to execute a lock-up agreement that prohibits such person, subject to certain exceptions, for one year after the date of this prospectus, without the written consent of the representatives of the underwriters, from directly or indirectly, offering for sale, selling, pledging, or otherwise disposing of (or entering into any transaction or agreement which is designed to, or could be expected to have any such result) any operating partnership units or shares of our common stock; provided, that, commencing on the date that is 180 days after the date of this prospectus, each continuing investor (other than the Malkin Group and members of our senior management team) may sell up to 50% of the shares of our common stock or securities convertible or exchangeable into Class A common stock (including operating partnership units) held by it. In addition, our company has agreed with the representatives of the underwriters, subject to certain exceptions, not to sell or otherwise transfer or encumber any shares of our common stock or securities convertible or exchangeable into Class A common stock (including operating partnership units) owned by it at the completion of this offering for a period of 180 days after the date of this prospectus without the prior written consent of the representatives.

Restrictions on Ownership of Our Capital Stock

To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code among other purposes, our charter generally prohibits, with certain exceptions, any stockholder from beneficially or constructively owning (taking into account applicable attribution rules under the Code), more than % in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or % in value or number of shares, whichever is more restrictive, of the outstanding shares of our capital stock. As an exception to this general prohibition, our charter permits the Malkin Family (as defined in our charter) to own in the aggregate up to % in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock or capital stock. Our board of directors may, in its sole discretion, waive (prospectively or retroactively) the % ownership limits with respect to a particular stockholder if it receives certain representations and undertakings required by our charter and is presented with evidence satisfactory to it that such ownership will not then or in the future cause it to fail to qualify as a REIT. We intend to grant the Helmsley estate a waiver from this general prohibition, to the extent required.

Option Properties

Our option properties consist of 112-122 West 34th Street, an office property in midtown Manhattan that was 89.3% leased as of September 30, 2011 and that encompasses approximately 696,372 rentable square feet (inclusive of the retail space on the ground, first and lower floors), and 1400 Broadway, an office property in midtown Manhattan that was 80.0% leased as of September 30, 2011 (or 81.3% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 873,551 rentable square feet (inclusive of the retail space on the ground floor). Our management team believes that, if acquired, 112-122 West 34th Street and 1400 Broadway would be consistent with our portfolio composition and strategic direction. 112-122 West 34th Street and 1400 Broadway will not be contributed to us in the formation transactions due to the ongoing litigation related to these properties, but we have entered into agreements granting us the option to acquire the interests in the option properties following the resolution of the ongoing litigation. The purchase price for each of the option properties will be based on an appraisal by independent third parties, unless we and the owners of the properties, with the consent of the Helmsley estate, agree to a negotiated price, and unless the litigation related to these properties is resolved prior to the closing of the consolidation, in which case investors in the entities owning the option properties will receive consideration in connection with the consolidation on the same basis as investors in other entities contributing properties in connection with the consolidation. We have agreed that Anthony E. Malkin, our Chairman, Chief Executive Officer and President, will not participate in the negotiations and valuation process on our behalf. One or more of our independent directors will lead the appraisal or negotiation process on our behalf and a majority of our independent directors must approve the price and terms of the acquisition of interests in each of our option properties. The purchase price is payable in a combination of cash, shares of our common stock and operating partnership units, but the Helmsley estate, which owns, on an aggregate basis, a % interest in the option properties, will have the right to elect to receive all cash. Our option expires on the later of (i) 12 months after we receive notice of a settlement or a final, non-appealable judgment in relation to certain ongoing litigation with respect to the properties or (ii) six months after the completion of the independent valuation described above, but in no event later than seven years from the completion of this offering.

Our predecessor s affiliates interests in our option properties, 112-122 West 34th Street and 1400 Broadway, are fee (in the case of a portion of the 112-122 West 34th Street property), long-term leaseholds (in the case of both of the option properties) and sub-leasehold or sub-subleasehold (in the case of 112-122 West 34th Street only) of the land and the improvements. Pursuant to management agreements with the owner of the long-term leasehold interest (in the case of 1400 Broadway) and the owner of the long-term sub-leasehold interest or sub-subleasehold, as applicable, in the case of 112-122 West 34th Street, we will be designated as the asset and property manager for the option properties and we will receive a management fee for services rendered under the agreements.

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Excluded Properties and Businesses

The Malkin Group, including Anthony E. Malkin, our Chairman, Chief Executive Officer and President, also owns controlling interests in six multi-family properties, five net leased retail properties, one former post office property which is subject to rezoning before it will be converted into a single tenant retail property, and a development parcel that is zoned for residential use. The Malkin Group also owns non-controlling interests in one Manhattan office property, two Manhattan retail properties and several retail properties outside of Manhattan, none of which will be contributed to us in the formation transactions. We refer to the controlling and non-controlling interests described above collectively as the excluded properties. In addition, the Malkin Group owns interests in six mezzanine and senior equity funds, two industrial funds, the operations of five residential management offices and a registered broker dealer, none of which will be contributed to us in the formation transactions, and which we refer to collectively as the excluded businesses. The Malkin Group owns certain non-real estate family investments that will not be contributed to us in the formation transactions. We do not believe that the excluded properties or the excluded businesses are consistent with our portfolio geographic or property type composition, management or strategic direction. Pursuant to management agreements with the owners of interests in those excluded properties and excluded businesses which historically were managed by affiliates of our predecessor, we will be designated as the manager. As the manager, we will be paid a management fee with respect to those excluded properties and businesses where our predecessor had previously received a management fee on the same terms as the fee paid to our predecessor, and reimbursed for our costs in providing the management services to those excluded properties and businesses where our predecessor had not previously received a management fee. Our management of the excluded properties and excluded businesses will represent a minimal portion of our overall business. There is no established time period in which we will manage such properties and businesses and Peter L. Malkin and Anthony E. Malkin expect to sell certain of these properties or unwind certain of these businesses over time.

Conflicts of Interest

Following the completion of this offering, there will be conflicts of interest with respect to certain transactions between the holders of operating partnership units and our stockholders. In particular, the consummation of certain business combinations, the sale of any properties or a reduction of indebtedness could have adverse tax consequences to holders of operating partnership units, which would make those transactions less desirable to them. Certain members of our senior management team will hold operating partnership units, shares of our Class A common stock and shares of our Class B common stock upon completion of this offering and the formation transactions.

We did not conduct arm s-length negotiations with the parties involved regarding the terms of the formation transactions. In the course of structuring the formation transactions, certain members of our senior management team and other contributors had the ability to influence the type and level of benefits that they will receive from us. Additionally, Anthony E. Malkin has a conflict of interest because we entered into agreements granting us the option to acquire long-term leasehold and/or sub-leasehold interests in the option properties in which the Malkin Group controls and owns economic interests. As a result, an exercise of such options by us could economically benefit him. A majority of our independent directors must approve the price and terms of the acquisition of interests in each of our option properties.

We have adopted policies designed to eliminate or minimize certain potential conflicts of interest, and the limited partners of our operating partnership have agreed that in the event of a conflict in the duties owed by us to our stockholders and the fiduciary duties owed by us, in our capacity as general partner of our operating partnership, to such limited partners, we will fulfill our fiduciary duties to such limited partners by acting in the best interests of our stockholders. See Policies with Respect to Certain Activities Conflict of Interest Policies and Description of the Partnership Agreement of Empire State Realty OP, L.P. Fiduciary Responsibilities.

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Distribution Policy

We intend to make regular quarterly distributions to holders of shares of our common stock. We intend to pay a *pro rata* initial distribution with respect to the period commencing on the completion of this offering and ending , based on $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately % based on the mid-point of the range of prices set forth on the front cover of this prospectus. We estimate that this initial annual distribution will represent approximately % of our estimated cash available for distribution to our common stockholders for the 12 months ending September 30, 2012. Although we have not previously paid distributions, we intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Actual distributions may be significantly different from the expected distributions.

Distributions declared by us will be authorized by our board of directors in its sole discretion out of funds legally available therefore and will be dependent upon a number of factors, including restrictions under applicable law, the capital requirements of our company and the distribution requirements necessary to maintain our qualification as a REIT. We may be required to fund distributions from working capital or borrow to provide funds for such distributions or we may choose to make a portion of the required distributions in the form of a taxable stock dividend to preserve our cash balance. However, we currently have no intention to use the net proceeds from this offering to make distributions nor do we currently intend to make distributions using shares of our common stock.

Our Tax Status

We intend to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2012. We believe we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT commencing with our taxable year ending December 31, 2012 and thereafter. So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property. See U.S. Federal Income Tax Considerations.

Company Information

As of September 30, 2011, we had approximately 574 employees, 96 of whom were managers and professionals. Our principal executive offices are located at One Grand Central Place, 60 East 42nd Street, New York, New York 10165. In addition, we have seven additional regional leasing and property management offices in Manhattan and the greater New York metropolitan area. Our telephone number is (212) 953-0888. Our website address is www. . The information on, or otherwise accessible through, our website does not constitute a part of this prospectus.

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This Offering

Class A common stock offered by us	shares (plus up to an additional shares that we may issue and sell upon the exercise of the underwriters option in full)
Class A common stock to be outstanding after this offering	shares[1]
Class B common stock to be outstanding after the formation transactions	shares
Class A common stock, Class B common stock and operating partnership units to be outstanding after this offering and the formation transactions	shares / units[2]
Use of proceeds	We intend to use the net proceeds of this offering to: pay certain holders of interests in the existing entities that are non-accredited investors or who elect to receive cash for their equity interests in certain of the existing entities; pay fees in connection with the assumption of indebtedness; pay expenses incurred in connection with this offering and the formation transactions; repay a loan that was made to one of the existing entities by certain of the investors in such entity; and for general working capital purposes and to fund potential future acquisitions.
Risk Factors	Investing in our Class A common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 27 and other information included in this prospectus before investing in our Class A common stock.
Proposed New York Stock Exchange symbol	ESB

(1) Includes shares of our restricted Class A common stock to be granted by us concurrently with this offering to our independent directors and shares of our Class A common stock to be issued in connection with the formation transactions. Assumes no exercise by the underwriters of their option to purchase up to an additional shares of our Class A common stock. Excludes shares of our Class A common stock available for future issuance

under our equity incentive plan.

(2) Includes (i)   operating partnership units not owned by us expected to be outstanding following the consummation of the formation transactions and (ii)   shares of our Class B common stock expected to be outstanding following the consummation of the formation transactions. The operating partnership units may, subject to the limits in the operating partnership agreement, be exchanged for cash or, at our option, shares of our Class A common stock on a one-for-one basis generally commencing 12 months after the date of this prospectus. Shares of Class B common stock are subject to automatic conversion into an equal number of shares of our Class A common stock upon a direct or indirect transfer of Class B common stock or certain operating partnership units held by the holder of such Class B common stock to a person other than a qualified transferee (as defined in our charter).

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Summary Historical and Unaudited Pro Forma Financial and Other Data

The following table sets forth summary financial and other data on (i) a combined historical basis for our predecessor beginning on page F-25 and (ii) a pro forma basis for our company giving effect to this offering and the formation transactions, the related use of proceeds thereof and the other adjustments described in the unaudited pro forma financial information beginning on page F-3. We have not presented historical information for Empire State Realty Trust, Inc. because we have not had any corporate activity since our formation other than the issuance of shares of common stock in connection with the initial capitalization of our company and because we believe a discussion of the results of our company would not be meaningful.

Our predecessor s combined historical financial information includes:

- Our predecessor s management companies, including their asset management, leasing, administrative, construction and development operations; and

- the real estate operations for the existing entities excluding the four office properties for which Malkin Holdings LLC acts as the supervisor but that are not consolidated into our predecessor for accounting purposes except for the predecessor s non-controlling interests in such properties.

You should read the following summary financial data in conjunction with our combined historical and unaudited pro forma condensed consolidated financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations.

The summary historical combined balance sheet information as of December 31, 2010 and 2009 of our predecessor and summary combined statements of operations information for the years ended December 31, 2010, 2009 and 2008 of our predecessor have been derived from the audited historical combined financial statements of our predecessor. The historical combined balance sheet information as of September 30, 2011 and combined statements of operations for the nine months ended September 30, 2011 and 2010 have been derived from the unaudited combined financial statements of our predecessor. The summary historical combined balance sheet information as of December 31, 2008, 2007 and 2006 and summary combined statements of operations information for the years ended December 31, 2007 and December 31, 2006 have been derived from the unaudited combined financial statements of our predecessor. Our results of operations for the interim period ended September 30, 2011 are not necessarily indicative of the results that will be obtained for the full fiscal year.

Our unaudited summary pro forma condensed consolidated financial statements and operating information as of and for the nine months ended September 30, 2011 and for the year ended December 31, 2010 assumes completion of this offering, the formation transactions and the other adjustments described in the unaudited pro forma financial information beginning on page F-3 as of January 1, 2010 for the operating data and as of the stated date for the balance sheet data.

Our unaudited pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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Empire State Realty Trust, Inc.

Summary Financial Data

(amounts in thousands except for shares and per share data)

	Nine Months Ended September 30,			Year Ended December 31,					
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined				
	2011 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2010 (Unaudited)	2010	2009	2008	2007 (Unaudited)	2006 (Unaudited)
Statement of Operations Data:									
Revenue:									
Rental revenue	$ 220,819	$ 126,768	$ 122,632	$ 273,357	$ 166,159	$ 167,556	$ 162,194	$ 166,524	$ 161,976
Tenant expense reimbursement	47,027	22,869	24,549	70,064	32,721	36,309	35,684	35,789	30,307
Third-party management and other fees	4,671	4,671	2,829	3,750	3,750	4,296	5,916	4,220	3,959
Construction revenue	35,323	35,323	23,713	27,139	27,139	15,997	56,561	42,373	33,901
Observatory income[2]	62,943[1]			78,880[1]					
Other income and fees	11,420	9,909	13,026	21,403	16,776	8,157	8,442	13,601	9,143
Total Revenues	382,203	199,540	186,749	474,593	246,545	232,315	268,797	262,507	239,286
Expenses									
Operating expenses	100,596	40,520	44,043	142,294	60,356	58,850	55,291	51,180	46,473
Marketing, general, and administrative expenses	23,083	13,431	13,031	23,534	13,924	16,145	17,763	17,173	15,803
Observatory expenses[2]	14,967			18,395					
Construction expenses	34,121	34,121	23,258	27,581	27,581	17,281	56,080	42,217	33,369
Real estate taxes	50,343	21,968	20,310	63,409	27,585	28,937	24,863	22,063	23,760
Depreciation and amortization	41,811	25,773	25,048	57,481	34,041	29,327	26,838	25,802	24,025
Abandonment of tenant improvements									10
Total Operating Expenses	264,921	135,813	125,690	332,694	163,487	150,540	180,835	158,435	143,440
Income from Operations before Interest Expense and Equity in Net income of Non-controlled Entities	117,282	63,727	61,059	141,899	83,058	81,775	87,962	104,072	95,846
Interest expense, net	46,237	41,732	39,162	57,290	52,264	50,738	48,664	50,758	38,415
Income from Operations before Equity in Net Income of Non-controlled Entities	71,045	21,995	21,897	84,609	30,794	31,037	39,298	53,314	57,431
Equity in net income of non-controlled entities[2]		12,239	12,376		15,324	10,800	13,422	15,947	12,778
Net Income	$ 71,045	$ 34,234	$ 34,273	$ 84,609	$ 46,118	$ 41,837	$ 52,720	$ 69,261	$ 70,209
Other Data									
Funds from operations[3]	$ 112,325	$ 65,212	$ 63,321	$ 141,312	$ 85,827	$ 75,458	$ 83,513		
EBITDA[4]	$ 165,393	$ 109,998	$ 105,384	$ 201,580	$ 142,090	$ 129,591	$ 134,269		
Cash flows from:									
Operating activities		$ 61,275	$ 50,556		$ 74,381	$ 58,509	$ 75,410		
Investing activities		$ (42,218)	$ (30,705)		$ (34,837)	$ (38,617)	$ (13,768)		

Financing activities	$ 18,836	$ (33,456)	$ (45,600)	$ (5,035)	$ (65,824)

(footnotes on next page)

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	Nine Months Ended September 30,		Year Ended December 31,				
	Pro Forma Consolidated	Historical Combined			Historical Combined		
	2011 (Unaudited)	2011 (Unaudited)	2010	2009	2008 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
Balance Sheet Data (at period end):							
Net real estate	$ 1,123,741	$ 619,521	$ 590,466	$ 582,904	$ 567,404	$ 575,348	$ 567,279
Total assets	2,769,356	995,166	904,536	890,598	857,796	870,537	797,593
Notes and loans payable	1,043,625	937,347	869,063	871,636	828,150	828,812	592,049
Total liabilities	1,300,016	1,005,361	915,294	908,856	872,736	873,036	638,986
Stockholders /owners equity (deficit)	1,469,340	(10,195)	(10,758)	(18,258)	(14,940)	(2,499)	158,607
Total liabilities and stockholders / owners equity (deficit)	2,769,356	995,166	904,536	890,598	857,796	870,537	797,593

(1) Observatory income includes $3,640 and $4,728 for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, of rental revenue attributable to a retail tenant which operates the concession space in the observatory under a lease expiring in May 2020.

(2) For the historical combined periods, our proportionate share of the revenues and expenses of the Empire State Building, including the observatory, are included in Equity in net income of non-controlled entities. Upon completion of this offering, the revenues and expenses of the Empire State Building, including the observatory, will be presented on a consolidated basis.

(3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why our management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which our management uses FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

(4) For a definition and reconciliation of earnings before interest, income tax, depreciation and amortization, or EBITDA, and a statement disclosing the reasons why our management believes that presentation of EBITDA provides useful information to investors and, to the extent material, any additional purposes for which our management uses EBITDA, see Management s Discussion and Analysis of Financial Condition and Results of Operations EBITDA.

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RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors, together with all the other information contained in this prospectus, including our historical and pro forma combined financial statements and the notes thereto, before making an investment decision to purchase our Class A common stock. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, cash flows, liquidity, funds from operations, results of operations, share price, ability to service our indebtedness and ability to make cash distributions to our stockholders (including those necessary to maintain our REIT qualification) and could cause you to lose all or a significant part of your investment in our Class A common stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. See the section entitled Forward-Looking Statements.

Risks Related to Our Properties and Our Business

All of our properties are located in Manhattan and the greater New York metropolitan area, in particular midtown Manhattan, and adverse economic or regulatory developments in this area could materially and adversely affect us.

All of our properties are located in Manhattan and the greater New York metropolitan area, in particular midtown Manhattan, as well as nearby markets in Fairfield County, Connecticut and Westchester County, New York. Seven of our 12 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, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. We are susceptible to adverse developments in the New York City economic and regulatory environment (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation). Such adverse developments could materially reduce the value of our real estate portfolio and our rental revenues, and thus materially and adversely affect our ability to service current debt and to pay dividends to stockholders. The Manhattan vacancy rate continues to exceed 9.1%. We could also be impacted by adverse developments in the Fairfield County, Connecticut and Westchester County, New York markets. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of office or retail properties. Our operations may also be affected if competing properties are built in either of these markets.

Adverse economic and geopolitical conditions in general and in Manhattan and the greater New York metropolitan area commercial office and retail markets in particular, could have a material adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders.

Our business may be affected by the volatility and illiquidity in the financial and credit markets, a general global economic recession and other market or economic challenges experienced by the real estate industry or the U.S. economy as a whole. Our business may also be materially and adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in Manhattan and the greater New York metropolitan area, particularly in Manhattan, Fairfield County and Westchester County. Because our portfolio consists primarily of commercial office and retail buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if economic conditions persist or deteriorate, then our results of operations, financial condition and ability to service current debt and to make distributions to our stockholders may be materially and adversely affected by the following, among other potential conditions:

- the financial condition of our tenants, many of which are financial, legal and other professional firms, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or other reasons;

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

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

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

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

the value and liquidity of our short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, the dislocation of the markets for our short-term investments, increased volatility in market rates for such investments or other factors; and

one or more counterparties to our derivative financial instruments could default on their obligations to us, increasing the risk that we may not realize the benefits of these instruments.

These conditions may continue or worsen in the future, which could materially and adversely affect our results of operations, financial condition and ability to make distributions to our stockholders.

There can be no assurance that our renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost, or that we will achieve the results we expect from our renovation and repositioning program, which could materially and adversely affect our financial condition and results of operations.

Since we gradually gained day-to-day management of our Manhattan office properties from 2002 through 2006, we have been undertaking a comprehensive renovation and repositioning program of our Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. We currently intend to invest between $175.0 million and $215.0 million of additional capital through the end of 2013 on this program. We expect to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program. In addition, we currently estimate that between $55.0 million and $65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which we expect to complete substantially in 2016. These estimates are based on our current budgets (which do not include tenant improvements and leasing commissions) and may be less than our actual costs. We may also experience conditions which delay or preclude program completion. In addition, we may not be able to lease available space on favorable terms or at all. Further, our renovation and repositioning program may lead to temporary increased vacancy rates at our Manhattan office properties. There can be no assurance that our renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost, or that we will achieve the results we expect from our renovation and repositioning program, or that we will be able to achieve results similar to those presented in our case studies described under Business and Properties Renovation and Repositioning Case Studies, which could materially and adversely affect our financial condition and results of operations.

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

As of September 30, 2011, four of our properties, the Empire State Building, One Grand Central Place, First Stamford Place and 250 West 57th Street, together accounted for approximately 61.8% of our portfolio s annualized base rent, and no other property accounted for more than approximately 6.2% of our portfolio s annualized base rent (which excludes revenues from our broadcasting licenses and related leased space). As of

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September 30, 2011, the Empire State Building individually accounted for approximately 27.7% of our portfolio s annualized base rent. Our revenue and cash available for distribution to our stockholders would be materially and adversely affected if the Empire State Building, One Grand Central Place, First Stamford Place or 250 West 57th Street were materially damaged or destroyed. Additionally, our revenue and cash available for distribution to our stockholders would be materially adversely affected if a significant number of our tenants at these properties experienced a downturn in their business which may weaken their financial condition and result in their failure to make timely rental payments, defaulting under their leases or filing for bankruptcy.

We may be unable to renew leases, lease vacant space or re-lease space on favorable terms or at all as leases expire, which could materially and adversely affect our financial condition, results of operations and cash flow.

As of September 30, 2011, we had approximately 1.3 million rentable square feet of vacant space in our office properties and 82,459 rentable square feet of vacant space in our retail properties (in each case, excluding leases signed but not yet commenced). In addition, leases representing 2.4% and 8.2% of the square footage of the properties in our portfolio will expire in 2011 (including month-to-month leases) and 2012, respectively. Above-market rental rates at some of the properties in our portfolio may force us to renew some expiring leases or re-lease properties at lower rates. We cannot assure you expiring leases will be renewed or that our properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates. If the rental rates of our properties decrease, our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders would be materially and adversely affected.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience a decline in realized rental rates from time to time, which could materially and adversely affect our financial condition, results of operations and cash flow.

Throughout this prospectus, we make certain comparisons between our in-place rents and our asking rents, and between our asking rents and average asking rents in our markets. As a result of various factors, including competitive pricing pressure in our markets, a general economic downturn and the desirability of our properties compared to other properties in our markets, we may be unable to realize our asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain sufficient rental rates across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on market rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

We are exposed to risks associated with property redevelopment and development that could materially and adversely affect our financial condition and results of operations.

We have engaged, and continue to engage, in development and redevelopment activities with respect to our Manhattan office properties. In addition, we own entitled land at the Stamford Transportation Center in Stamford, Connecticut that can support the development of an approximately 340,000 rentable square foot office building and garage. To the extent that we continue to engage in development and redevelopment activities, we will be subject to certain risks, including, without limitation:

- the availability and pricing of financing on favorable terms or at all;
- the availability and timely receipt of zoning and other regulatory approvals;
- the potential for the fluctuation of occupancy rates and rents at developed properties due to a number of factors, including market and economic conditions, which may result in our investment not being profitable;

- start up, repositioning and redevelopment costs may be higher than anticipated;

- the cost and timely completion of construction (including risks beyond our control, such as weather or labor conditions, or material shortages);

- the potential that we may fail to recover expenses already incurred if we abandon development or redevelopment opportunities after we begin to explore them;

- the potential that we may expend funds on and devote management time to projects which we do not complete;

- the inability to complete construction and leasing of a property on schedule, resulting in increased debt service expense and construction or renovation costs; and

- the possibility that developed or redeveloped properties will be leased at below expected rental rates.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development and redevelopment activities or the completion of development and redevelopment activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, which could materially and adversely affect us, including our financial condition, results of operations and cash flow.

To the extent there are adverse economic conditions in the real estate market and demand for office space decreases, upon expiration of leases at our properties and with respect to our current vacant space, we will be required to increase rent or other concessions to tenants, accommodate increased requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. In addition, seven of our properties are pre-war office properties, which may require more frequent and costly maintenance to retain existing tenants or attract new tenants than newer properties. As a result, we would have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases and our vacant space remaining untenanted, which could materially and adversely affect our financial condition, results of operations, cash flow and per share trading price of our Class A common stock. As of September 30, 2011, we had approximately 1.3 million rentable square feet of vacant space in our office properties, 75,898 rentable square feet of vacant space in our ground floor retail space in our Manhattan office properties and 6,561 rentable square feet of vacant space in our stand-alone retail properties (in each case, excluding leases signed but not yet commenced), and leases representing 2.4% and 8.2% of the square footage of the properties in our portfolio will expire in 2011 (including month-to-month leases) and 2012, respectively.

We depend on significant tenants in our office portfolio, including LF USA, Legg Mason, Thomson Reuters, Warnaco and the Federal Deposit Insurance Company, which together represented approximately 18.4% of our total portfolio s annualized base rent as of September 30, 2011.

As of September 30, 2011, our five largest tenants together represented 18.4% of our total portfolio s annualized base rent. Our largest tenant is LF USA. As of September 30, 2011, LF USA leased an aggregate of 630,615 rentable square feet of office space at three of our office properties, representing approximately 7.6% of the total rentable square feet and approximately 8.6% of the annualized base rent in our portfolio. Our rental revenue depends on entering into leases with and collecting rents from tenants. General and regional economic conditions, such as the current challenging economic climate described above, may adversely affect our major tenants and potential tenants in our markets. Our major tenants may experience a material business downturn, weakening their financial condition and potentially resulting in their failure to make timely rental payments and/

or a default under their leases. In many cases, we have made substantial up front investments in the applicable leases, through tenant improvement allowances and other concessions, as well as typical transaction costs (including professional fees and commissions) that we may not be able to recover. In the event of any tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment.

The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by our properties. If any tenant becomes a debtor in a case under the United States Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate their lease with us. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims, and there are restrictions under bankruptcy laws that limit the amount of the claim we can make if a lease is rejected.

Our revenue and cash flow could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in their business, default under their leases or fail to renew their leases at all or renew on terms less favorable to us than their current terms.

Competition may impede our ability to attract or retain tenants or re-let space, which could materially and adversely affect our results of operations and cash flow.

The leasing of real estate in the greater New York metropolitan area is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the premises to be leased. We directly compete with all lessors and developers of similar space in the areas in which our properties are located as well as properties in other submarkets. Demand for retail space may be 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. In addition, retailers at our properties face increasing competition from outlet malls, discount shopping clubs, electronic commerce, direct mail and telemarketing, which could (i) reduce rents payable to us, (ii) reduce our ability to attract and retain tenants at our properties and (iii) lead to increased vacancy rates at our properties, any of which could materially and adversely affect us.

Our office properties are concentrated in highly developed areas of midtown Manhattan and densely populated metropolitan communities in Fairfield County and Westchester County. Manhattan is the largest office market in the United States. The number of competitive office properties in the markets in which our properties are located (which may be newer or better located than our properties) could have a material adverse effect on our ability to lease office space at our properties, and on the effective rents we are able to charge. Additionally, completion of the new Vornado Tower currently under construction at 15 Penn Plaza may provide a significant source of competition for office and retail tenants, due to its close proximity to the Empire State Building.

If our tenants are unable to secure financing necessary to continue to operate their businesses and pay us rent, we could be materially and adversely affected.

Many of our tenants rely on external sources of financing to operate their businesses. The U.S. financial and credit markets continue to experience significant liquidity disruptions, resulting in the unavailability of financing for many businesses. If our tenants are unable to secure financing necessary to continue to operate their businesses, they may be unable to meet their rent obligations or be forced to declare bankruptcy and reject their leases, which could materially and adversely affect us.

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

The majority of the tenants in our properties (measured by number of tenants as opposed to aggregate square footage) are smaller businesses that generally do not have the financial strength of larger corporate tenants. Smaller companies generally experience a higher rate of failure than large businesses. There is a current risk with these companies of a higher rate of tenant defaults, turnover and bankruptcies, which could materially and adversely affect our distributable cash flow and results of operations.

Our dependence on rental income may materially and adversely affect our profitability, our ability to meet our debt obligations and our ability to make distributions to our stockholders.

A substantial portion of our income is derived from rental income from real property. See Business and Properties Tenant Diversification. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be negatively affected if a significant number of our tenants, or any of our major tenants (as discussed in more detail below):

- delay lease commencements;
- decline to extend or renew leases upon expiration;
- fail to make rental payments when due; or
- declare bankruptcy.

Any of these actions could result in the termination of the tenants leases and the loss of rental income attributable to the terminated leases. In these events, we cannot be sure that any tenant whose lease expires will renew that lease or that we will be able to re-lease space on economically advantageous terms or at all. The loss of rental revenues from a number of our tenants and our inability to replace such tenants may adversely affect our profitability, our ability to meet debt and other financial obligations and our ability to make distributions to our stockholders.

We may not be able to control our operating costs, or our expenses may remain constant or increase, even if income from our properties decreases, causing our results of operations to be adversely affected.

Our financial results depend substantially on leasing space in our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent our properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays and may incur substantial legal costs. The terms of our leases may also limit our ability to charge our tenants for all or a portion of these expenses. Additionally, new properties that we may acquire or redevelop may not produce significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and principal and interest on debt associated with such properties until they are fully leased.

Our breach of or the expiration of our ground lease could materially and adversely affect our results of operations.

Our interest in one of our commercial office properties, 1350 Broadway, is a long-term leasehold of the land and the improvements, rather than a fee interest in the land and the improvements. If we are found to be in breach of this ground lease, we could lose the right to use the property. In addition, unless we purchase the underlying fee interest in this property or extend the terms of our lease for this property before expiration on terms significantly comparable to our current lease, we will lose our right to operate this property and our leasehold interest in this property upon expiration of the lease or we will continue to operate it at much lower profitability,

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which would significantly adversely affect our results of operations. In addition, if we are perceived to have breached the terms of this lease, the fee owner may initiate proceedings to terminate the lease. The remaining term of this long-term lease, including unilateral extension rights available to us, is approximately 39 years (expiring July 31, 2050). Annualized base rent from this property as of September 30, 2011 was approximately $16.4 million.

Pursuant to the ground lease, we, as tenant under the ground lease, perform the functions traditionally performed by owners, as landlords, with respect to our subtenants. In addition to collecting rent from our subtenants, we also maintain the property and pay expenses relating to the property. We do not have a right, pursuant to the terms of our lease or otherwise, to acquire the fee interest in this property.

We will not recognize any increase in the value of the land or improvements subject to our ground lease, and we may only receive a portion of compensation paid in any eminent domain proceeding with respect to the property, which could materially and adversely affect us.

We have no economic interest in the land or improvements at the expiration of our ground lease at 1350 Broadway and therefore we will not share in any increase in value of the land or improvements beyond the term of our ground lease, notwithstanding our capital outlay to purchase our interest in the property. Furthermore, if the state or federal government seizes the property subject to the ground lease under its eminent domain power, we may only be entitled to a portion of any compensation awarded for the seizure. In addition, if the value of the property has increased, it may be more expensive for us to renew our ground lease.

We may be unable to identify and successfully complete acquisitions and even if acquisitions are identified and completed, including potentially the option properties, we may fail to operate successfully acquired properties, which could materially and adversely affect us and impede our growth.

Our ability to identify and acquire properties on favorable terms and successfully operate or redevelop them may be exposed to the following significant risks:

- even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction and other conditions that are not within our control, which may not be satisfied, and we may be unable to complete an acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;

- we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all, including potentially the option properties;

- we may spend more than budgeted to make necessary improvements or renovations to acquired properties;

- we may not be able to obtain adequate insurance coverage for new properties;

- acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures;

- we may be unable to integrate quickly and efficiently 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;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete.

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Any delay or failure on our part to identify, negotiate, finance and consummate such acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet our financial expectations, could impede our growth and adversely affect our financial condition, results of operations, cash flow and per share trading price of our Class A common stock.

Our option properties are subject to various risks and we may not be able to acquire them.

Our option properties consist of 112-122 West 34th Street, an office property in midtown Manhattan that was 89.3% leased as of September 30, 2011 and that encompasses approximately 696,372 rentable square feet (inclusive of the retail space on the ground, first and lower floors) and 1400 Broadway, an office property in midtown Manhattan that was 80.0% leased as of September 30, 2011 (or 81.3% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 873,551 rentable square feet (inclusive of the retail space on the ground floor). 112-122 West 34th Street and 1400 Broadway will not be contributed to us in the formation transactions due to the ongoing litigation related to these properties. 112 West 34th Street Associates L.L.C and 1400 Broadway Associates L.L.C., the operating lessees of our option properties, are named as defendants in actions alleging that they undertook structural modifications to 112-122 West 34th Street and 1400 Broadway, respectively, without the required consent of the owner of the land on which 112 West 34th Street and 1400 Broadway were constructed (or the ground lessee, in the case of the portion of the 112-122 West 34th Street property that is owned by our predecessor s affiliate and has been ground leased to such ground lessee and subleased to our predecessor s affiliate). Although we do not intend to acquire 112-122 West 34th Street or 1400 Broadway as part of the consolidation, we have entered into option agreements that allow us to acquire the interests in the option properties upon resolution of such litigation. Our option properties are exposed to many of the same risks that may affect the other properties in our portfolio. The terms of the option agreements relating to the option properties were not determined by arm s-length negotiations, and such terms may be less favorable to us than those that may have been obtained through negotiations with third parties. It may become economically unattractive to exercise our options with respect to the option properties. These risks could cause us to decide not to exercise our option to purchase these properties in the future.

Our predecessor s affiliates interests in our option properties, 112-122 West 34th Street and 1400 Broadway, are fee (in the case of a portion of the 112-122 West 34th Street property), long-term leasehold (in the case of both of the option properties) and sub-leasehold or sub-subleasehold (in the case of the 112-122 West 34th Street property only) of the land and the improvements. The remaining terms of these long-term leases, including unilateral extension rights available to us, are approximately 66 years (expiring June 10, 2077) and approximately 52 years (expiring December 31, 2063), respectively. Even if we exercise our option to purchase the option properties upon resolution of the ongoing litigation, unless we purchase the underlying fee interest in these properties or extend the terms of our leases for these properties before expiration on terms significantly comparable to our current leases, we will lose our right to operate these properties and our leasehold interest in these properties upon expiration of the leases or we may extend the leases on new terms that result in reduced profitability, which may significantly adversely affect our results of operations at that time. The purchase price is payable in a combination of cash, shares of our common stock and operating partnership units, but the Helmsley Estate, which owns, on an aggregate basis, a % interest in the option properties, will have the right to elect to receive all cash (and non-accredited investors are required to receive all cash), which may impact our ability to acquire the option properties.

Additionally, Anthony E. Malkin has a conflict of interest because he, together with the Malkin Group, controls and owns economic interests in the option properties. As a result, an exercise of such options by us could economically benefit him.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions, which may impede our growth.

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face significant competition for acquisition opportunities in the greater New York metropolitan area with other

investors, particularly private investors who can incur more leverage, and this competition may adversely affect us by subjecting us to the following risks:

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

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

The significant competition for acquisitions of commercial office and retail properties in the greater New York metropolitan area may impede our growth.

The observatory operations at the Empire State Building are not traditional real estate operations, and competition and changes in tourist trends may subject us to additional risks, which could materially and adversely affect us.

During the nine months ended September 30, 2011 and year ended December 31, 2010, we derived approximately $62.9 million and $78.9 million of revenue, respectively, from the Empire State Building s observatory operations, representing approximately 42.0% and 40.8% of the Empire State Building s total revenue for these periods. Demand for our observatory is highly dependent on domestic and overseas tourists. In addition, competition from observatory operations in the new property currently under construction at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center, could have a negative impact on revenues from our observatory operations. Adverse impacts on domestic travel and changes in foreign currency exchange rates may also decrease demand in the future, which could have a material adverse effect on our results of operations, financial condition and ability to make distributions to our stockholders.

The broadcasting operations at the Empire State Building are not traditional real estate operations, and competition and changes in the broadcasting of signals over air may subject us to additional risks, which could materially and adversely affect us.

The Empire State Building and its broadcasting mast provides radio and data communications services and supports delivery of broadcasting signals to cable and satellite systems and television and radio receivers. We license the use of the broadcasting mast to third party television and radio broadcasters. During the nine months ended September 30, 2011 and the year ended December 31, 2010, we derived approximately $11.8 million and $16.1 million of revenue from the Empire State Building s broadcasting licenses and related leased space, representing approximately 7.8% and 8.3% of the Empire State Building s total revenue for these periods. Competition from broadcasting operations in the planned property currently under construction at One World Trade Center and, to a lesser extent, from the existing broadcasting operations at Four Times Square, could have a negative impact on revenues from our broadcasting operations. Our broadcast television and radio licensees also face a range of competition from advances in technologies and alternative methods of content delivery in their respective industries, as well as from changes in consumer behavior driven by new technologies and methods of content delivery, which may reduce the demand for over-the-air broadcast licenses in the future. New government regulations affecting broadcasters, including the implementation of the FCC s National Broadband Plan, or the Plan, also might materially and adversely affect our results of operations by reducing the demand for broadcast licenses. Among other things, the Plan urges Congress to make more spectrum available for wireless broadband service providers by encouraging over-the-air broadcast licensees to relinquish spectrum through a voluntary auction process, which raises many issues that could impact the broadcast industry. At this time we cannot predict whether Congress or the FCC will adopt or implement any of the Plan s recommendations or the rule changes as proposed, or how any such actions might affect our broadcasting operations. Any of these risks might materially and adversely affect us.

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Acquired properties may expose us to unknown liability, which could adversely affect our results of operations, cash flow and the market value of our securities.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations, cash flow and the market value of our securities. Unknown liabilities with respect to acquired properties might include:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons against 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 may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Turmoil in the capital and credit markets could materially and adversely affect us.

Ongoing economic conditions have negatively impacted the capital and credit markets, particularly for real estate. The capital markets have witnessed significant adverse conditions, including a substantial reduction in the availability of and access to capital. The risk premium demanded by capital suppliers has increased markedly, as they are demanding greater compensation for credit risk. Lending spreads have widened from recent levels, and underwriting standards are being tightened. In addition, recent failures and consolidations of certain financial institutions have decreased the number of potential lenders, resulting in reduced lending levels available to the market. As a result, we may not be able to obtain favorable debt financing in the future or at all. This may result in future acquisitions generating lower overall economic returns, which may adversely affect our results of operations and distributions to stockholders. Furthermore, any turmoil in the capital or credit markets could adversely impact the overall amount of capital and debt financing available to invest in real estate, which may result in decreases in price or value of real estate assets.

With the turmoil in the capital markets, an increasing number of financial institutions have sought federal assistance or failed. In the event of a failure of a lender or counterparty to a financial contract, obligations under the financial contract might not be honored and many forms of assets may be at risk and may not be fully returned to us. Should a financial institution fail to fund its committed amounts when contractually obligated to do so, our ability to meet our obligations could be materially and adversely impacted.

Should we decide at some point in the future to expand into new markets, we may not be successful, which could adversely affect our financial condition, result of operations, cash flow and trading price of our Class A common stock.

If opportunities arise, we may explore acquisitions of properties in new markets. Each of the risks applicable to our ability to acquire and integrate successfully and operate properties in our current markets is also applicable

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to our ability to acquire and integrate successfully and operate properties in new markets. In addition to these risks, we will not possess the same level of familiarity with the dynamics and market conditions of any new markets that we may enter, which could adversely affect the results of our expansion into those markets, and we may be unable to build a significant market share or achieve a desired return on our investments in new markets. If we are unsuccessful in expanding into new markets, it could adversely affect our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders.

Our growth depends on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy debt obligations and make distributions to our stockholders.

In order to qualify as a REIT, we must distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we may need to rely on third-party sources to fund our capital needs. We may not be able to obtain financing on favorable terms, in the time period we desire, or at all. Any additional debt we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our Class A common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or redevelop properties when strategic opportunities exist, satisfy our principal and interest obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

If we are unable to sell, dispose of or refinance one or more properties in the future, we may be unable to realize our investment objectives and our business may be adversely affected.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. Return of capital and realization of gains from an investment generally will occur upon disposition or refinancing of the underlying property. In addition, the Code imposes restrictions on the ability of a REIT to dispose of properties that are not applicable to other types of real estate companies. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which our properties are located.

Our outstanding indebtedness upon completion of this offering reduces cash available for distribution and may expose us to the risk of default under our debt obligations.

Upon completion of this offering, we anticipate our pro forma total consolidated indebtedness will be approximately $1.04 billion, and we may incur significant additional debt to finance future acquisition and redevelopment activities.

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Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the distributions currently contemplated or necessary to qualify as a REIT. Our level of debt and the limitations imposed on us by our loan documents could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- to the extent we borrow debt that bears interest at variable rates, increases in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may default on our obligations or violate restrictive covenants, in which case the lenders or mortgagees may accelerate our debt obligations, foreclose on the properties that secure their loans and/or take control of our properties that secure their loans and collect rents and other property income;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or reduce our ability to make, or prohibit us from making, distributions; and
- our default under any one of our mortgage loans with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected. In addition, in connection with our debt agreements we may enter into lockbox and cash management agreements pursuant to which substantially all of the income generated by our properties will be deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our various lenders and from which cash will be distributed to us only after funding of improvement, leasing and maintenance reserves and the payment of principal and interest on our debt, insurance, taxes, operating expenses and extraordinary capital expenditures and leasing expenses. As a result, we may be forced to borrow additional funds in order to make distributions to our stockholders (including, potentially, to make distributions necessary to allow us to qualify as a REIT). See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Consolidated Indebtedness to be Outstanding After This Offering.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure of any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the distribution requirements applicable to REITs under the Code. Foreclosures could also trigger our tax indemnification obligations under the terms of our agreements with certain continuing investors with respect to sales of certain properties, and

obligate us to make certain levels of indebtedness available for them to guarantee which, among other things, allows them to defer the recognition of gain in connection with the formation transactions.

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High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance the properties when the loans become due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreement. If we are unable to offer certain guarantee opportunities to the parties to the tax protection agreement, or otherwise are unable to allocate sufficient liabilities of our operating partnership to those parties, it could trigger an indemnification obligation of our company under the tax protection agreement.

Some of our financing arrangements involve balloon payment obligations, which may adversely affect our ability to make distributions.

Upon completion of this offering, we will have pro forma total debt outstanding of approximately $1.04 billion, with a weighted average interest rate of 5.29%, a weighted average maturity of 4.5 years and 84.0% of which is fixed-rate indebtedness. Additionally, we expect to have approximately $179.1 million of available borrowing capacity under our loans on a pro forma basis. We have no debt maturing in 2012 and approximately $58.3 million maturing in 2013. Some of our financing arrangements require us to make a lump-sum or balloon payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to make distributions necessary to meet the distribution requirements applicable to REITs under the Code.

Our degree of leverage and the lack of a limitation on the amount of indebtedness we may incur could materially and adversely affect us.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. Upon completion of this offering and on a pro forma basis for the year ended December 31, 2010, we had a debt-to-EBITDA ratio of approximately 5.18x. For the year ended December 31, 2010, our pro forma EBITDA and pro forma net income, the most comparable GAAP measure, were approximately $201.6 million and $84.6 million, respectively. Any changes that increase our debt-to-EBITDA could be viewed negatively by investors. As a result, our stock price could decrease. We also consider factors other than debt-to-EBITDA 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.

Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally. If we become more leveraged in the future, the resulting increase in debt service requirements could cause us to default on our obligations, which could materially and adversely affect us.

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Our tax protection agreement could limit our ability either to sell certain properties or to engage in a strategic transaction, or to reduce our level of indebtedness, which could materially and adversely affect us.

In connection with the formation transactions, we intend to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin pursuant to which we will agree to indemnify the Malkin Group and one additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership s sale, transfer, conveyance, or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent 17.8% of our annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the formation transactions for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by those properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these continuing investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of $160 million of aggregate indebtedness meeting certain requirements, until such continuing investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such continuing investor received in the formation transactions. If we were to trigger our tax indemnification obligations under these agreements, we would be required to pay damages for the resulting tax consequences to the Malkin Group, and we have acknowledged that a calculation of damages will not be based on the time value of money or the time remaining within the restricted period. Moreover, these obligations may restrict our ability to engage in a strategic transaction. In addition, these obligations may require us to maintain more or different indebtedness than we would otherwise require for our business. See Certain Relationships and Related Transactions Tax Protection Agreement.

The continuing threat of a terrorist event may materially and adversely affect our properties, their value and our ability to generate cash flow.

There may be a decrease in demand for space in Manhattan and the greater New York metropolitan area because it is considered at risk for a future terrorist event, and this decrease may reduce our revenues from property rentals. In the aftermath of a terrorist event, tenants in Manhattan and the greater New York metropolitan area may choose to relocate their businesses 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 could trigger a decrease in the demand for space in Manhattan and the greater New York metropolitan area, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. Further, certain of our properties, including the Empire State Building, may be considered to be susceptible to increased risks of a future terrorist event due to the high-profile nature of the property. In addition, a terrorist event could cause insurance premiums at certain of our properties to increase significantly. As a result, the value of our properties and the level of our revenues could materially decline.

Potential losses such as those from adverse weather conditions, natural disasters, terrorist events and title claims, may not be fully covered by our insurance policies, and such losses could materially and adversely affect us.

Our business operations are susceptible to, and could be significantly affected by, adverse weather conditions, terrorist events and natural disasters that could cause significant damage to the properties in our portfolio. Our insurance may not be adequate to cover business interruption or losses resulting from such events. In addition, our insurance policies include substantial self-insurance portions and significant deductibles and co-payments for such events, and recent hurricanes in the United States have affected the availability and price of such insurance. As a result, we may incur significant costs in the event of adverse weather conditions, terrorist

events and natural disasters. We may discontinue certain insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies in our judgment exceeds the value of the coverage discounted for the risk of loss.

We carry comprehensive liability, fire, extended coverage, earthquake, terrorism and rental loss insurance covering all of our Manhattan properties and our greater New York metropolitan area properties under a blanket policy. We carry additional all-risk property and business insurance, which includes terrorism insurance, on the Empire State Building through ESB Captive Insurance Company L.L.C., or ESB Captive Insurance, our wholly owned captive insurance company. ESB Captive Insurance covers terrorism insurance for $300 million in losses in excess of $900 million per occurrence suffered by the Empire State Building, providing us with aggregate terrorism coverage of $1.2 billion. ESB Captive Insurance fully reinsures the 15% coinsurance under the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) and the difference between the TRIPRA captive deductible and policy deductible of $25,000 for non-Nuclear, Biological, Chemical and Radiological exposures. As a result, we remain only liable for the 15% coinsurance under TRIPRA for Nuclear, Biological, Chemical and Radiological (NBCR) exposures, as well as a deductible equal to 20% of the prior year s premium, which premium was approximately $600,000 in 2010. As long as we own ESB Captive Insurance, we are responsible for its liquidity and capital resources, and its accounts are part of our consolidated financial statements. If we experience a loss and our captive insurance company is required to pay under its insurance policy, we would ultimately record the loss to the extent of its required payment.

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by war. In addition, while our title insurance policies insure for the current aggregate market value of our portfolio, we do not intend to increase our title insurance policies as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims.

If we experience a loss that is uninsured or which exceeds our policy limits, we could incur significant costs and lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

In addition, certain of our properties could not be rebuilt to their existing height or size at their existing location under current land-use laws and policies. In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications and otherwise may have to upgrade such property to meet current code requirements.

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

Certain mortgages on our properties contain requirements concerning the financial ratings of the insurers who provide policies covering the property. We provide the lenders on a regular basis with the identity of the insurance companies in our insurance programs. While the ratings of our insurers currently satisfy the rating

requirements in some of our loan agreements, in the future, we may be unable to obtain insurance with insurers which satisfy the rating requirements which could give rise to an event of default under such loan agreements. Additionally, in the future our ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist on ratings for insurers which are difficult to obtain or which result in a commercially unreasonable premium.

We may become subject to liability relating to environmental and health and safety matters, which could have a material and adverse effect on us.

Under various federal, state and/or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages, or third party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or adjacent properties for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on our properties may adversely affect our ability to attract and/or retain tenants, and our ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. For example, our property at 69-97 Main Street is subject to an Environmental Land Use Restriction that imposes certain restrictions on the use, occupancy and activities of the affected land beneath the property. This restriction may prevent us from conducting certain renovation activities at the property, which may adversely affect its resale value and may adversely affect our ability to finance or refinance this property. See Business and Properties Regulation Environmental Matters.

Some of our properties are adjacent to or near other properties used for industrial or commercial purposes or that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. Releases from these properties could impact our properties. In addition, some of our properties have previously been used by former owners or tenants for commercial or industrial activities, e.g., gas stations and dry cleaners, and a portion of the Metro Tower site is currently used for automobile parking and fuelling, that may release petroleum products or other hazardous or toxic substances at such properties or to surrounding properties.

In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject us or our tenants to liability. These liabilities could affect a tenant s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have a material adverse effect on us.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM.

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Environmental and health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of releases of ACM into the environment.

In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage or costs for remediation. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury occurs.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders or that such costs, liabilities, or other remedial measures will not have a material adverse effect on our financial condition and results of operations.

Potential environmental liabilities may exceed our environmental insurance coverage limits, which could have a material and adverse effect on us.

We carry environmental insurance to cover certain potential environmental liabilities associated with pollution conditions at certain of our properties. We cannot assure you, however, that our insurance coverage will be sufficient or that our liability will not have a material adverse effect on our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders.

We may experience a decline in the fair value of our assets, which may have a material impact on our financial condition, liquidity and results of operations and adversely impact our stock price.

A decline in the fair market value of our assets may require us to recognize an other-than-temporary impairment against such assets under GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale.

Failure to hedge interest rates effectively could have a material and adverse effect on us.

Subject to our qualification as a REIT, we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Moreover, there can be no assurance that our hedging arrangements will qualify for hedge accounting or that our hedging activities will have the desired beneficial impact on our results

of operations. Should we desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our initial obligation under the hedging agreement. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

When a hedging agreement is required under the terms of a mortgage loan it is often a condition that the hedge counterparty maintains a specified credit rating. With the current volatility in the financial markets, there is an increased risk that hedge counterparties could have their credit rating downgraded to a level that would not be acceptable under the loan provisions. If we were unable to renegotiate the credit rating condition with the lender or find an alternative counterparty with acceptable credit rating, we could be in default under the loan and the lender could seize that property through foreclosure.

As a general contractor, Malkin Construction, our wholly-owned subsidiary, is subject to the various risks associated with construction that could have a material adverse effect on our business and results of operations.

As a general contractor, Malkin Construction, our wholly-owned subsidiary, is subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes and weather interference) that could cause construction delays. We are subject to the risk that we will be unable to complete construction at budgeted costs or be unable to fund any excess construction costs, which could have a material adverse effect on our business and results of operations.

We may incur significant costs complying with the ADA and similar laws, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our Class A common stock.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. We have not conducted a recent audit or investigation of all of our properties to determine our compliance with the ADA. If one or more of the properties in our portfolio is not in compliance with the ADA, we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected.

Our property taxes could increase due to property tax rate changes or reassessment, which could impact our cash flows.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. In particular, our portfolio of properties may be reassessed as a result of this offering. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our financial condition, results of operations, cash flows, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected.

We may become subject to litigation, which could have a material and adverse effect on our financial condition, results of operations, cash flow and per share trading price of our Class A common stock.

In the future we may become subject to litigation, including claims relating to our operations, offerings, and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally

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intend to defend ourselves vigorously; however, we cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our Class A common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between us and our co-venturers.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity including at an unfavorable price. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in any weakened credit market, the refinancing of such debt may require equity capital calls.

Changes in accounting rules, assumptions and/or judgments could materially and adversely affect us.

Accounting rules for certain aspects of our anticipated operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in the preparation of our financial statements and the delivery of this information to our stockholders. Furthermore, changes in accounting rules or in our accounting assumptions and/or judgments, such as asset impairments, could materially impact our financial statements. Under any of these circumstances, we could be materially and adversely affected.

We may incur significant costs complying with various regulatory requirements, which could materially and adversely affect our financial performance.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. In addition, existing requirements could change and future requirements might require us to make significant unanticipated expenditures, which materially and adversely affect our financial performance.

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Risks Related to Our Organization and Structure

We did not negotiate the value of our properties at arm s-length as part of the formation transactions, and the consideration given by us in exchange for them may exceed their fair market value.

We did not negotiate the value of our properties at arm s-length as part of the formation transactions. In addition, the value of the shares of our common stock, and the operating partnership units that we will issue in exchange for contributed property interests and other assets will increase or decrease if our Class A common stock price increases or decreases. The initial public offering price of shares of our Class A common stock will be determined in consultation with the underwriters. The aggregate historical combined net tangible book value of our predecessor to be contributed to us was a deficit of approximately $(76.7) million as of September 30, 2011. The initial public offering price does not necessarily bear any relationship to our book value or the fair market value of our assets. As a result, our value, represented by the initial public offering price of shares of our Class A common stock, may exceed the fair market value of our individual properties.

Holders of operating partnership units that acquire shares of our Class B common stock will have a significant vote in matters submitted to a vote of our stockholders.

Each continuing investor that receives operating partnership units in our formation transactions may elect to acquire one share of our Class B common stock in lieu of an operating partnership unit for every 50 operating partnership units such continuing investor would otherwise receive in the consolidation. Each outstanding share of Class B common stock will entitle the holder 50 votes per share on each matter on which holders of Class A common stock are entitled to vote. Holders of our Class B common stock will be entitled to share equally, on a per share basis, in all distributions payable with respect to shares of our Class A common stock. Holders of our Class B common stock may have interests that differ from those holders of our Class A common stock, including by reason of their interest in our operating partnership, and may accordingly vote as a stockholder in ways that may not be consistent with the interests of holders of our Class A common stock. This significant voting influence over certain matters may have the effect of delaying, preventing or deterring a change of control of our company, or could deprive holders of our Class A common stock of an opportunity to receive a premium for their Class A common stock as part of a sale of our company.

We may assume unknown liabilities in connection with the formation transactions, which, if significant, could materially and adversely affect our business.

As part of the formation transactions, we (through our operating partnership) will acquire the properties and assets of our predecessor and certain other assets, subject to existing liabilities, some of which may be unknown at the time this offering is consummated. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with such entities prior to this offering (that had not been asserted or threatened prior to this offering), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. As part of the formation transactions, Anthony E. Malkin and his siblings, Scott D. Malkin and Cynthia M. Blumenthal, made limited representations and warranties to us regarding the entities, properties and assets that we will own following the formation transactions for one year following the completion of this offering and agreed to indemnify us and our operating partnership for breaches of such representations subject to a $1,000,000 deductible and a cap of $25,000,000. Because many liabilities, including tax liabilities, may not be identified within such period, we may have no recourse against Anthony E. Malkin, Scott D. Malkin or Cynthia M. Blumenthal for such liabilities. In addition, we have agreed to indemnify our senior management team and certain members, managers, shareholders, directors, limited partners, general partners, officers or controlling persons of our predecessor in their capacities as such for certain claims. Any unknown or unquantifiable liabilities that we assume in connection with the formation transactions for which we have no or limited recourse could materially and adversely affect us. See We may become subject to liability relating to environmental and health and safety matters, which could have a material and adverse effect on us as to the possibility of undisclosed environmental conditions potentially affecting the value of the properties in our portfolio.

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The departure of any of our key personnel could materially and adversely affect us.

Our success depends on the efforts of key personnel, particularly Anthony E. Malkin, our Chairman, Chief Executive Officer and President. Among the reasons Anthony E. Malkin is important to our success is that he has a national industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. He has led the acquisition, operating and repositioning of our assets for the last two decades. If we lost his services, our external relationships and internal leadership resources would be materially diminished.

Other members of our senior management team also have strong industry reputations and experience, which aid us in attracting, identifying and exploiting opportunities. The loss of the services of one or more members of our senior management team, particularly Anthony E. Malkin, could have a material and adverse impact on us.

Tax consequences to holders of operating partnership units upon a sale or refinancing of our properties may cause the interests of certain members of our senior management team to differ from your own.

As a result of the unrealized built-in gain attributable to a property at the time of contribution, some holders of operating partnership units, including Anthony E. Malkin and Peter L. Malkin, may suffer different and more adverse tax consequences than holders of our Class A common stock upon the sale or refinancing of the properties owned by our operating partnership, including disproportionately greater allocations of items of taxable income and gain upon a realization event. As those holders will not receive a correspondingly greater distribution of cash proceeds, they may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain properties, or whether to sell or refinance such properties at all. As a result, the effect of certain transactions on Anthony E. Malkin and Peter L. Malkin may influence their decisions affecting these properties and may cause such members of our senior management team to attempt to delay, defer or prevent a transaction that might otherwise be in the best interests of our other stockholders. In connection with the formation transactions, we intend to enter into a tax protection agreement with Anthony E. Malkin and Peter L. Malkin pursuant to which we will agree to indemnify the Malkin Group and one additional third party investor in Metro Center (who was one of the original landowners and was involved in the development of the property) against certain tax liabilities if those tax liabilities result from (i) the operating partnership s sale, transfer, conveyance, or other taxable disposition of four specified properties (First Stamford Place, Metro Center, 10 Bank Street and 1542 Third Avenue, which collectively represent 17.8% of our annualized base rent as of September 30, 2011) to be acquired by the operating partnership in the formation transactions for a period of 12 years with respect to First Stamford Place and for the later of (x) eight years or (y) the death of both Peter L. Malkin and Isabel W. Malkin for the three other properties, (ii) the operating partnership failing to maintain until maturity the indebtedness secured by those properties or failing to use commercially reasonable efforts to refinance such indebtedness upon maturity in an amount equal to the principal balance of such indebtedness, or, if the operating partnership is unable to refinance such indebtedness at its current principal amount, at the highest principal amount possible, or (iii) the operating partnership failing to make available to any of these continuing investors the opportunity to guarantee, or otherwise bear the risk of loss, for U.S. federal income tax purposes, of their allocable share of $160 million of aggregate indebtedness meeting certain requirements, until such continuing investor owns less than the aggregate number of operating partnership units and shares of common stock equal to 50% of the aggregate number of such units and shares such continuing investor received in the formation transactions. As a result of entering into the tax protection agreement, Anthony E. Malkin and Peter L. Malkin may have an incentive to cause us to enter into transactions from which they may personally benefit.

Our Chairman, Chief Executive Officer and President has outside business interests that will take his time and attention away from us, which could materially and adversely affect us.

Our Chairman, Chief Executive Officer and President will continue to own interests in the excluded properties, excluded businesses and option properties that are not being contributed to us in the formation transactions, some of which will be managed by our company and certain non-real estate family investments. In

some cases, Anthony E. Malkin or his affiliates will have certain management and fiduciary obligations that may conflict with such person s responsibilities as an officer or director of our company and may adversely affect our operations. Anthony E. Malkin will devote a majority of his business time and attention to our business and, under his employment agreement, he may also devote time to the excluded properties, option properties, the excluded businesses and certain family investments to the extent that such activities do not materially interfere with the performance of his duties to us.

Certain members of our senior management team exercised significant influence with respect to the terms of the formation transactions, including the economic benefits they will receive, as a result of which the consideration given by us may exceed the fair market value of the properties.

We did not conduct arm s-length negotiations with the continuing investors that are members of our senior management team with respect to all of the terms of the formation transactions. In the course of structuring the formation transactions, certain members of our senior management team had the ability to influence the type and level of benefits that they and our other officers will receive from us. In addition, certain members of our senior management team had substantial pre-existing ownership interests in our predecessor and will receive substantial economic benefits as a result of the formation transactions. As a result, the terms of the formation transactions may not be as favorable to us as if they were negotiated at arm s-length.

The terms of the option agreements relating to the option properties also were not determined by arm s-length negotiations, and such terms may be less favorable to us than those that may have been obtained through negotiations with third parties.

We may pursue less vigorous enforcement of terms of the formation transaction agreements because of conflicts of interest with certain members of our senior management team, which could have a material adverse effect on our business.

Certain members of our senior management team have ownership interests in our predecessor that we will acquire in the formation transactions upon completion of this offering. As part of the formation transactions, Anthony E. Malkin and his siblings, Scott D. Malkin and Cynthia M. Blumenthal, have entered into agreements with us, pursuant to which they made limited representations and warranties to us regarding the entities, properties and assets that we will own following the formation transactions for one year following the completion of this offering and agreed to indemnify us and our operating partnership for breaches of such representations and warranties subject to a $1,000,000 deductible and a cap of $25,000,000. Such indemnification is limited, however, and we are not entitled to any other indemnification in connection with the formation transactions. See We may assume unknown liabilities in connection with the formation transactions, which, if significant, could materially and adversely affect our business above. In addition, we expect that Anthony E. Malkin will enter into an employment agreement with us pursuant to which he will agree, among other things, not to engage in certain business activities in competition with us (both during, and for a period of time following, his employment with us). See Management Employment Agreement. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with our executive officers given their significant knowledge of our business, relationships with our customers and significant equity ownership in us, and this could have a material adverse effect on our business.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interest.

Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty by the director or officer that was established by a final judgment and is

material to the cause of action. As a result, we and our stockholders may have limited rights against our present and former directors and officers, as well as persons who served as members, managers, shareholders, directors, partners, officers, controlling persons certain agents of our predecessor, which could limit your recourse in the event of actions not in your best interest. See Certain Provisions of the Maryland General Corporation Law and Our Charter and Bylaws Indemnification and Limitation of Directors and Officers Liability.

Conflicts of interest exist or could arise in the future between the interests of our stockholders and the interests of holders of operating partnership units, which may impede business decisions that could benefit our stockholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner in our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Delaware law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company.

Additionally, the partnership agreement provides that we and our directors and officers will not be liable or accountable to our operating partnership for losses sustained, liabilities incurred or benefits not derived if we, or such director or officer acted in good faith. The partnership agreement also provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Moreover, the partnership agreement provides that our operating partnership is required to indemnify its directors and officers, us and our directors and officers and authorizes our operating partnership to indemnify present and former members, managers, shareholders, directors, limited partners, general partners, officers or controlling persons of our predecessor and authorizes us to indemnify members, partners, employees and agents of us or our predecessor, in each case for actions taken by them in those capacities from and against any and all claims that relate to the operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise, in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Delaware appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

Under his employment agreement, Anthony E. Malkin will have certain rights to terminate his employment and receive severance in connection with a change of control of our company, which may adversely affect us.

In connection with this offering, we intend to enter into an employment agreement with Anthony E. Malkin. Although this agreement has not yet been negotiated, we expect it will provide for termination payments in connection with a change of control if Mr. Malkin is terminated by us without cause or leaves with good reason within a specified period of time either before or following a change of control (as defined in the employment agreement). Furthermore, these provisions could delay or prevent a transaction or a change in control that might involve a premium paid for shares of our common stock or otherwise be in the best interests of our stockholders. See Management Employment Agreement for further details about the terms of this employment agreement.

We could increase or decrease the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval, which could prevent a change in our control and negatively affect the market value of our shares.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. See Description of Securities Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock and Power to Reclassify Our Unissued Shares of Stock. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Any such issuance could dilute our existing stockholders interests. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Our operating partnership may issue additional operating partnership units without the consent of our stockholders, which could have a dilutive effect on our stockholders.

Our operating partnership may issue additional operating partnership units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and would have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Any such issuances, or the perception of such issuances, could materially and adversely affect the market price of our common stock.

Our operating performance and value are subject to risks associated with real estate assets and the real estate industry, the occurrence of which could materially and adversely affect us.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for distributions, as well as the value of our properties. These events include, but are not limited to:

- adverse changes in international, national, regional or local economic and demographic conditions;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- adverse changes in market rental rates, particularly as our buildings age, and our ability to fund repair and maintenance costs;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- our inability to collect rent and expense reimbursements from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;
- the introduction of a competitor s property in or in close proximity to one of our current submarkets in the greater New York metropolitan area;

reductions in the level of demand for office or retail space, and changes in the relative popularity of properties;

increases in the supply of office or retail space;

opposition from local community or political groups with respect to the construction or operations at a property;

our inability to provide effective and efficient management and maintenance at our properties;

our inability to provide effective management to the excluded properties for which we will be designated as the exclusive manager upon the completion of this offering;

the investigation, removal or remediation of hazardous materials or toxic substances at a property;

fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;

increases in expenses, including, without limitation, insurance costs, labor costs, energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, which we may be restricted in passing on to our tenants;

civil disturbances, hurricanes and other natural disasters, or terrorist acts or acts of war, which may result in uninsured or underinsured losses; and

changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our existing leases. If we cannot operate our properties to meet our financial expectations, our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected. There can be no assurance that we can achieve our return objectives.

We have no operating history as a REIT or as a publicly-traded company, and our inexperience could materially and adversely affect us.

We have no operating history as a REIT or as a publicly-traded company. Our board of directors and senior management team will have overall responsibility for our management and, while certain members of our senior management team and directors have extensive experience in real estate marketing, development, management, finance and law, none of our directors or members of our senior management team have prior experience in operating a business in accordance with the requirements under the Code applicable to REITs or in operating a public company. As a publicly-traded REIT, we will be required to develop and implement substantial control systems, policies and procedures in order to maintain our REIT qualification and satisfy our periodic SEC reporting and New York Stock Exchange, or NYSE, listing requirements. We cannot assure you that management s past experience will be sufficient to successfully develop and implement these systems, policies and procedures and to operate our company. Failure to do so could jeopardize our status as a REIT or as a public company, and the loss of such status would materially and adversely affect us.

Certain provisions of Maryland law could inhibit changes in control of our company, which could negatively affect the market price of our shares.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of our Class A common stock. Among other things, we are subject to the business combination, control share acquisition and unsolicited takeover provisions of the

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MGCL. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide the holders of shares of common stock with the opportunity to realize a premium over the then current market price. Pursuant to the statute, our board of directors has by resolution exempted business combinations between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person). Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions or provisions will not be amended or eliminated at any time in the future. Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. See Certain Provisions of the Maryland General Corporation Law and Our Charter and Bylaws Business Combinations, Control Share Acquisitions and Subtitle 8.

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement of our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- transfer restrictions on operating partnership units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners; and
- the right of the limited partners to consent to transfers of the general partnership interest and mergers or other transactions involving us under specified circumstances.

Our charter, bylaws, the partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest. See Certain Provisions of the Maryland General Corporation Law and Our Charter and Bylaws Removal of Directors, Control Share Acquisitions, Advance Notice of Director Nominations and New Business and Description of the Partnership Agreement of Empire State Realty OP, L.P.

Our charter contains stock ownership limits, which may delay or prevent a change or control.

In order for us to qualify as a REIT for each taxable year after our taxable year ending December 31, 2012, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own our stock during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year. Individuals for this purpose include natural persons, private foundations, some employee benefit plans and trusts and some charitable trusts. To assist us in complying with these limitations, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than % in value or number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than % in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock. As an exception to this general prohibition, our charter permits the Malkin Family (as defined in our charter) to own in the aggregate up to % in value or number of shares of our outstanding shares of common stock or capital stock. In addition, we intend to grant the Helmsley estate a waiver from this general prohibition, to the extent required. These ownership limitations could have the effect of discouraging a takeover

or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests. For further details regarding stock ownership limits, see Description of Securities Restrictions on Ownership and Transfer.

Our charter s constructive ownership rules are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding shares by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding shares and thus violate the share ownership limits. Our charter also provides that any attempt to own or transfer shares of our common stock or preferred stock (if and when issued) in excess of the stock ownership limits without the consent of our board of directors or in a manner that would cause us to be closely held under Section 856(h) of the Code (without regard to whether the shares are held during the last half of a taxable year) will result in the shares being deemed to be transferred to a trustee for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of our shares, any such transfer of our shares will be null and void.

Our board of directors may change our strategies, policies or procedures without stockholder consent, which may subject us to different and more significant risks in the future.

Our investment, financing, leverage and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without notice to or a vote of our stockholders. This could result in us conducting operational matters, making investments or pursuing different business or growth strategies than those contemplated in this prospectus. Under these circumstances, we may expose ourselves to different and more significant risks in the future, which could have a material adverse effect on our business and growth. In addition, the board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our Class A common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders.

Our board of directors has approved very broad investment guidelines for our company and will not review or approve each investment decision made by our senior management team.

Our senior management team is authorized to follow broad investment guidelines and, therefore, has great latitude in determining the types of assets that are proper investments for us, as well as the individual investment decisions. Our senior management team may make investments with lower rates of return than those anticipated under current market conditions and/or may make investments with greater risks to achieve those anticipated returns. Our board of directors will not review or approve each proposed investment by our senior management team.

If we fail to establish and maintain an effective system of integrated internal controls, we may not be able to report our financial results accurately, which could have a material adverse effect on us.

In the past, we have reported our results to investors in the existing entities on a property-by-property basis, and we have not separately reported audited results for our predecessor. In addition, we were not required to report our results on a GAAP basis. In connection with our operation as a public company, we will be required to report our operations on a consolidated basis under GAAP and, in some cases, on a property-by-property basis. We are in the process of implementing an internal audit function and modifying our company-wide systems and procedures in a number of areas to enable us to report on a consolidated basis under GAAP as we continue the process of integrating the financial reporting of our predecessor. Section 404 of the Sarbanes-Oxley Act of 2002 will require us to evaluate and report on our internal control over financial reporting and have our independent

auditors issue their own opinion on our internal control over financial reporting. If we fail to implement proper overall business controls, including as required to integrate the systems and procedures of our predecessor and support our growth, our results of operations could be harmed or we could fail to meet our reporting obligations. In addition, the existence of a material weakness or significant deficiency could result in errors in our financial statements that could require a restatement, cause us to fail to meet our public company reporting obligations and cause investors to lose confidence in our reported financial information, which could have a material adverse effect on us.

Risks Related to This Offering

There has been no public market for our Class A common stock prior to this offering and an active trading market may not develop or be sustained following this offering, which may negatively affect the market price of shares of our Class A common stock and make it difficult for investors to sell their shares.

Prior to this offering, there has been no public market for our Class A common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of our Class A common stock will be resold at or above the initial public offering price. The initial public offering price of shares of our Class A common stock will be determined by agreement among us and the underwriters, but there can be no assurance that our Class A common stock will not trade below the initial public offering price following the completion of this offering. See Underwriting. The market value of our Class A common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our Class A common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their 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 stock markets, including the NYSE on which we intend to list shares of our Class A common stock, have from time to time experienced significant price and volume fluctuations. As a result, the market price of shares of our Class A common stock may be similarly volatile, and investors in shares of our Class A common stock may from time to time experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of shares of our Class A common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this Risk Factors section of this prospectus and others such as:

- our operating performance and the performance of other similar companies;
- actual or anticipated differences in our quarterly operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication of research reports about us, the office or retail real estate sectors, office or retail tenants or the real estate industry;
- increases in market interest rates, which may lead investors to demand a higher distribution yield for shares of our common stock, and would result in increased interest expenses on our debt;
- actual or anticipated changes in our and our tenants businesses or prospects;
- the current state of the credit and capital markets, and our ability and the ability of our tenants to obtain financing;
- additions and departures of key personnel;

increased competition in the commercial office and retail real estate business in our markets;

strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;

the passage of legislation or other regulatory developments that adversely affect us or our industry;

- speculation in the press or investment community;
- actions by institutional stockholders;
- equity issuances by us (including the issuances of operating partnership units), or common stock resales by our stockholders, or the perception that such issuances or resales may occur;
- actual, potential or perceived accounting problems;
- changes in accounting principles;
- failure to qualify as a REIT;
- terrorist acts, natural or man-made disasters or threatened or actual armed conflicts; and
- general market and local, regional and national economic conditions, particularly in the Manhattan and greater New York metropolitan area, including factors unrelated to our performance.

No assurance can be given that the market price of shares of our Class A common stock will not fluctuate or decline significantly in the future or that holders of shares of our common stock will be able to sell their shares when desired on favorable terms, or at all. From time to time in the past, securities class action litigation has been instituted against companies following periods of extreme volatility in their stock price. This type of litigation could result in substantial costs and divert our management s attention and resources.

Initial estimated cash available for distribution may not be sufficient to make distributions at expected levels.

We intend to make distributions to holders of shares of our common stock and holders of operating partnership units. We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. All dividends and distributions will be made at the discretion of our board of directors and will depend on our earnings, financial condition, maintenance of REIT qualification and other factors as our board of directors may deem relevant from time to time. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital or to borrow to provide funds for such distribution, or to reduce the amount of such distribution. See Distribution Policy. However, we currently have no intention to use the net proceeds from this offering to make distributions. We cannot assure you that our estimated distributions will be made or sustained. Any distributions we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations.

You will experience immediate and substantial dilution from the purchase of the shares of Class A common stock sold in this offering.

As of September 30, 2011, the aggregate historical combined net tangible book value of our predecessor was a deficit of approximately $(76.7) million, or $ per share of our common stock held by our continuing investors, assuming the exchange of operating partnership units for shares of our Class A common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the consummation of this offering and the formation transactions will be less than the initial public offering price. The purchasers of shares of our Class A common stock offered hereby will experience immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock, based on the mid-point of the range set forth on the cover page of this prospectus.

The market price of shares of our Class A common stock could be adversely affected by our level of cash distributions.

The market value of the equity securities of a REIT is based primarily upon the market s perception of the REIT s growth potential and its current and potential future cash distributions, whether from operations, sales or

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refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our Class A common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our Class A common stock. Our failure to meet the market s expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our Class A common stock.

Increases in market interest rates may result in a decrease in the value of our Class A common stock.

One of the factors that will influence the price of our Class A common stock will be the dividend yield on the Class A common stock (as a percentage of the price of our Class A common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of shares of our Class A common stock to expect a higher dividend yield and higher interest rates 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 Class A common stock to go down.

The number of shares available for future sale could adversely affect the market price of our Class A common stock.

We cannot predict whether future issuances of shares of our Class A common stock or the availability of shares for resale in the open market will decrease the market price per share of our Class A common stock. Upon completion of this offering and the formation transactions, our directors and officers, and the continuing investors, will beneficially own shares of our outstanding common stock. Based on the assumptions set forth herein, we expect the Helmsley estate will hold approximately % of our outstanding common stock upon the completion of this offering. Under the terms of the registration rights agreement, the continuing investors, including the Malkin Group and the Helmsley estate, will receive rights to have shares of common stock held by them registered for resale under the Securities Act and the Malkin Group and the Helmsley estate will have rights to demand underwritten offerings with respect to such resales. As a result, these continuing investors (other than the Malkin Group and members of our senior management team), pursuant to the terms of their lock-up agreements, will be able to freely sell 50% of the shares of common stock held by them beginning 180 days after the date of this prospectus and 100% of the shares of common stock held by them beginning one year after the date of this prospectus. The Malkin Group, pursuant to its lock-up agreement, will be able to freely sell 100% of the shares of common stock held by it beginning one year after the date of this prospectus. Although the Helmsley estate has advised us that it currently expects to sell a significant portion of its common stock as soon as market and other conditions permit following expiration of the lock-up period, any such sales will be solely within the discretion of the Helmsley estate and it may elect to hold all or any portion of its common stock indefinitely. Each of our officers and directors may sell the shares of our common stock that they acquire in the formation transactions or are granted in connection with this offering at any time following the expiration of the lock-up periods for such shares, which expire one year after the date of this prospectus, or earlier with the prior written consent of the representatives. We may also issue shares of common stock or operating partnership units in connection with future property, portfolio or business acquisitions. Sales of substantial amounts of shares of our Class A common stock (including shares of our Class A common stock issued pursuant to our equity incentive plan) in the public market, or upon exchange of operating partnership units, or the perception that such sales might occur could adversely affect the market price of the shares of our Class A common stock. This potential adverse effect may be increased by the large number of shares of common stock, on a fully-diluted basis, owned by the Helmsley estate to the extent that it sells, or there is a perception that it may sell, a significant portion of its holdings. In addition, future sales of shares of our Class A common stock may be dilutive to holders of shares of our common stock.

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Future issuances of debt securities, which would rank senior to shares of our common stock upon our liquidation, and future issuances of equity securities (including operating partnership units), which would dilute the holdings of our existing common stockholders and may be senior to shares of our common stock for the purposes of making distributions, periodically or upon liquidation, may materially and adversely affect the market price of shares of our common stock.

In the future, we may issue debt or equity securities or make other borrowings. Upon liquidation, holders of our debt securities and other loans and preferred shares will receive a distribution of our available assets before holders of shares of our common stock. We are not required to offer any such additional debt or equity securities to existing stockholders on a preemptive basis. Therefore, additional shares of our common stock issuances, directly or through convertible or exchangeable securities (including operating partnership units), warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of shares of our common stock. Our preferred shares, if issued, would likely have a preference on distribution payments, periodically or upon liquidation, which could limit our ability to make distributions to holders of shares of our common stock. Because our decision to issue debt or equity securities or otherwise incur debt in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future capital raising efforts. Thus, holders of shares of our common stock bear the risk that our future issuances of debt or equity securities or our other borrowings will reduce the market price of shares of our common stock and dilute their ownership in us.

A portion of our distributions may be treated as a return of capital for U.S. federal income tax purposes, which could reduce the basis of a stockholder s investment in shares of our common stock.

A portion of our distributions may be treated as a return of capital for U.S. federal income tax purposes. As a general matter, a portion of our distributions will be treated as a return of capital for U.S. federal income tax purposes if the aggregate amount of our distributions for a year exceeds our current and accumulated earnings and profits for that year. To the extent that a distribution is treated as a return of capital for U.S. federal income tax purposes, it will reduce a holder s adjusted tax basis in the holder s shares, and to the extent that it exceeds the holder s adjusted tax basis will be treated as gain resulting from a sale or exchange of such shares. See U.S. Federal Income Tax Considerations Taxation of Stockholders.

The combined financial statements of our predecessor and our unaudited pro forma financial statements may not be representative of our financial statement as an independent public company.

The combined financial statements of our predecessor and our unaudited pro forma financial statements that are included in this prospectus do not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the periods presented. Furthermore, this financial information is not necessarily indicative of what our results of operations, financial position or cash flows will be in the future. It is impossible for us to accurately estimate all adjustments which may reflect all the significant changes that will occur in our cost structure, funding and operations as a result of this offering and the formation transactions, including potential increased costs associated with reduced economies of scale and increased costs associated with being a separate publicly traded company. For additional information, see Selected Financial and Other Data and the combined financial statements of our predecessor and our unaudited pro forma financial statements, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations, appearing elsewhere in this prospectus.

Our balance sheet includes significant amounts of goodwill. The impairment of a significant portion of this goodwill would negatively affect our business, financial condition and results of operations.

Our balance sheet includes goodwill, on a pro forma basis, of approximately $1.13 billion at September 30, 2011. These assets consist primarily of goodwill associated with our acquisition of the controlling interest in the Empire State Building Company L.L.C. and 501 Seventh Avenue Associates LLC. We also expect to engage in additional acquisitions, which may result in our recognition of additional goodwill. Under accounting standards

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goodwill is not amortized. On an annual basis and whenever events or changes in circumstances indicate the carrying value or goodwill may be impaired, we are required to assess whether there have been impairments in the carrying value of goodwill. If the carrying value of the asset is determined to be impaired, then it is written down to fair value by a charge to operating earnings. An impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations.

Tax Risks Related to Ownership of Our Shares

Our failure to qualify or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

We have been organized and we intend to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2012. We have not requested and do not intend to request a ruling from the Internal Revenue Service, or the IRS, that we qualify as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions and Treasury Regulations promulgated thereunder for which there are limited judicial and administrative interpretations. The complexity of these provisions and of applicable Treasury Regulations is greater in the case of a REIT that, like us, holds its assets through partnerships. To qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding shares, and the amount of our distributions. Our ability to satisfy these asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our income and assets on an ongoing basis. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year. These considerations also might restrict the types of assets that we can acquire in the future.

If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money, sell assets, or reduce or even cease making distributions in order to pay our taxes. Our payment of income tax would reduce significantly the amount of cash available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our net taxable income to our stockholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

Complying with the REIT requirements may cause us to forego and/or liquidate otherwise attractive investments.

To qualify as a REIT, we must ensure that we meet the REIT gross income tests annually. In addition, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our total assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-backed securities. The remainder of our investment in securities (other than government securities, securities of corporations that are treated as TRSs and qualified REIT real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total securities can be represented by securities of

one or more TRSs. See U.S. Federal Income Tax Considerations Requirements for Qualification General Asset Tests. If we fail to comply with these asset requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences.

To meet these tests, we may be required to take or forgo taking actions that we otherwise would otherwise consider advantageous. For instance, in order to satisfy the gross income or asset tests applicable to REITs under the Code, we may be required to forego investments that we otherwise would make. Furthermore, we may be required to liquidate from our portfolio otherwise attractive investments. In addition, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. Thus, compliance with the REIT requirements may hinder our investment performance.

The REIT distribution requirements could require us to borrow funds during unfavorable market conditions or subject us to tax, which would reduce the cash available for distribution to our stockholders.

In order to qualify as a REIT, we must distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax.

In addition, our taxable income may exceed our net income as determined by GAAP because, for example, realized capital losses will be deducted in determining our GAAP net income, but may not be deductible in computing our taxable income. In addition, we may incur nondeductible capital expenditures or be required to make debt or amortization payments. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and we may incur U.S. federal income tax and the 4% nondeductible excise tax on that income if we do not distribute such income to stockholders in that year. In that event, we may be required to use cash reserves, incur debt or liquidate assets at rates or times that we regard as unfavorable or make a taxable distribution of our shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax in that year.

If our operating partnership is treated as a corporation for U.S. federal income tax purposes, we will cease to qualify as a REIT.

We believe our operating partnership qualifies as a partnership for U.S. federal income tax purposes. Assuming that it qualifies as a partnership for U.S. federal income tax purposes, our operating partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, is required to pay tax on its allocable share of the operating partnership s income. No assurance can be provided, however, that the IRS will not challenge our operating partnership s status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, therefore, cease to qualify as a REIT and our operating partnership would become subject to U.S. federal, state and local income tax. The payment by our operating partnership of income tax would reduce significantly the amount of cash available to our partnership to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including us.

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Even if we qualify as a REIT, we may incur tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage recording taxes. See U.S. Federal Income Tax Considerations Taxation of the Company Taxation of REITs in General. In addition, Observatory TRS, Holding TRS, and any other TRSs we own will be subject to U.S. federal, state and local corporate income taxes. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100% tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers in the ordinary course of business, we will hold some of our assets through taxable C corporations, including TRSs. Any taxes paid by such subsidiary corporations would decrease the cash available for distribution to our stockholders.

If we are not able to lease the Empire State Building observatory to a TRS in a manner consistent with the ruling that we have received from the IRS, or if we are not able to maintain our broadcast licenses in a manner consistent with the ruling we have received from the IRS, we would be required to restructure our operations in a manner that could adversely affect the value of our stock.

Rents from real property are generally not qualifying income for purposes of the REIT gross income tests if the rent is treated as related party rent. Related party rent generally includes (i) any rent paid by a corporation if the REIT (or any person who owns 10% or more of the stock of the REIT by value) directly or indirectly owns 10% or more of the stock of the corporation by vote or value and (ii) rent paid by a partnership if the REIT (or any person who owns 10% or more of the stock of the REIT by value) directly or indirectly owns an interest of 10% or more in the assets or net profits of the partnership. Under an exception to this rule, related party rent is treated as qualifying income for purposes of the REIT gross income tests if it is paid by a TRS of the REIT and (i) at least 90% of the leased space in the relevant property is rented to persons other than either TRSs or other related parties of the REIT, and (ii) the amounts paid to the REIT as rent from real property are substantially comparable to the rents paid by unrelated tenants of the REIT for comparable space.

Income from admissions to the Empire State Building observatory, and certain other income generated by the observatory, would not likely be qualifying income for purposes of the REIT gross income tests. We will jointly elect with Observatory TRS, which is the current lessee and operator of the observatory and which will be wholly owned by our operating partnership following the completion of this offering, for Observatory TRS to be treated as a TRS of ours for U.S. federal income tax purposes following the completion of this offering. Observatory TRS will lease the Empire State Building observatory from the operating partnership pursuant to an existing lease that provides for fixed base rental payments and variable rental payments equal to certain percentages of Observatory TRS s gross receipts from the operation of the observatory. Given the unique nature of the real estate comprising the observatory, we do not believe that there is any space in the Empire State Building or in the same geographic area as the Empire State Building that is likely to be considered sufficiently comparable to the observatory for the purpose of applying the exception to related party rent described above. We have received from the IRS a private letter ruling that the rent that our operating partnership will receive from Observatory TRS pursuant to the lease described above will be qualifying income for purposes of the REIT gross income tests.

In addition, following completion of the offering, our operating partnership will acquire various license agreements (i) granting certain third party broadcasters the right to use space on the tower on the top of the Empire State Building for certain broadcasting and other communication purposes and (ii) granting certain third party vendors the right to operate concession stands in the observatory. We have received from the IRS a private letter ruling that the license fees that our operating partnership will receive under the license agreements described above will be qualifying income for purposes of the REIT gross income tests.

We are entitled to rely upon these private letter rulings only to the extent that we did not misstate or omit a material fact in the ruling request and that we continue to operate in accordance with the material facts described

in such request, and no assurance can be given that we will always be able to do so. If we were not able to treat the rent that our operating partnership receives from Observatory TRS as qualifying income for purposes of the REIT gross income tests, we would be required to restructure the manner in which we operate the observatory, which would likely require us to cede operating control of the observatory by leasing the observatory to an affiliate or third party operator. If we were not able to treat the license fees that our operating partnership will receive from the license agreements described above as qualifying income for purposes of the REIT gross income tests, we would be required to enter into the license agreements described above through a TRS, which would cause the license fees to be subject to U.S. federal income tax and accordingly reduce the amount of our cash flow available to be distributed to our stockholders. In either case, if we are not able to appropriately restructure our operations in a timely manner, we would likely realize significant income that does not qualify for the REIT gross income tests, which could cause us to fail to qualify as a REIT.

Although our use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain our qualification as a REIT, there are limits on our ability to own TRSs, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT s assets may consist of securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm s-length basis.

Observatory TRS, Holding TRS, and any other TRSs that we form will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification. Although we will be monitoring the aggregate value of the securities of such TRSs and intend to conduct our affairs so that such securities will represent less than 25% of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions.

Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from regular corporations, which could adversely affect the value of our Class A common stock.

The maximum U.S. federal income tax rate for certain qualified dividends payable to U.S. stockholders that are individuals, trusts and estates is 15% (through 2012). Dividends payable by REITs, however, are generally not eligible for the reduced rates and therefore may be subject to a 35% maximum U.S. federal income tax rate on ordinary income. Although the reduced U.S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our Class A common stock.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets, and such instrument is properly identified

under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. See U.S. Federal Income Tax Considerations Requirements for Qualification General Gross Income Tests and U.S. Federal Income Tax Considerations Requirements for Qualification General Hedging Transactions. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that the board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if the board determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our net taxable income and we generally would no longer be required to distribute any of our net taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Legislative or regulatory tax changes related to REITs could materially and adversely affect our business.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be changed, possibly with retroactive effect. We cannot predict if or when any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Your investment has various tax risks.

Although provisions of the Code generally relevant to an investment in shares of our Class A common stock are described in U.S. Federal Income Tax Considerations, you should consult your tax advisor concerning the effects of U.S. federal, state, local and foreign tax laws to you with regard to an investment in shares of our Class A common stock.

We may inherit tax liabilities from the entities to be merged into our company or our subsidiaries in the formation transactions.

Pursuant to the formation transactions, Malkin Properties CT and Malkin Construction will merge with and into a subsidiary of ours, with the subsidiary surviving, in a transaction that is intended to be treated as a reorganization under the Code. Each of Malkin Properties CT and Malkin Construction has elected to be treated as an S Corporation for U.S. federal income tax purposes under Section 1361 of the Code. If either of Malkin Properties CT or Malkin Construction failed to qualify as an S corporation, we could assume material U.S. federal income tax liabilities in connection with the formation transactions and/or may be subject to certain other adverse tax consequences. In addition, to qualify as a REIT under these circumstances, we would be required to distribute, prior to the close of our first taxable year in which we elect to be taxed as a REIT under the Code, any earnings and profits of these entities to which we are deemed to succeed. No rulings from the IRS will be requested and no opinions of counsel will be rendered regarding the U.S. federal income tax treatment of any of Malkin Properties CT or Malkin Construction. Accordingly, no assurance can be given that Malkin Properties CT or Malkin Construction has qualified as an S corporation for U.S. federal income tax purposes, or that these entities do not have any other tax liabilities. In addition, the supervisor will merge with a subsidiary of our operating partnership in the formation transactions, and as a result, we may inherit any liabilities, including any tax liabilities, of the supervisor.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. In particular, statements pertaining to our capital resources, portfolio performance, dividend policy and results of operations contain forward-looking statements. Likewise, our unaudited pro forma financial statements and all our statements regarding anticipated growth in our portfolio from operations, acquisitions and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates, contemplates, aims, anticipates or the negative of these words and phrases or similar words or phrases. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the factors included in this prospectus, including those set forth under the headings Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business and Properties;
- the effect of the credit crisis on general economic, business and financial conditions, and changes in our industry and changes in the real estate markets in particular, either nationally or in Manhattan or the greater New York metropolitan area;
- reduced demand for office or retail space;
- use of proceeds of this offering;
- general volatility of the capital and credit markets and the market price of our Class A common stock;
- changes in our business strategy;
- defaults on, early terminations of or non-renewal of leases by tenants;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;
- fluctuations in interest rates and increased operating costs;
- declining real estate valuations and impairment charges;
- availability, terms and deployment of capital;
- our failure to obtain necessary outside financing;

our expected leverage;

decreased rental rates or increased vacancy rates;

our failure to generate sufficient cash flows to service our outstanding indebtedness;

our failure to redevelop, renovate and reposition properties successfully or on the anticipated timeline or at the anticipated costs;

difficulties in identifying properties to acquire and completing acquisitions, including potentially the option properties;

risks of real estate acquisitions, dispositions and development (including our Metro Tower development site), including the cost of construction delays and cost overruns;

our failure to operate acquired properties and operations successfully;

our projected operating results;

- our ability to manage our growth effectively;
- estimates relating to our ability to make distributions to our stockholders in the future;
- impact of changes in governmental regulations, tax law and rates and similar matters;
- our failure to qualify as a REIT;
- a future terrorist event in the U.S.;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- lack or insufficient amounts of insurance;
- financial market fluctuations;
- availability of and our ability to attract and retain qualified personnel;
- conflicts of interest with our senior management team;
- our understanding of our competition;
- changes in real estate and zoning laws and increases in real property tax rates; and
- our ability to comply with the laws, rules and regulations applicable to companies and, in particular, public companies.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this prospectus, except as required by applicable law. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors. You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us (or to third parties making the forward-looking statements).

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USE OF PROCEEDS

We estimate we will receive gross proceeds from this offering of $ (approximately $ if the underwriters exercise their option in full) assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the front cover of this prospectus. After deducting the underwriting discounts and commissions and estimated expenses of this offering, we expect to receive net proceeds from this offering of approximately $ or approximately $ if the underwriters exercise their option in full. We expect to use a portion of the net proceeds from this offering to repay a loan in the amount of $3.6 million made in connection with 500 Mamaroneck Avenue to fund leasing costs at the property, of which approximately $1.17 million of such loan was made by Anthony E. Malkin and Peter L. Malkin.

We will contribute the net proceeds of this offering to our operating partnership in exchange for operating partnership units. The following table sets forth the estimated sources and estimated uses of funds by our operating partnership that we expect in connection with this offering and the formation transactions. Exact payment amounts may differ from estimates due to amortization of principal, additional borrowings and incurrence of additional transaction expenses.

Sources (in thousands)		**Uses (in thousands)**	
Gross proceeds from this offering	$	Payments to certain holders of interests in the existing entities that are non-accredited investors or who elect to receive cash for their equity interests in certain of the existing entities	$
		Debt assumption fees	$
		Repayment of loan made to existing entity by certain investors in such entity	$
		Transaction expenses (including underwriting discounts and commissions) of $, transfer taxes of $ and other expenses of $ incurred in connection with this offering and the formation transactions	$
		General working capital purposes	$
Total Sources	$	**Total Uses**	$

See our unaudited pro forma financial statements contained elsewhere in this prospectus. See Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Indebtedness to be Outstanding After This Offering for a description of the indebtedness to be assumed by us in connection with the formation transactions.

Any net proceeds remaining after the uses set forth in the table above will be used for general working capital purposes, including potential future capital expenditures, and acquisition and development activities. If the underwriters exercise in full their option to purchase an additional shares of our Class A common stock, we expect to contribute the additional net proceeds, which will be approximately $ million in the aggregate, to our operating partnership in exchange for operating partnership units. Our operating partnership intends to use such net proceeds to repurchase shares from the Helmsley estate at a per share price equal to the initial public offering price less the underwriting discount and commission. We do not intend to use any of the net proceeds from this offering to fund distributions to our stockholders, but to the extent we use the net proceeds to fund distributions, these payments will be treated as a return of capital to our stockholders for U.S. federal income tax purposes. Pending the use of the net proceeds, we intend to invest such portion of the net proceeds in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to qualify as a REIT.

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The value of the operating partnership units that we will receive in exchange for our contribution of the net proceeds from this offering and the formation transactions to our operating partnership will increase or decrease if our Class A common stock is priced above or below the mid-point of the range of prices set forth on the front cover of this prospectus. Our operating partnership will subsequently use the net proceeds received from us as set forth in the table above. The initial public offering price of our Class A common stock will be determined in consultation with the underwriters. Among the factors that will influence the pricing of this offering are our results of operations; our management; our estimated net income; our estimated funds from operations; our estimated cash available for distribution; our anticipated dividend yield; our growth prospects; the current market valuations for comparable REITs; financial performance and dividend yields of publicly traded companies considered by us and the underwriters to be comparable to us; and the state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to our book value or the fair market value of our assets.

We did not negotiate the value of our properties at arm s-length as part of the formation transactions. In addition, the value of the shares of our Class A common stock, Class B common stock and the operating partnership units that we will issue in exchange for contributed property interests and other assets, including cash, will increase or decrease if our Class A common stock price increases or decreases. As a result, the consideration to be given in exchange by us for these properties and other assets may exceed their fair market value.

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DISTRIBUTION POLICY

We intend to make regular quarterly distributions to holders of shares of our common stock. Although we have not previously paid distributions, we intend to pay a *pro rata* initial distribution with respect to the period commencing on the completion of this offering and ending , based on $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately % based on the mid-point of the range of prices set forth on the front cover of this prospectus. We expect that a portion of these distributions will represent a return of capital for the period ending . We estimate that this initial annual rate of distribution will represent approximately % of our estimated cash available for distribution to our common stockholders for the 12 months ending September 30, 2012. Our intended annual rate of initial distribution has been established based on our estimate of cash available for distribution for the 12 months ending September 30, 2012, which we have calculated based on adjustments to our pro forma income before non-controlling interests for the 12 months ended September 30, 2011. In estimating our cash available for distribution for the 12 months ending September 30, 2012, we have made certain assumptions as reflected in the table and footnotes below, including that there will be no new leases other than leases signed after September 30, 2011 and prior to the date of this prospectus, or net increases in renewals or terminations of existing leases in our portfolio after September 30, 2011.

Our estimate of cash available for distribution does not reflect the effect of any changes in our working capital after September 30, 2011, or the amount of cash estimated to be used for tenant improvement and leasing commission costs related to leases that may be entered into after September 30, 2011. It also does not reflect the amount of cash estimated to be used for investing activities for acquisition and other activities other than estimated capital expenditures or the amount of cash estimated to be used for financing activities, other than scheduled mortgage loan principal repayments on mortgage indebtedness that will be outstanding upon consummation of this offering. Although we have included all material investing and financing activities that we have commitments to undertake as of September 30, 2011, we may undertake other investing and/or financing activities in the future. Any such investing and/or financing activities may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and have estimated cash available for distribution for the sole purpose of determining our initial annual rate of distribution amount. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering. However, any distributions we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see Risk Factors. Distributions declared by us will be authorized by our board of directors in its sole discretion out of funds legally available therefore and will be dependent upon a number of factors, including restrictions under applicable law, the capital requirements of our company and the distribution requirements necessary to maintain our qualification as a REIT. We believe our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution; however, no assurance can be given that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected distribution per share if the underwriters exercise their option to purchase up to additional shares of our Class A common stock. Unless our operating cash flow increases, we may be required to fund distributions from working capital or borrow to provide funds for such distributions or we may choose to make a portion of the required distributions in the form of a taxable stock dividend to preserve our cash balance or reduce our distribution. However, we currently have no intention to use the net proceeds from this offering to make distributions nor do we currently intend to make distributions using shares of our common stock.

In order to qualify as a REIT, we must distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax liability on our income and the 4% nondeductible excise tax. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to use cash reserves, incur debt or liquidate assets at rates or times that we regard as unfavorable or make a taxable distribution of our shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax in that year. For more information, see U.S. Federal Income Tax Considerations.

Furthermore, we anticipate that, at least initially, our distributions will exceed our then current and then accumulated earnings and profits for the relevant taxable year, as determined for U.S. federal income tax purposes, due to non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, all or a portion of these distributions may represent a return of capital for U.S. federal income tax purposes. The extent to which our distributions exceed our current and accumulated earnings and profits may vary substantially from year to year. To the extent that a distribution is treated as a return of capital for U.S. federal income tax purposes, it will reduce a holder s adjusted tax basis in the holder s shares, and to the extent that it exceeds the holder s adjusted tax basis will be treated as gain resulting from a sale or exchange of such shares. As a result, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be decreased (or increased) accordingly. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see U.S. Federal Income Tax Considerations.

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The following table describes our pro forma net income available to our equity owners for the 12 months ended December 31, 2010, and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the 12 months ending September 30, 2012 (amounts in thousands except share data, per share data, square footage data and percentages). These calculations do not assume any changes to our operations or any acquisitions or dispositions which could affect our operating results and cash flows, or changes in our outstanding shares of Class A and Class B common stock. We cannot assure you that our actual results will be the same as or comparable to the calculations below.

Pro forma net income for the 12 months ended December 31, 2010	$	
Less: Pro forma net income for the nine months ended September 30, 2010		
Add: Pro forma net income for the nine months ended September 30, 2011		
Pro forma net income for the 12 months ended September 30, 2011	$	
Add: Pro forma real estate depreciation and amortization		
Add: Net increases in contractual rent income[(1)]		
Less: Net decreases in contractual rent income due to lease expirations, assuming no renewals[(2)]		
Less: Net effects of straight-line rent adjustments to tenant leases[(3)]		
Less: Net effects of above- and below-market rent adjustments[(4)]		
Add: Non-cash compensation expense[(5)]		
Add: Non-cash interest expense[(6)]		
Add: Non-cash charge on write-off of deferred finance charges		
Add: Non-cash ground rent expense		
Add: Net effects of lease in-place adjustments to tenant leases		
Estimated cash flow from operating activities for the 12 months ending September 30, 2012	$	
Less: Estimated provision for tenant improvement and leasing commission costs[(7)]		
Less: Estimated annual provision for capital expenditures[(8)]		
Total estimated cash flows used in investing activities	$	
Estimated cash flow used in financing activities		
Less: Scheduled mortgage loan principal repayments[(9)]		
Add: Additional borrowings on secured term loan to fund capital improvements at the Empire State Building[(10)]		
Less: Incremental interest expense on additional borrowings on secured term loan to fund capital improvements at the Empire State Building[(11)]		
Estimated cash flow used in financing activities for the 12 months ended September 30, 2012	$	
Estimated cash available for distribution for the 12 months ending September 30, 2012	$	
Less: Non-controlling interests (other) share of estimated cash available for distribution		
Estimated cash available for distribution for the 12 months ending September 30, 2012 available to the operating partnership	$	
Our share of estimated cash available for distribution available to the operating partnership		
Non-controlling interests share of estimated cash available for distribution available to the operating partnership		
Total estimated initial annual distributions to stockholders	$	
Estimated initial annual distributions per Class A and Class B share[(12)]	$	
Payout ratio based on our share of estimated cash available for distribution[(13)]		%

(1) Represents the net increases in contractual rental income net of expenses from new leases and renewals through September 30, 2011 that were not in effect for the entire 12-month period ended September 30, 2011 or signed prior to the date of this prospectus that will go into effect during the 12 months ending September 30, 2012.

(2) Assumes no lease renewals or new leases (other than month-to-month leases) for leases expiring after September 30, 2011 unless a new or renewal lease had been entered into prior to the date of this prospectus.

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(3) Represents the conversion of estimated rental revenues for the 12 months ending September 30, 2012 from a straight-line accrual basis to a cash basis of revenue recognition.
(4) Represents the elimination of non-cash adjustments for above- and below-market leases for the 12 months ended September 30, 2011.
(5) Pro forma non-cash compensation expense related to LTIP units/shares of restricted Class A common stock that we intend to issue to certain of our executives officers and our independent directors in connection with this offering.
(6) Pro forma non-cash interest expense for the 12 months ended September 30, 2010 includes: (i) amortization of financing costs on the mortgage loans assumed by us in the formation transactions; and (ii) amortization of the assumption fees for debt assumed in the formation transactions.
(7) Estimated provision for tenant improvement and leasing commission costs relate solely to tenant improvement and leasing commission costs incurred or expected to be incurred in the 12 months ending September 30, 2012 that we are contractually obligated to provide pursuant to leases entered into prior to the date of this prospectus. During the 12 months ending September 30, 2012, we expect to have additional tenant improvement and leasing commission costs related to new leases that are entered into after the date of this prospectus. Generally, we do not incur tenant improvement or leasing commission costs upon lease renewals of existing tenants.
(8) Reflects estimated provision for recurring and non-recurring capital expenditures (excluding, tenant improvement and leasing commission costs) for the 12 months ending September 30, 2012, based on our current estimate of such expenses, of $. This estimate is higher than the weighted average of our historical annual capital expenditures (excluding tenant improvement and leasing commission costs) incurred during the years ended December 31, 2008, 2009, 2010 and for the nine months ended September 30, 2011, which is $47.3 million. Historically we have not tracked capital expenditures as either recurring or non-recurring and we believe a substantial amount of these capital expenditures during the periods presented would be considered to be non-recurring due to the extensive amount of capital spent on renovation, repositioning and deferred maintenance at our Manhattan office properties at the time we began our renovation and repositioning program.
(9) Represents scheduled payments of mortgage loan principal due during the 12 months ending September 30, 2012.
(10) We have borrowing capacity under the term loan secured by the Empire State Building of $141.0 million, subject to the conditions set forth in the secured term loan agreement. We have assumed that we borrow $ million to fund (i) tenant improvements and leasing commissions, (ii) capital expenditures and (iii) $ million of New York City mortgage recording tax that is required to be paid incrementally as we borrow under the term loan.
(11) Assumes draws are made in four equal drawdowns over the 12 months ending September 30, 2012 and that the interest rate is equal to 2.7%.
(12) Based on a total of shares of our Class A common stock, shares of our Class B common stock and operating partnership units to be outstanding after this offering. Shares of our Class A common stock will consist of shares to be sold in this offering, assuming no exercise of the underwriters option to purchase additional shares, shares of Class A common stock to be issued in the formation transactions, LTIP units/shares of restricted Class A common stock to certain of our executive officers and shares of restricted Class A common stock to be issued upon completion of this offering to our independent directors. Shares of our Class B common stock will consist of shares of Class B common stock issued to continuing investors in the formation transactions. Units of our operating partnership will consist of operating partnership units issued to the equity holders of our predecessor (including operating partnership units owned by certain members of our senior management team).
(13) Calculated as estimated initial annual distribution per Class A and Class B share divided by our share of estimated cash available for distribution per share for the 12 months ending September 30, 2012.

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CAPITALIZATION

The following table sets forth (i) the historical combined capitalization of our predecessor entities as of September 30, 2011, (ii) the historical combined capitalization of our non-controlled entities as of September 30, 2011, (iii) our unaudited pro forma capitalization as of September 30, 2011, adjusted to give effect to the formation transactions but before this offering and (iv) our unaudited pro forma capitalization as of September 30, 2011, adjusted to give effect to the formation transactions, this offering and use of the net proceeds from this offering and the formation transactions as set forth in Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Selected Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and our unaudited pro forma condensed consolidated financial statements and related notes and the combined financial statements and related notes of our predecessor appearing elsewhere in this prospectus.

	As of September 30, 2011			
	Predecessor Historical Combined *(unaudited)*	**Non-Controlled Entities Historical Combined** *(unaudited)*	**Pro Forma Consolidated Before this Offering** *(unaudited)*	**Pro Forma Consolidated** *(unaudited)*
	(in thousands, except share and per share amounts)			
Debt:				
Mortgage notes payable and unsecured loan and notes payable-related parties	$ 937,347	$ 111,627	$ 1,043,625	$ 1,043,625
Stockholders equity (deficit):				
Preferred stock, $0.01 par value per share, 50,000,000 shares authorized, none issued or outstanding				
Class A common stock, $0.01 par value per share, 400,000,000 shares authorized, , and shares issued and outstanding on a historical, pro forma consolidated basis before this offering and pro forma consolidated basis, respectively[1]				
Class B common stock, $0.01 par value per share, 50,000,000 shares authorized, , and shares issued and outstanding on a historical, pro forma consolidated basis before this offering and pro forma consolidated basis, respectively				
Additional paid in capital				
Owners equity (deficit)	(10,195)	317,785		
Non-controlling interests in our operating partnership				
Total equity (deficit)	(10,195)	317,785		
Total capitalization	**$ 995,166**	**$ 483,662**	**$**	**$**

(1) The common stock outstanding as shown includes Class A common stock to be issued in this offering and the formation transactions and shares of restricted Class A stock granted to our executive officers and independent directors and excludes (i) shares of our Class A common stock issuable upon exercise of the underwriters option to purchase up to additional shares of our Class A common stock, (ii) additional shares of our Class A common stock available for future issuance under our equity incentive plan and (iii) shares reserved for issuance with respect to operating partnership units expected to be issued in connection with the formation transactions. The operating partnership units may, subject to limits in the operating partnership agreement, be exchanged for cash or, at our option, shares of our Class A common stock on a one-for-one basis generally commencing 12 months after the completion of this offering. Shares of our Class B common stock may be converted on a one-for-one basis into shares of our Class A common stock.

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DILUTION

Purchasers of shares of our Class A common stock offered by this prospectus will experience an immediate and material dilution of the net tangible book value of their Class A common stock from the initial public offering price. At September 30, 2011, our predecessor had a combined net tangible book value of approximately $(76.7) million, or $ per share of our common stock held by continuing investors, assuming the exchange of operating partnership units into shares of our Class A common stock on a one-for-one basis and the conversion of shares of our Class B common stock into shares of our Class A common stock on a one-for-one basis. After giving effect to the sale of the shares of our Class A common stock offered hereby, the deduction of underwriting discounts and commissions and estimated offering and formation transaction expenses, the receipt by us of the net proceeds from this offering and the formation transactions and the use of these funds as described under Use of Proceeds, the pro forma net tangible book value at September 30, 2011 attributable to the common stockholders on a fully diluted basis (excluding LTIP units/shares of our restricted Class A common stock to be issued to our executive officers and independent directors on the consummation of this offering) would have been approximately $, or $ per share of our common stock assuming an initial public offering price of $ per share, which is the mid-point of the range of prices set forth on the front cover of this prospectus. This amount represents an immediate decrease in net tangible book value of $ per share to continuing investors and an immediate increase in pro forma net tangible book value of $ per share from the public offering price of $ per share of our common stock to new public investors. The following table illustrates this per share increase:

Assumed initial public offering price per share of Class A common stock	$
Net tangible book value per share before this offering and the formation transactions(1)	$
(Decrease) in pro forma net tangible book value per share attributable to the formation transactions, but before this offering(2)	$
Increase in pro forma net tangible book value per share attributable to this offering(3)	$
Net increase in pro forma net tangible book value per share attributable to the formation transactions and this offering	$
Pro forma net tangible book value per share after this offering and the formation transactions(4)	$
Dilution in pro forma net tangible book value per share to new investors(5)	$

(1) Net tangible book value per share of our common stock before this offering and the formation transactions is determined by dividing net tangible book value based on September 30, 2011 net book value of the tangible assets (consisting of our total assets less our intangible lease assets net of liabilities to be assumed, excluding our intangible lease liabilities) of our predecessor by the number of shares of our common stock held by continuing investors after this offering, assuming the exchange in full of the operating partnership units to be issued to the continuing investors for shares of our Class A common stock on a one-for-one basis and the conversion of shares of our Class B common stock into shares of our Class A common stock on a one-for-one basis, but excluding LTIP units/shares of our restricted Class A common stock to be issued to our executive officers and independent directors upon consummation of this offering.

(2) Decrease in net tangible book value per share of our common stock attributable to the formation transactions, but before this offering, is determined by dividing the difference between the September 30, 2011 pro forma net tangible book value, excluding net offering proceeds, and the September 30, 2011 net tangible book value of our predecessor by the number of shares of our common stock held by continuing investors after this offering, assuming the exchange in full of the operating partnership units to be issued to the continuing investors for shares of our Class A common stock on a one-for-one basis and the conversion of shares of our Class B common stock into shares of our Class A common stock on a one-for-one basis, but excluding the LTIP units/shares of our restricted Class A common stock to be issued to our independent directors and executive officers, respectively, upon consummation of this offering.

(3) This amount is calculated after deducting underwriting discounts and commissions and estimated offering and formation transaction expenses.

(4) Based on pro forma net tangible book value of approximately $ divided by the sum of shares of our common stock to be outstanding upon completion of this offering on a fully diluted basis (excluding the LTIP units/shares of our restricted Class A common stock to be issued to our executive officers and independent directors on the consummation of this offering). There is no further impact on book value dilution attributable to the exchange of operating partnership units to be issued to the continuing investors in the formation transactions and the Class B common stock issued to continuing investors in the formation transactions due to the effect of non-controlling interest.

(5) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to this offering and the formation transactions from the initial public offering price paid by a new investor for a share of our Class A common stock.

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The following table sets forth, on a pro forma basis, after giving effect to this offering and the formation transactions: (i) the number of operating partnership units issued to the continuing investors in connection with the formation transactions, the number of shares of our Class A common stock and Class B common stock issued to continuing investors in connection with the formation transactions, the number of LTIP units/shares of restricted Class A common stock, to be issued in connection with this offering, and the number of shares of our Class A common stock to be sold by us in this offering; and (ii) the net tangible book value as of September 30, 2011 of our total assets following the formation transactions, which reflects the effect of the formation transactions, but not the effects of this offering and the cash from new investors before deducting underwriting discounts and commissions and other estimated expenses of this offering and the formation transactions; and (iii) the net tangible book value of the average contribution per share/unit based on our total assets following the formation transactions. See Risk Factors Risks Related to This Offering You will experience immediate and substantial dilution from the purchase of the shares of Class A common stock sold in this offering.

	Shares/Operating Partnership Units Issued		Cash/Book Value of Assets Acquired[1]	
	Number	Percent	Amount	Percent
Operating partnership units issued in connection with the formation transactions		%[1]	$ [2]	%
Class A common stock issued in connection with the formation transactions				
Class B common stock issued in connection with the formation transactions				
LTIP units / restricted Class A common stock issued to directors and executive officers in connection with this offering				
New investors in this offering				
Total		%	$	%

(1) Based on the September 30, 2011 pro forma net tangible book value of our total assets following the formation transactions (consisting of our total assets less our intangible lease assets, net of liabilities to be assumed, excluding our intangible lease liabilities).

(2) Represents pro forma net tangible book value as of September 30, 2011 of total assets following the formation transactions, giving effect to the formation transactions, but not to the effects of this offering (in thousands):

Pro forma total assets	$
Less: pro forma intangible assets	$
Pro forma tangible assets	$
Less: pro forma total liabilities	$
Plus: pro forma intangible lease liabilities	$
Pro forma net tangible assets	$
Less: proceeds from this offering net of costs associated with this offering	$
Pro forma net tangible assets after the effects of the formation, but before the effects of this offering	$

This table assumes no exercise by the underwriters of their option to purchase up to additional shares of our Class A common stock and excludes shares of our Class A common stock available for future issuance under our equity incentive plan. Further dilution to new investors will result if these excluded shares of Class A common stock are issued by us in the future.

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SELECTED FINANCIAL AND OTHER DATA

The following table sets forth selected financial and other data on (i) a combined historical basis for our predecessor beginning on page F-25 and (ii) a pro forma basis for our company giving effect to this offering and the formation transactions, the related use of proceeds thereof and the other adjustments described in the unaudited pro forma financial information beginning on page F-3. We have not presented historical information for Empire State Realty Trust, Inc. because we have not had any corporate activity since our formation other than the issuance of shares of common stock in connection with the initial capitalization of our company and because we believe a discussion of the results of our company would not be meaningful.

Our predecessor s combined historical financial information includes:

- Our predecessor s management companies, including their asset management, leasing, administrative, construction and development operations; and

- the real estate operations for the existing entities excluding the four office properties for which Malkin Holdings LLC acts as the supervisor but that are not consolidated into our predecessor for accounting purposes except for the predecessor s non-controlling interests in such properties.

You should read the following selected financial data in conjunction with our combined historical and unaudited pro forma condensed consolidated financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations.

The selected historical combined balance sheet information as of December 31, 2010 and 2009 of our predecessor and selected combined statements of operations information for the years ended December 31, 2010, 2009 and 2008 of our predecessor have been derived from the audited historical combined financial statements of our predecessor. The historical combined balance sheet information as of September 30, 2011 and combined statements of operations for the nine months ended September 30, 2011 and 2010 have been derived from the unaudited combined financial statements of our predecessor. The selected historical combined balance sheet information as of December 31, 2008, 2007 and 2006 and selected combined statements of operations information for the years ended December 31, 2007 and December 31, 2006 have been derived from the unaudited combined financial statements of our predecessor. Our results of operations for the interim period ended September 30, 2011 are not necessarily indicative of the results that will be obtained for the full fiscal year.

Our unaudited selected pro forma condensed consolidated financial statements and operating information as of and for the nine months ended September 30, 2011 and for the year ended December 31, 2010 assumes completion of this offering, the formation transactions and the other adjustments described in the unaudited pro forma financial information beginning on page F-3 as of January 1, 2010 for the operating data and as of the stated date for the balance sheet data.

Our unaudited pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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Empire State Realty Trust, Inc.

Selected Financial and Other Data

(amounts in thousands except for shares and per share data)

	Nine Months Ended September 30,			**Year Ended December 31,**					
	Pro Forma Consolidated	**Historical Combined**		**Pro Forma Consolidated**	**Historical Combined**				
	2011	**2011**	**2010**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**				**(Unaudited)**	**(Unaudited)**
Statement of Operations Data:									
Revenue:									
Rental revenue	$ 220,819	$ 126,768	$ 122,632	$ 273,357	$ 166,159	$ 167,556	$ 162,194	$ 166,524	$ 161,976
Tenant expense reimbursement	47,027	22,869	24,549	70,064	32,721	36,309	35,684	35,789	30,307
Third-party management and other fees	4,671	4,671	2,829	3,750	3,750	4,296	5,916	4,220	3,959
Construction revenue	35,323	35,323	23,713	27,139	27,139	15,997	56,561	42,373	33,901
Observatory income[2]	62,943[1]			78,880[1]					
Other income and fees	11,420	9,909	13,026	21,403	16,776	8,157	8,442	13,601	9,143
Total Revenues	382,203	199,540	186,749	474,593	246,545	232,315	268,797	262,507	239,286
Expenses									
Operating expenses	100,596	40,520	44,043	142,294	60,356	58,850	55,291	51,180	46,473
Marketing, general, and administrative expenses	23,083	13,431	13,031	23,534	13,924	16,145	17,763	17,173	15,803
Observatory expenses[2]	14,967			18,395					
Construction expenses	34,121	34,121	23,258	27,581	27,581	17,281	56,080	42,217	33,369
Real estate taxes	50,343	21,968	20,310	63,409	27,585	28,937	24,863	22,063	23,760
Depreciation and amortization	41,811	25,773	25,048	57,481	34,041	29,327	26,838	25,802	24,025
Abandonment of tenant improvements									10
Total Operating Expenses	264,921	135,813	125,690	332,694	163,487	150,540	180,835	158,435	143,440
Income from Operations before Interest Expense and Equity in Net income of Non-controlled Entities	117,282	63,727	61,059	141,899	83,058	81,775	87,962	104,072	95,846
Interest expense, net	46,237	41,732	39,162	57,290	52,264	50,738	48,664	50,758	38,415
Income from Operations before Equity in Net Income of Non-controlled Entities	71,045	21,995	21,897	84,609	30,794	31,037	39,298	53,314	57,431
Equity in net income of non-controlled entities[2]		12,239	12,376		15,324	10,800	13,422	15,947	12,778
Net Income	$ 71,045	$ 34,234	$ 34,273	$ 84,609	$ 46,118	$ 41,837	$ 52,720	$ 69,261	$ 70,209
Other Data									
Funds from operations[3]	$ 112,325	$ 65,212	$ 63,321	$ 141,312	$ 85,827	$ 75,458	$ 83,513		
EBITDA[4]	$ 165,393	$ 109,998	$ 105,384	$ 201,580	$ 142,090	$ 129,591	$ 134,269		
Cash flows from:									
Operating activities		$ 61,275	$ 50,556		$ 74,381	$ 58,509	$ 75,410		
Investing activities		$ (42,218)	$ (30,705)		$ (34,837)	$ (38,617)	$ (13,768)		
Financing activities		$ 18,836	$ (33,456)		$ (45,600)	$ (5,035)	$ (65,824)		

(footnotes on next page)

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	Nine Months Ended September 30,		Year Ended December 31,				
	Pro Forma Consolidated	Historical Combined	Historical Combined				
	2011 (Unaudited)	2011 (Unaudited)	2010	2009	2008 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
Balance Sheet Data (at period end):							
Net real estate	$ 1,123,741	$ 619,521	$ 590,466	$ 582,904	$ 567,404	$ 575,348	$ 567,279
Total assets	2,769,356	955,166	904,536	890,598	857,796	870,537	797,593
Notes and loans payable	1,043,625	937,347	869,063	871,636	828,150	828,812	592,049
Total liabilities	1,300,016	1,005,361	915,294	908,856	872,736	873,036	638,986
Stockholders /owners equity (deficit)	1,469,340	(10,195)	(10,758)	(18,258)	(14,940)	(2,499)	158,607
Total liabilities and stockholders / owners equity (deficit)	2,769,356	995,166	904,536	890,598	857,796	870,537	797,593

(1) Observatory income includes $3,640 and $4,728 for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, of rental revenue attributable to a retail tenant which operates the concession space in the observatory under a lease expiring in May 2020.

(2) For the historical combined periods, our proportionate share of the revenues and expenses of the Empire State Building, including the observatory, are included in Equity in net income of non-controlled entities. Upon completion of this offering, the revenues and expenses of the Empire State Building, including the observatory, will be presented on a consolidated basis.

(3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why our management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which our management uses FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

(4) For a definition and reconciliation of earnings before interest, income tax, depreciation and amortization, or EBITDA, and a statement disclosing the reasons why our management believes that presentation of EBITDA provides useful information to investors and, to the extent material, any additional purposes for which our management uses EBITDA, see Management s Discussion and Analysis of Financial Condition and Results of Operations EBITDA.

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk Factors and elsewhere in this prospectus. Our results of operations and financial condition, as reflected in the accompanying combined financial statements and related notes, are subject to management s evaluation and interpretation of business conditions, changing capital market conditions and other factors that could affect the ongoing viability of our tenants. You should read the following discussion with Forward-Looking Statements and the combined financial statements and related notes included elsewhere in this prospectus.

Upon completion of this offering and the formation transactions, the historical operations of our predecessor and the properties that have been operated through our predecessor, will be combined with the company, the operating partnership and/or their subsidiaries. The following discussion and analysis should be read in conjunction with Selected Financial and Other Data, our combined financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 and the notes related thereto, our unaudited combined financial statements as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 and our unaudited condensed consolidated pro forma financial information appearing elsewhere in this prospectus. Since our formation, we have not had any corporate activity. Accordingly, we believe a discussion of our results of operations would not be meaningful, and this Management s Discussion and Analysis of Financial Condition and Results of Operations therefore only discusses the historical operations of our predecessor and the unaudited pro forma results of our company.

Unless the context otherwise requires or indicates, references in this section to we, our and us refer to (i) the company and its consolidated subsidiaries (including the operating partnership) after giving effect to this offering and the formation transactions and (ii) our predecessor before giving effect to this offering and the formation transactions.

Overview

We are a self-administered and self-managed REIT that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. We were formed to continue and expand the commercial real estate business of our predecessor, Malkin Holdings LLC and its affiliates. Our primary focus will be to continue to own, manage and operate our current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

For the periods presented, this Management s Discussion and Analysis of Financial Condition and Results of Operations discusses only the historical financial condition and results of operations of our predecessor which owns controlling interests in 16 properties and non-controlling interests in the following four office properties, which are accounted for under the equity method of accounting: the Empire State Building, 1350 Broadway, 1333 Broadway and 501 Seventh Avenue. The fee ownership interests of the Empire State Building and 501 Seventh Avenue are included in our predecessor s portfolio but the operating lease interests of these two properties are part of the predecessor s equity interest in non-controlled entities. These non-controlled interests will represent a significant part of our operations following this offering and the formation transactions (51.0% of our pro forma revenues for the nine months ended September 30, 2011) when they become consolidated into our operations. Therefore, we do not show historical consolidated financial information for our entire portfolio following this offering and the formation transactions. For the periods following the consummation of this offering and the formation transactions, our operations will consolidate the operations of the non-controlled entities (as defined below) which will result in a material change in our disclosure of our financial condition and results of operations. We also present in this prospectus pro forma financial information for our company reflecting our entire portfolio on a consolidated basis as of September 30, 2011 and for the nine months ended September 30, 2011 and the year ended December 31, 2010.

We operate an integrated business that currently consists of two operating segments: real estate and construction contracting.

As of September 30, 2011, our Manhattan and greater New York metropolitan area office properties were 76.9% (or 80.6% giving effect to leases signed but not yet commenced as of that date) and 89.5% leased, respectively, and our office properties as a whole were 79.9% leased (or 83.0% giving effect to leases signed but not yet commenced as of that date). Our ability to increase occupancy and rental revenue at our office properties depends on the successful completion of our repositioning program and market conditions. The other component of our real estate segment, retail leasing, comprises both standalone retail properties and retail space in our Manhattan office properties. Our retail properties, including retail space in our Manhattan office properties, were 86.2% leased as of September 30, 2011.

Although construction contracting represented approximately 17.7% and 11.0%, respectively, of our revenues for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, its relative contribution to our net income was much less significant than its contribution to our revenues.

The Empire State Building is our flagship property and accounted for 41.0% of our total pro forma revenues for the nine months ended September 30, 2011. The Empire State Building provides us with a diverse source of revenue through its office and retail leases, observatory operations and broadcasting licenses and related leased space. During the nine months ended September 30, 2011 and the year ended December 31, 2010, the Empire State Building generated approximately $62.9 million and $78.9 million of revenue, respectively, from its observatory operations which represented approximately 16.5% and 16.6% of our pro forma revenues, respectively. We anticipate that our observatory operations will be a separate accounting segment following this offering and the formation transactions.

From 2002 through 2006, we gradually gained day-to-day management of our Manhattan office properties. Since then, we have been undertaking a comprehensive renovation and repositioning strategy of our Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. Since we assumed day-to-day management of our Manhattan office properties beginning with One Grand Central Place in 2002, and through September 30, 2011, we have invested a total of approximately $296.0 million (excluding tenant improvement costs and leasing commissions) into our Manhattan office properties pursuant to this program. We currently intend to invest between $175.0 million and $215.0 million of additional capital through the end of 2013. We expect to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program. In addition, we currently estimate that between $55.0 million and $65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which we expect to complete substantially in 2016 due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. These estimates are based on our current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change.

We intend to fund these capital improvements through a combination of operating cash flow and borrowings. These improvements, within our renovation and repositioning program, include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of our properties and have contributed significantly to our tenant repositioning efforts, which seek to increase our occupancy; raise our rental rates; increase our rentable square feet; increase our aggregate rental revenue; lengthen our average lease term; increase our average lease size; and improve our tenant credit quality. We have also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown attractive results to date, as illustrated by the case studies which are described in Business and Properties Renovation and Repositioning Case Studies, and we believe has the potential to improve our operating margins

and cash flows in the future. We believe we will continue to enhance our tenant base and improve rents as our pre-renovation leases continue to expire and be re-leased.

Historically, we have operated our business to preserve capital through conservative debt levels. Upon completion of this offering and the formation transactions, we will have no debt maturing in 2012 and approximately $58.3 million of debt maturing in 2013 and we expect to have pro forma total debt outstanding of approximately $1.04 billion, with a weighted average interest rate of 5.29% and a weighted average maturity of 4.5 years. Additionally, we expect to have approximately $179.1 million of available borrowing capacity under our loans on a pro forma basis. Our overall leverage will depend on our mix of investments and the cost of leverage. Our charter does not restrict the amount of leverage that we may use.

We are a Maryland corporation that was formed on July 29, 2011. We conduct all of our business activities through our operating partnership, of which we are the sole general partner. We intend to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2012.

Our Predecessor

Our predecessor is not a legal entity but rather a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which are owned by certain entities that are owned or controlled by the sponsors (Anthony E. Malkin and Peter L. Malkin) and/or their affiliates and family members, which we collectively refer to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities we collectively refer to as the non-controlled entities, and are presented as uncombined entities in our combined financial statements. Specifically, the term our predecessor means (i) Malkin Holdings LLC, a New York limited liability company that acts as the supervisor of, and performs various asset management services and routine administration with respect to, certain of the existing entities (as described below), which we refer to as the supervisor; (ii) the limited liability companies or limited partnerships that currently (a) own, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operate, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which include non-controlling interests in four office properties for which Malkin Holdings LLC acts as the supervisor but that are not consolidated into our predecessor for accounting purposes) and entitled land that will support the development of an approximately 340,000 rentable square foot office building and garage that we will own after the formation transactions described in this prospectus, which we refer to as the existing entities; (iii) Malkin Properties, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the existing entities in Manhattan, which we refer to as Malkin Properties; (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that serves as the manager and leasing agent for certain of the existing entities in Westchester County, New York, which we refer to as Malkin Properties NY; (v) Malkin Properties of Connecticut, Inc., a Connecticut corporation that serves as the manager and leasing agent for certain of the existing entities in the State of Connecticut, which we refer to as Malkin Properties CT; and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provides services to certain of the existing entities and third parties (including certain tenants at the properties in our portfolio), which we refer to as Malkin Construction. The term our predecessor s management companies refers to the supervisor, Malkin Properties, Malkin Properties NY, Malkin Properties CT and Malkin Construction, collectively. Our predecessor accounts for its investment in the non-controlled entities under the equity method of accounting.

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Controlled Entities

As of September 30, 2011, properties controlled by the sponsors and/or their affiliates and family members and whose operations are 100% consolidated into the financial statements of our predecessor include:

Office:

One Grand Central Place, New York, New York

250 West 57th Street, New York, New York

1359 Broadway, New York, New York

First Stamford Place, Stamford, Connecticut

Metro Center, Stamford, Connecticut

383 Main Avenue, Norwalk, Connecticut

500 Mamaroneck Avenue, Harrison, New York

10 Bank Street, White Plains, New York

Fee ownership position of 350 Fifth Avenue (Empire State Building), New York, New York

Fee ownership position of 501 Seventh Avenue, New York, New York

Retail:

10 Union Square, New York, New York

1010 Third Avenue, New York, New York

77 West 55th Street, New York, New York

1542 Third Avenue, New York, New York

69-97 Main Street, Westport, Connecticut

103-107 Main Street, Westport, Connecticut

Land Parcels:

We own entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties that will support the development of an approximately 340,000 rentable square foot office building and garage.

The acquisition of interests in our predecessor will be recorded at historical cost at the time of the formation transactions.

Non-Controlled Entities

As of September 30, 2011, properties in which the sponsors and/or their affiliates and family members own non-controlling interests and whose operations are reflected in our predecessor s combined financial statements as an equity interest include:

Office:

Master operating lease position of 350 Fifth Avenue, New York, New York
Empire State Building Company L.L.C.
Master operating lease position of 1350 Broadway, New York, New York
1350 Broadway Associates L.L.C. (long term ground lease)
1333 Broadway, New York, New York 1333 Broadway Associates L.L.C.
Master operating lease position of 501 Seventh Avenue, New York, New York
501 Seventh Avenue Associates L.L.C.

All of our business activities will be conducted through our operating partnership. We will be the sole general partner of our operating partnership. Pursuant to the formation transactions, our operating partnership will (i) acquire interests in the office and retail properties owned by the controlled entities (including our

predecessor management companies) and the non-controlled entities and (ii) assume related debt and other specified liabilities of such assets and businesses, in exchange for shares of our Class A common stock, Class B common stock, operating partnership units, and/or cash.

Formation Transactions

Prior to or concurrently with the completion of this offering, we will engage in a series of formation transactions pursuant to which we will acquire, through a series of contributions and merger transactions, (i) the 18 properties owned by the controlled and non-controlled entities, (ii) one development parcel in which our predecessor owns a controlling interest and (iii) the business and assets of our predecessor management businesses. In the aggregate, these interests will comprise our ownership of our property portfolio. We will not acquire our predecessor s affiliates interests in the option properties, the excluded properties or the excluded businesses.

To acquire the properties to be included in our portfolio from the current owners we will issue to the holders of interests in our predecessor and the non-controlled entities an aggregate of shares of our Class A common stock, shares of our Class B common stock and operating partnership units, with an aggregate value of $, based on the mid-point of the range of initial public offering prices set forth on the front cover of this prospectus, and we will pay $ in cash to those holders of interests in our predecessor and the non-controlled entities that are non-accredited and those that are accredited but chose cash consideration. Cash amounts will be provided from the net proceeds of this offering. These contributions and other transactions will be effected prior to or substantially concurrently with the completion of this offering.

We estimate that the net proceeds from this offering will be, based on the mid-point of the range of initial public offering prices set forth on the front cover of this prospectus, approximately $, or approximately $ if the underwriters option to purchase additional shares is exercised in full (in each case after deducting the underwriting discounts and commissions and estimated expenses of this offering and formation transactions). We will contribute the net proceeds of this offering to our operating partnership in exchange for operating partnership units, and our operating partnership will use the proceeds received from us, as well as cash on hand as described under Use of Proceeds.

We have determined that our predecessor is the acquirer for accounting purposes, and therefore the contribution of the assets of, or acquisition by merger of, the controlled entities is considered a transaction between entities under common control since the sponsors control a majority interest in each of the controlled entities comprising our predecessor. As a result, the acquisition of interests in the controlled entities will be recorded at our historical cost. The contribution of the assets of, or acquisition by merger of, the non-controlled entities (including our predecessor s non-controlling interest in these entities) will be accounted for as an acquisition under the acquisition method of accounting and recognized as the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The fair value of these assets and liabilities has been allocated in accordance with Accounting Standards Codification, or ASC, Section 805-10, *Business Combinations,* or ASC 805 (formerly known as Statement of Financial Accounting Standards (SFAS) No. 141 (SFAS No. 141), which was later replaced by SFAS 141 (R)). Our methodology for allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. We estimate the fair value of acquired tangible assets (consisting of land, buildings and improvements), identified intangible lease assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value and acquired below-market leases) and assumed debt.

Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. The value allocated to in-place lease costs (tenant improvements and leasing commissions) are amortized over the related lease term and reflected as depreciation and amortization. The value of in-place lease assets and assumed above- and below-market leases is amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for in-place lease assets above-market leases) to rental income. The fair value of the debt assumed is determined using current market interest rates for comparable debt financings.

Factors That May Influence Future Results of Operations

Rental Revenue

We derive revenues primarily from rents, rent escalations, expense reimbursements and other income received from tenants under existing leases at each of our properties. Escalations and expense reimbursements consist of payments made by tenants to us under contractual lease obligations to reimburse a portion of the property operating expenses and real estate taxes incurred at each property.

We believe that the average rental rates for in-place leases at our properties are generally below the current market rates, although individual leases at particular properties presently may be leased above, at or below the current market rates within its particular submarket.

The amount of net rental income and reimbursements that we receive depends principally on our ability to lease currently available space, re-lease space to new tenants upon the scheduled or unscheduled termination of leases or renew expiring leases and to maintain or increase our rental rates. Factors that could affect our rental incomes include, but are not limited to: local, regional or national economic conditions; an oversupply of, or a reduction in demand for, office or retail space; changes in market rental rates; our ability to provide adequate services and maintenance at our properties; and fluctuations in interest rates could adversely affect our rental income in future periods. Future economic or regional downturns affecting our submarkets or downturns in our tenants industries could impair our ability to lease vacant space and renew or re-lease space as well as the ability of our tenants to fulfill their lease commitments, and could adversely affect our ability to maintain or increase the occupancy at our properties.

Tenant Credit Risk

The economic condition of our tenants may also deteriorate, which could negatively impact their ability to fulfill their lease commitments and in turn adversely affect our ability to maintain or increase the occupancy level and/or rental rates of our properties. The recent economic downturn has resulted in many companies shifting to a more cautionary mode with respect to leasing. Many potential tenants are looking to consolidate, reduce overhead and preserve operating capital and many are also deferring strategic decisions, including entering into new, long-term leases at properties.

Leasing

We have seen an improvement since 2008 in leasing activity. For example, during 2010, on a pro forma basis, we signed 1,197,170 rentable square feet of new leases and lease renewals, an increase of 4.5% over 2009 and 45.0% over 2008. Additionally, during the nine months ended September 30, 2011, we signed 1,223,036 rentable square feet of new leases and lease renewals.

Due to the relatively small number of leases that are signed in any particular quarter, one or more larger leases may have a disproportionately positive or negative impact on average base rent, tenant improvement and leasing commission costs for that period. As a result, we believe it is more appropriate when analyzing trends in average base rent and tenant improvement and leasing commission costs to review activity over multiple quarters or years. Tenant improvement costs include expenditures for general improvements occurring concurrently with, but that are not directly related to, the cost of installing a new tenant. Leasing commission costs are similarly subject to significant fluctuations depending upon the length of leases being signed and the mix of tenants from quarter to quarter.

As of September 30, 2011, our Manhattan and greater New York metropolitan area office properties were 76.9% (or 80.6% giving effect to leases signed but not yet commenced as of that date) and 89.5% leased, respectively, and our office properties as a whole were 79.9% leased (or 83.0% giving effect to leases signed but not yet commenced as of that date). As of September 30, 2011, there was approximately 1.4 million rentable

square feet of space in our portfolio available to lease (excluding leases signed but not yet commenced) representing 16.7% of the net rentable square footage of the properties in our portfolio. In addition, leases representing 2.4% and 8.2% of net rentable square footage of the properties in our portfolio will expire in the remainder of 2011 (including month-to-month leases) and in 2012, respectively. These leases are expected to represent approximately 2.6% and 9.5%, respectively, of our annualized base rent for such periods. Our revenues and results of operations can be impacted by expiring leases that are not renewed or re-leased or that are renewed or re-leased at base rental rates equal to above or below the current average base rental rates. Further, our revenues and results of operations can also be affected by the costs we incur to re-lease available space, including payment of leasing commissions, renovations and build-to-suit remodeling that may not be borne by the tenant.

Market Conditions

The properties in our portfolio are located in Manhattan and the greater New York metropolitan area, which includes Fairfield County, Connecticut and Westchester County, New York. Positive or negative changes in conditions in these markets, such as business hirings or layoffs or downsizing, industry growth or slowdowns, relocations of businesses, increases or decreases in real estate and other taxes, costs of complying with governmental regulations or changed regulation, can impact our overall performance.

Taxable REIT Subsidiaries

Following this offering and the formation transactions, Empire State Realty Observatory TRS, LLC, a New York limited liability company, which we refer to as Observatory TRS, and Empire State Realty Holdings TRS, LLC, a Delaware limited liability company, which we refer to as Holding TRS, will be wholly owned subsidiaries of our operating partnership. We intend to elect, together with Observatory TRS and Holding TRS, to treat Observatory TRS and Holding TRS as TRSs of ours for U.S. federal income tax purposes. A TRS generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, although a TRS may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. See U.S. Federal Income Tax Considerations Requirements for Qualification General Effect of Subsidiary Entities Taxable REIT Subsidiaries. We may form additional TRSs in the future, and our operating partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to Observatory TRS and Holding TRS. Any income earned by a TRS of ours will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. See U.S. Federal Income Tax Considerations Requirements for Qualification General Gross Income Tests. Because a TRS is subject to entity-level U.S. federal income tax and state and local income tax (where applicable) in the same manner as other taxable corporations, the income earned by a TRS of ours generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries.

The observatory operations at the Empire State Building have historically been part of the financial results of the Empire State Building Company L.L.C., one of the non-controlled entities, and therefore, have not been consolidated into our predecessor s financial statements. Instead, they have been a component of our predecessor s equity investment in non-controlled entities. Following this offering and the formation transactions, these operations will be part of our consolidated results and we anticipate it will constitute a separate accounting segment. The revenues from our observatory operations will represent a significant portion of our operations following this offering and the formation transactions representing 16.5% and 16.6% of our pro forma revenues for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively. For the year ended December 31, 2010, the lease payment from the observatory operations to the Empire State Building Company L.L.C. was $44.8 million. These operations will be run by Observatory TRS. Our operating partnership and Observatory TRS are party to a lease which is structured to pay our operating partnership a fixed minimum rent plus variable gross participations in certain operations of our observatory. Therefore, the amounts payable under this lease will be dependent upon the following: (i) the number of tourists (domestic and

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international) that come to New York City and visit the observatory, as well as any related tourism trends; (ii) the prices per admission that can be charged; (iii) seasonal trends affecting the number of visitors to the observatory; (iv) competition, in particular from the planned observation in the new property under construction at one World Trade Center; and (v) weather trends.

Operating expenses

Our operating expenses generally consist of repairs and maintenance, security, utilities, property-related payroll, bad debt expense and prior to this offering, third-party management fees. Factors that may affect our ability to control these operating costs include: increases in insurance premiums, tax rates, the cost of periodic repair, renovation costs and the cost of re-leasing space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws and interest rate levels. Also, as a public company, our annual general and administrative expenses will be meaningfully higher compared to historical expenses due to legal, insurance, accounting and other expenses related to corporate governance, SEC reporting, other compliance matters and the costs of operating as a public company. If our operating costs increase as a result of any of the foregoing factors, our future cash flow and results of operations may be adversely affected.

The expenses of owning and operating a property are not necessarily reduced when circumstances, such as market factors and competition, cause a reduction in income from the property. If revenues drop, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes and maintenance generally, will not be materially reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. As a result, if revenues decrease in the future, static operating costs may adversely affect our future cash flow and results of operations. If similar economic conditions exist in the future, we may experience future losses.

Cost of funds and interest rates

We expect future changes in interest rates will impact our overall performance. Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. While we may seek to manage our exposure to future changes in rates, portions of our overall outstanding debt will likely remain at floating rates. Following this offering and the formation transactions, we expect to have floating rate mortgage loans on 501 Seventh Avenue (third lien), 250 West 57th Street (third lien), 1350 Broadway (second lien) and our secured term loan on the Empire State Building, which collectively represent 16.0% of our pro forma indebtedness. Our floating rate debt may increase to the extent we use available borrowing capacity under our loans to fund capital improvements. We continually evaluate our debt maturities, and, based on management s current assessment, believe we have viable financing and refinancing alternatives that will not materially adversely impact our expected financial results. Upon completion of this offering, we will have no debt maturities in 2012 and maturities in the amount of $58.3 million in 2013.

Competition

The leasing of real estate is highly competitive in Manhattan and the greater New York metropolitan market in which we operate. We compete with numerous acquirers, developers, owners and operators of commercial real estate, many of which own or may seek to acquire or develop properties similar to ours in the same markets in which our properties are located. The principal means of competition are rent charged, location, services provided and the nature and condition of the facility to be leased. In addition, we face competition from other real estate companies including other REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or are less attractive from a financial viewpoint than we are willing to pursue. In

addition, competition from observatory and/or broadcasting operations in the new property currently under construction at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center and the existing broadcasting facility at Four Times Square, could have a negative impact on revenues from our observatory and/or broadcasting operations. Adverse impacts on domestic travel and changes in foreign currency exchange rates may also decrease demand in the future, which could have a material adverse effect on our results of operations, financial condition and ability to make distributions to our stockholders. Additionally, completion of the new Vornado Tower currently under construction at 15 Penn Plaza may provide a source of competition for office and retail tenants, due to its close proximity to the Empire State Building. If our competitors offer space at rental rates below current market rates, below the rental rates we currently charge our tenants, in better locations within our markets or in higher quality facilities, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants leases expire.

Critical Accounting Policies

Basis of Presentation and Principles of Combination

The accompanying combined financial statements of the predecessor are prepared in accordance with U.S. generally accepted accounting principles, or GAAP; and with the rules and regulations of the U.S. Securities and Exchange Commission, or the SEC. The effect of all significant intercompany balances and transactions has been eliminated. The combined financial statements include all the accounts and operations of our predecessor. The real estate entities included in the accompanying combined financial statements have been combined on the basis that, for the periods presented, such entities were under common control, common management and common ownership of the sponsors and/or their affiliates and family members. Equity interests in the combining entities that are not controlled by the sponsors and/or their affiliates and family members are shown as investments in uncombined entities. We will also acquire these interests.

In June 2009, the Financial Accounting Standards Board, or FASB, amended the guidance for determining whether an entity is a variable interest entity, or VIE, and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Adoption of this guidance on January 1, 2010 did not have a material impact on our combined financial statements. Management does not believe that we have any variable interests in VIEs.

We will assess the accounting treatment for each investment we may have in the future. This assessment will include a review of each entity s organizational agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, we will review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity s economic performance and benefit. In situations where we or our partner could approve, among other things, the annual budget, the entity s tax return before filing, and leases that cover more than a nominal amount of space relative to the total rentable space at each property, we would not consolidate the investment as we consider these to be substantive participation rights that result in shared power of the activities that would most significantly impact the performance and benefit of such joint venture investment. Such agreements could also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the investment and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are required to be presented as a separate component of equity in the combined balance sheets and in the combined statements of income by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests. As the financial statements of our predecessor have been prepared on a combined basis, there is no non-controlling interest for the periods presented.

Accounting Estimates

The preparation of the combined financial statements in accordance with GAAP requires management to use estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant items subject to such estimates and assumptions include allocation of the purchase price of acquired real estate properties among tangible and intangible assets, determination of the useful life of real estate properties and other long-lived assets, valuation and impairment analysis of combined and uncombined commercial real estate properties and other long-lived assets, estimate of percentage of completion on construction contracts, and valuation of the allowance for doubtful accounts. These estimates are prepared using management s best judgment, after considering past, current, and expected events and economic conditions. Actual results could differ from those estimates.

Real Estate

Commercial real estate properties are recorded at cost, less accumulated depreciation and amortization. The recorded cost includes cost of acquisitions, development and construction and tenant allowances and improvements. Expenditures for ordinary repairs and maintenance are charged to operations as incurred. Significant replacements and betterments which improve or extend the life of the asset are capitalized. Tenant improvements which improve or extend the life of the asset are capitalized. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any tenant improvements are written off if they are replaced or have no future value.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Category	Term
Building (fee ownership)	39 years
Building improvements	Shorter of remaining life of the building or useful life
Building (leasehold interest)	Lesser of 39 years or remaining term of the lease
Furniture and fixtures	Four to seven years
Tenant improvements	Shorter of remaining term of the lease or useful life

For commercial real estate properties acquired after June 30, 2001, we assess the fair value of acquired tangible and intangible assets (including land, buildings, tenant improvements, above- and below-market leases, origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities) in accordance with guidance included in ASC 805, and allocate the purchase price to the acquired assets and assumed liabilities, including land at appraised value and buildings as if vacant, based on estimated fair values. We assess and consider fair value based on estimated cash flow projections that utilize discount and/or capitalization rates that we deem appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known and anticipated trends, and market and economic conditions. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. We also consider an allocation of purchase price of other acquired intangibles, including acquired in-place leases that may have a customer relationship intangible value, including (but not limited to) the nature and extent of the existing relationship with the tenants, the tenant s credit quality and expectations of lease renewals. Based on our acquisitions to date, our allocation to customer relationship intangible assets has been immaterial. Real estate properties acquired prior to July 1, 2001 were accounted for under the provisions of Accounting Principles Board (APB) 16, or APB 16, using the purchase method. Under the provisions of APB 16, we did not allocate any of the purchase prices to acquired leases. APB 16 was superseded by SFAS 141 and later SFAS 141(R).

Acquired in-place lease costs (tenant improvements and leasing commissions) are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. Acquired in-place lease assets and assumed above- and below-market leases are amortized on a straight-line basis as an adjustment to rental

revenue over the remaining term of the underlying leases, including, for below-market leases, fixed option renewal periods, if any. To date, all such acquired lease intangibles were deemed to be immaterial and have been recorded as part of the cost of the acquired building.

Results of operations of properties acquired are included in the combined statements of income from the date of acquisition. Effective January 1, 2009, the date we adopted ASC 805, we were required to expense all acquisition related costs as incurred. Prior to this date, directly related acquisition costs were treated as part of consideration paid and were capitalized. No properties were acquired during the periods presented, nor did we incur any acquisition related costs.

Should a tenant terminate its lease, any unamortized acquired in-place lease costs, in-place lease assets and acquired above- and assumed below-market leases associated with that tenant will be written off to amortization expense or rental revenue, as indicated above.

For properties which we construct, we capitalize the cost to acquire and develop the property. The costs to be capitalized include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs of personnel directly involved and other costs incurred during the period of development.

Construction in progress is stated at cost, which includes the cost of construction, other direct costs and overhead costs attributable to the construction. Interest is capitalized if deemed material. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

We cease capitalization on the portions of a construction property substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

As a part of and concurrently with this offering and the formation transactions, we will distribute our interest in certain residential buildings and land located in Stamford, Connecticut, which is zoned for residential use and held for future development. These interests have a historical cost of $15.6 million as of September 30, 2011 and such residential buildings and land will be distributed to certain of the owners of our predecessor and therefore will not be acquired by us.

A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Once an asset is held for sale, depreciation expense is no longer recorded and the historic results are reclassified as discontinued operations.

Investments in Non-Controlled Entities

We account for our investments under the equity method of accounting where we do not have control but have the ability to exercise significant influence. Under this method, our investments are recorded at cost, and the investment accounts are adjusted for our share of the entities income or loss and for distributions and contributions. Equity income (loss) from non-controlled entities is allocated based on the portion of our ownership interest that is controlled by the sponsor in each entity. The agreements may designate different percentage allocations among investors for profits and losses; however, our recognition of the entity s income or loss generally follows the entity s distribution priorities, which may change upon the achievement of certain investment return thresholds.

To the extent that we contributed assets to an entity, our investment in the entity is recorded at cost basis in the assets that were contributed to the entity. Upon contributing assets to an entity, we make a judgment as to whether the economic substance of the transaction is a sale. If so, gain or loss is recognized on the portion of the asset to which the other partners in the entity obtain an interest.

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To the extent that the carrying amount of these investments on our combined balance sheets is different than the basis reflected at the entity level, the basis difference would be amortized over the life of the related asset and included in our share of equity in net income of the entity.

On a periodic basis, we assess whether there are any indicators that the carrying value of our investments in entities may be impaired on an other than temporary basis. An investment is impaired only if management s estimate of the fair value of the investment is less than the carrying value of the investment on an other than temporary basis. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying value of the investment over the fair value of the investment. None of our investments in non-controlled entities are other than temporarily impaired.

We recognize incentive income in the form of overage fees from certain uncombined entities (which include non-controlled and other properties not included in our predecessor) as income to the extent it has been earned and not subject to a clawback feature.

If our share of distributions and net losses exceeds our investments for certain of the equity method investments and if we remain liable for future obligations of the entity or may otherwise be committed to provide future additional financial support, the investment balances would be presented in the accompanying combined balance sheets as liabilities. The effects of material intercompany transactions with these equity method investments are eliminated. None of the entity debt is recourse to us.

The revenues and expenses of the non-controlled entities, including those generated by our observatory operations and our broadcasting operations, are not included in the historical operating results of our predecessor. These revenues and expenses are included in the non-controlled entities financial statements and we recognize our share of net income, including those generated by our observatory operations and our broadcasting operations, through our share of equity in earnings. Upon completion of this offering and the formation transactions, the operations of the non-controlled entities, including our observatory operations and our broadcasting operations, will be combined with our company, our operating partnership and/or our subsidiaries. The revenue and expense recognition accounting policies in the financial statements of the non-controlled entities are substantially the same as those of our historical predecessor. For our observatory operations, revenues consist of admission fees to visit our observatory and are recognized as income when admission tickets are sold. We also recognize rental revenue attributable to a retail tenant which operates the concession space in the observatory. In addition, we also participate in revenues generated by concession operators from photography, audio and other products and services which are recognized as income at the time of sale. For our broadcasting operations, revenues consist of broadcasting licenses and related leased space. We recognize broadcast licenses on a straight-line basis over the terms of the license agreements. We also receive rental revenue from certain broadcasting tenants which we recognize on a straight-line basis over the terms of the separate lease agreements. Expenses for our observatory and broadcasting operations are recognized as incurred.

Impairment of Long-Lived Assets

Long-lived assets, such as commercial real estate properties and purchased intangible assets subject to amortization, are reviewed for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. On a periodic basis, we assess whether there are any indicators that the value of our real estate properties may be impaired or that its carrying value may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. We do not believe that the value of any of our properties and intangible assets were impaired during the nine months ended September 30, 2011 or during the years ended December 31, 2010, 2009 and 2008.

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Income Taxes

We intend to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2012. So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net income that we distribute currently to our stockholders. To maintain our qualification as a REIT, we are required under the Internal Revenue Code of 1986, as amended, or the Code, to distribute at least 90% of our REIT taxable income (without regard to the deduction for dividends paid and excluding net capital gains) to our stockholders and meet certain other requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular corporate rates. Even if we qualify for taxation as a REIT, we may also be subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on our undistributed taxable income.

During the periods presented, the entities included in the combined financial statements are treated as partnerships or S corporations for U.S. federal and state income tax purposes and, accordingly, are not subject to entity-level tax. Rather, each entity s taxable income or loss is allocated to its owners. Therefore, no provision or liability for U.S. federal or state income taxes has been included in the accompanying combined financial statements.

Two of the limited liability companies in the combined group have non-real estate income that is subject to New York City unincorporated business tax, or NYCUBT. In the periods presented, these entities have generated losses for NYCUBT purposes, for which it is estimated that it is more likely than not that those losses will not provide future benefit. Consequently, no provision or liability for federal, state, or local income taxes has been included in these combined financial statements.

We account for uncertain tax positions in accordance with ASC 740, Income Taxes. ASC No. 740-10-65 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC No. 740-10-65, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC No. 740-10-65 also provides guidance on de-recognition, classification, interest and penalties on income taxes and accounting in interim periods and requires increased disclosures. As of December 31, 2010 and 2009, we do not have a liability for uncertain tax positions. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of the income tax provision. As of December 31, 2010, the tax years ended December 31, 2007 through December 31, 2010 remain open for an audit by the Internal Revenue Service. We have not received a notice of audit from the Internal Revenue Service for any of the open tax years.

Segment Reporting

Management has determined that our predecessor operates in two reportable segments: a real estate segment and a construction contracting segment. Our real estate segment includes all activities related to the ownership, management, operation, acquisition, repositioning and disposition of our real estate assets, including properties which are accounted for by the equity method. Our construction segment includes all activities related to providing construction services to tenants and to other entities within and outside our company. These two lines of businesses are managed separately because each business requires different support infrastructures, provides different services and has dissimilar economic characteristics such as investments needed, stream of revenues and different marketing strategies. We account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. Although our observatory operations are currently not presented as a segment in our predecessor s historical financial statements since our predecessor has a non-controlling interest in such observatory operations, we anticipate that the operations of our observatory will encompass a reportable segment upon completion of this offering and the formation transactions. We account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

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Goodwill

Certain of the properties we will acquire in the formation transactions are owned in two-tier structures with one entity owning a fee or master leasehold interest in the property and the other entity owning an operating or sub-leasehold interest. This structure was implemented at inception to achieve flow through tax treatment. The operating lessee controls the operations of the property with the operating lease structured in a manner that shares net operating results, including capital expenditures and debt service, between these two entities. Two of the operating lessees, Empire State Building Company L.L.C. and 501 Seventh Avenue Associates LLC, are non-controlled entities and only the predecessor s non-controlling interest in the operations of these two entities are part of our predecessor s historical operations. In the remainder of these two-tier structures, the operations of both the owner and the operating lessee are part of our historical predecessor and are consolidated into our predecessor s historical financial statements.

The interests in our predecessor will be recorded at historical cost at the time of the formation transactions. Using the preliminary aggregate exchange values, as of September 30, 2011, on a pro forma basis, the carrying value of our assets is substantially below their fair value. The acquisition of the controlling interests in the non-controlled entities, including the two operating lessees, will be accounted for as an acquisition under the acquisition method of accounting and we will recognize the estimated fair value of the assets and liabilities acquired at the time of the consummation of the formation transaction. When we acquire the controlling interest in the assets of these two non-controlled operating lessees, the operating lease will be cancelled as the operations of the properties will be consolidated into our operations. The purchase price will be allocated to any identified tangible or intangible assets we are acquiring from these two entities. Since the non-controlled operating lessees have no interest in the land or base building, the excess of the purchase price over any identified tangible and intangible assets for Empire State Building Company L.L.C. and 501 Seventh Avenue Associates LLC will be recognized as goodwill on our balance sheet.

Using the preliminary aggregate exchange values for the acquisition of these two non-controlled operating leaseholds, we expect to record approximately $1.13 billion of goodwill. Approximately $229.0 million of the expected goodwill represents the fair value of the observatory operations of the Empire State Building after adjustment for an estimated market rent that the observatory would incur to the property owner, and approximately $900.6 million of the expected goodwill represents the remainder of the excess of the purchase price over identified tangible and intangible assets, of which approximately $888.8 million is attributable to Empire State Building Company L.L.C. and approximately $11.8 million is attributable to 501 Seventh Avenue Associates LLC. Goodwill is not amortized and, therefore, will not affect our future cash flows but may affect our income statement if impaired. Based upon the preliminary aggregate exchange values as of September 30, 2011, the fair value of the assets of our company subsequently would have to decrease by over 63.1%, or $2.5 billion, for a determination that the goodwill may be impaired.

We will review goodwill annually for impairment and whenever events or changes in circumstances indicate the carrying value of goodwill may be impaired. Goodwill impairment evaluation requires us to perform a two-step impairment test. In the first step, we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the second step of the impairment test is performed in order to determine the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we will record an impairment write-off equal to the difference. After completion of the formation transaction, we may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. This assessment can consider relevant events and circumstances such as macro economic conditions, industry and market considerations, overall report general financial performance and other relevant entity-specific events.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins

used to calculate projected future cash flows, discount rates and future economic and market conditions. Our estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management s assumptions, which would not reflect unanticipated events and circumstances that may occur.

The preliminary aggregate exchange value was determined by an independent valuation firm, or the independent valuer, for the purpose of allocating equity interests in the 18 office and retail assets, one development parcel and our predecessor s management companies that are being contributed to our company pursuant to the consolidation. The independent valuer s preliminary appraisal was prepared for the purpose of determining these allocations and not for the purpose of establishing the absolute enterprise value of our company. The independent valuer s preliminary appraisal may be materially different from the market determination of the enterprise value of our company in this offering.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term liquid investments with original maturities of three months or less when purchased. The majority of our cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. To date, we have not experienced any losses on our invested cash.

Restricted Cash

Restricted cash consists of amounts held by lenders and/or escrow agents to provide for future real estate tax expenditures and insurance expenditures, tenant vacancy related costs, debt service obligations and amounts held for tenants in accordance with lease agreements such as security deposits, as well as amounts held by our third-party property managers.

Revenue Recognition

Rental Revenue

Rental revenue includes base rents that each tenant pays in accordance with the terms of its respective lease and is reported on a straight-line basis over the non-cancellable term of the lease which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space or controls the physical use of the leased space and the leased space is substantially ready for its intended use. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. We account for all of our leases as operating leases. Deferred rent receivables, including free rental periods and leasing arrangements allowing for increased base rent payments are accounted for in a manner that provides an even amount of fixed lease revenues over the respective non-cancelable lease terms. Differences between rental income recognized and amounts due under the respective non-cancelable lease agreements are recognized as an increase or decrease to deferred rents receivable.

The timing of rental revenue recognition is impacted by the ownership of tenant improvements and allowances. When we are the owner of the tenant improvements, revenue recognition commences after both the improvements are completed and the tenant takes possession or control of the space. In contrast, if we determine that the tenant allowances we are funding are lease incentives, then we commence revenue recognition when possession or control of the space is turned over to the tenant. Tenant improvement ownership is determined based on various factors including, but not limited to, whether the lease stipulates how and on what a tenant improvement allowance may be spent, whether the tenant or landlord retains legal title to the improvements at the end of the lease term, whether the tenant improvements are unique to the tenant or general-purpose in nature, and whether the tenant improvements are expected to have any residual value at the end of the lease.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent

based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters wage rate in effect during a base year or increases in the Consumer Price Index over the index value in effect during a base year.

We will recognize rental revenue of acquired in-place above- and below-market leases at their fair values over the terms of the respective leases.

Lease cancellation fees are recognized when the fees are determinable, tenant vacancy has occurred, collectability is reasonably assured, we have no continuing obligation to provide services to such former tenants and the payment is not subject to any conditions that must be met or waived. Such fees are included in other income and fees in our combined statements of income.

Upon completion of this offering and the formation transactions, the operations of the non-controlled entities, including our observatory operations and our broadcasting operations, will be combined with our company, our operating partnership and/or our subsidiaries. For our observatory operations, revenues consist of admission fees to visit our observatory and we will recognize them as income when admission tickets are sold. For our broadcasting operations, revenues consist of broadcasting licenses and related leased space. We recognize broadcast licenses on a straight-line basis over the terms of the license agreements. We also receive rental revenue from certain broadcasting tenants which we recognize on a straight-line basis over the terms of the separate lease agreements.

We also earn concession revenues from photography, gifts and other products and services related to our observatory operations which are recognized at the time of sale.

Gains on Sale of Real Estate

We record a gain on sale of real estate when title is conveyed to the buyer and we have no substantial economic involvement with the property. If the sales criteria for the full accrual method are not met, we defer some or all of the gain recognition and accounts for the continued operations of the property by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

Gains from sales of depreciated properties are included in discontinued operations and the proceeds from the sale of these properties are classified in the investing activities section of the combined statements of cash flows. During the periods presented, we did not sell any properties.

Third-Party Management, Leasing and Other Fees

We earn revenue arising from contractual agreements with affiliated entities of the sponsors that are not presented as controlled entities. This revenue is recognized as the related services are performed under the respective agreements in place.

Construction Revenue

Revenues from construction contracts are recognized under the percentage-of completion method. Under this method, progress towards completion is recognized according to the ratio of incurred costs to estimated total costs. This method is used because management considers the cost-to-cost method the most appropriate in the circumstances.

Contract costs include all direct material, direct labor and other direct costs and an allocation of certain overhead related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

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Allowance for Doubtful Accounts

We maintain an allowance against tenant and other receivables and deferred rents receivables for future potential tenant credit losses. The credit assessment is based on the estimated accrued rental revenue that is recoverable over the term of the respective lease. We also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants payment history and current credit status, as well as certain industry or geographic specific credit considerations. If our estimate of collectability differs from the cash received, then the timing and amount of our reported revenue could be impacted. Bad debt expense is included in marketing, general and administrative expenses on our combined statements of income and is an offset to allowance for doubtful accounts on our combined balance sheets.

Discontinued Operations

We reclassify material operations related to properties sold during the period or held for sale at the end of the period to discontinued operations for all periods presented. There were no discontinued operations in the periods presented.

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to initiate and renew leases, are amortized on a straight-line basis over the related lease term and the expense is included in depreciation and amortization in our combined statements of income. Upon the early termination of a lease, unamortized deferred leasing costs are charged to expense.

Deferred Financing Costs

Fees and costs incurred to obtain long-term financing have been deferred and are being amortized as a component of interest expense in our combined statements of income over the life of the respective mortgage on the straight-line method which approximates the effective interest method. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking debt, which do not close, are expensed in the period in which it is determined that the financing will not close.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred.

Fair Value

Fair value is a market-based measurement, not an entity-specific measurement, and is determined based on the assumptions that market participants use in pricing the asset or liability. Under GAAP, we are required to measure certain financial instruments at fair value on a recurring basis. In addition, we are required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). We follow the FASB guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances. Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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The three levels of the fair value hierarchy are as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability, which are typically based upon an entity s own assumptions, as there is little if any, related market activity.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Changes in assumptions or estimation methodologies can have a material effect on these estimated values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

As of September 30, 2011 and December 31, 2010, 2009, and 2008, we did not have any assets or liabilities subject to Level 1, 2, or 3 fair value measurements.

Offering Costs

We have incurred external offering costs of approximately $8.7 million for the nine months ended September 30, 2011 and approximately $3.9 million for the year ended December 31, 2010 which are included in deferred costs, net in our combined balance sheets. Such costs are comprised of accounting fees, legal fees and other professional fees. We have deferred such costs, which will be recorded as a reduction of proceeds of this offering, upon consummation of this offering. Additional offering costs for work done by employees of the supervisor of approximately $842,000 for the nine months ended September 30, 2011 and $453,000 for the year ended December 31, 2010 were incurred and advanced by our supervisor and have been reimbursed to our supervisor by the existing entities. These costs have been eliminated as intercompany transactions in our predecessor s historical financial statements. Additionally, the non-controlled entities have incurred external offering costs of approximately $7.3 million for the nine months ended September 30, 2011 and approximately $3.3 million for the year ended December 31, 2010 that are not included in our predecessor s historical financial statements. Further, additional offering costs for work done by employees of the supervisor of $706,000 for the nine months ended September 30, 2011 and $380,000 for the year ended December 31, 2010 were incurred and advanced by our supervisor and have been reimbursed to our supervisor by the non-controlled entities.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU No. 2010-06 amends ASC 820 and requires disclosure of details of significant asset or liability transfers in and out of Level 1 and Level 2 measurements within the fair value hierarchy and inclusion of gross purchases, sales, issuances, and settlements in the rollforward of assets and liabilities valued using Level 3 inputs within the fair value hierarchy. The guidance also clarifies and expands existing disclosure requirements related to the disaggregation of fair value disclosures and inputs used in arriving at fair values for assets and liabilities using Level 2 and Level 3 inputs within the fair value hierarchy. These disclosure requirements were effective for interim and annual reporting periods beginning after December 15, 2009. Adoption of this guidance on January 1, 2010, excluding the Level 3 rollforward, did not result in any additional disclosures in our combined financial statements. The gross presentation of the Level 3 rollforward is required for interim and annual reporting periods beginning after December 15, 2010. We are currently evaluating the impact the adoption of the remainder of the standard will have on our combined financial

statements. The adoption of this guidance, while it will likely be applicable to us, is not expected to have a material impact on our combined financial statements. We did not have any financial instruments that would be materially impacted by this standard as of September 30, 2011.

New Accounting Pronouncements Not Yet Adopted

In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. This ASU clarifies for which periods supplemental disclosure of pro forma revenue and net income is required when a business combination occurs in the current period. The guidance clarifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. In our case, the guidance is in effect for the 2011 annual reporting period. The adoption of this guidance, while it will likely be applicable to us, is not expected to have a material impact on our combined financial statements.

In May 2011 the FASB issued ASU No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards (IFRS), or ASU 2011-04. ASU 2011-04 represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurements. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The amendments in this ASU are required to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. We do not expect that the adoption of ASU 2011-04 will have a significant impact on our consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. The update provides an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In addition, an entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of the comprehensive income are presented. The amendments in this update are to be applied retrospectively and are effective for fiscal years ending after December 15, 2012 for nonpublic entities except for the amendment to the presentation of reclassifications of items out of accumulated other comprehensive income which the FASB issued a deferral of the effective date on November 8, 2011. We are currently evaluating the impact of adopting this new accounting standards update on our combined financial statements.

In September 2011, the FASB issued a new Accounting Standards Update (ASU) to enhance the disclosure requirements about an employer s participation in a multiemployer pension plan. Employers that participate in a multiemployer pension plan will be required to provide a narrative description of the general nature of the plans and the employer s participation in the plans that would indicate how the risks of these plans are different from single-employer plans and a disclosure of the minimum contributions required by the agreement. For each multiemployer pension plan that is individually significant, employers are required to provide additional disclosures including disaggregation of information. The additional disclosures will be adopted retrospectively and effective for annual periods ending after December 15, 2011. We are currently evaluating the impact of adopting this new accounting standards update on our combined financial statements.

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Results of Operations

Overview

For the periods presented, our predecessor s portfolio was comprised of interests in ten office properties and six retail properties and non-controlled interests in the following four office properties, which are accounted for under the equity method of accounting: the Empire State Building, 1350 Broadway, 1333 Broadway and 501 Seventh Avenue. The fee ownership interests of the Empire State Building and 501 Seventh Avenue are included in our predecessor s portfolio but the operating lease interests of these two properties are part of the predecessor s equity interest in non-controlled entities. These non-controlled interests will represent a significant part of our operations following this offering and the formation transactions (51.0% of our pro forma revenues for the nine months ended September 30, 2011) when they become consolidated into our operations. Also, for the periods presented below, rental revenue includes rental revenue earned by the Empire State Building and 501 Seventh Avenue related to leasehold rent (which leasehold rent will be eliminated in consolidation), which upon acquisition by our company will be eliminated in consolidation. The following comparative discussion of results of operations discusses only the operations of our predecessor (which reflects its interest in the non-controlled entities as an equity investment). Therefore, for periods following the completion of this offering and the formation transactions, our results of operations will be materially different as they will consolidate the non-controlled entities and will disclose more detailed information concerning the Empire State Building, 1350 Broadway, 1333 Broadway and 501 Seventh Avenue.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010 (in thousands)

The following table summarizes the historical results of operations of our predecessor for the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30,			
	2011	**2010**	**Change**	**%**
Revenues:				
Rental revenue[(1)]	$ 126,768	$ 122,632	$ 4,136	3.4%
Tenant expense reimbursement	22,869	24,549	(1,680)	(6.8%)
Third-party management and other fees	4,671	2,829	1,842	65.1%
Construction revenue	35,323	23,713	11,610	49.0%
Other income and fees	9,909	13,026	(3,117)	(23.9%)
Total Revenues	199,540	186,749	12,791	6.8%
Expenses:				
Operating expenses	40,520	44,043	(3,523)	(8.0%)
Marketing, general and administrative expenses	13,431	13,031	400	3.1%
Construction expenses	34,121	23,258	10,863	46.7%
Real estate taxes	21,968	20,310	1,658	8.2%
Depreciation and amortization	25,773	25,048	725	2.9%
Total Operating Expenses	135,813	125,690	10,123	8.1%
Income from Operations Before Interest Expense and Equity in Net Income of Non-Controlled Entities	**63,727**	**61,059**	**2,668**	**4.4%**
Interest expense, net	41,732	39,162	2,570	6.6%
Income from Operations before Equity in Net Income of Non-controlled Entities	**21,995**	**21,897**	**98**	**0.4%**
Equity in net income of non-controlled entities	12,239	12,376	(137)	(1.1%)
Net Income	**$ 34,234**	**$ 34,273**	**$ (39)**	**(0.1%)**

(1) Includes $9.6 million and $9.8 million of leasehold rent for the nine months ended September 30, 2011 and September 30, 2010, respectively.

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Rental Revenue

Rental revenue increased by $4,136, or 3.4%, to $126,768 for the nine months ended September 30, 2011 from $122,632 for the nine months ended September 30, 2010. This increase was primarily attributable to (i) new, renewal and expansion leases at One Grand Central Place and 500 Mamaroneck that collectively accounted for $2,658 of the increase; (ii) new leases including a significant retail lease at 250 West 57th Street that commenced in July 2010 that accounted for $860 of the increase; and (iii) a write-off in 2010 of deferred straight-line receivable for cancellation of the previous retail tenant s lease that accounted for $1,559 of the increase; partially offset by a reduction of $459 at 383 Main Avenue attributable to vacancies.

Tenant Expense Reimbursement

Tenant expense reimbursement decreased by $1,680, or 6.8%, to $22,869 for the nine months ended September 30, 2011 from $24,549 for the nine months ended September 30, 2010. Generally, under our leases, we are entitled to reimbursement from our tenants for increases in specific operating expenses associated with the leased property over the amount incurred for these operating expenses in the first year of the leases. Therefore, no tenant reimbursements are typically earned during the first year of a lease term. The decrease in tenant expense reimbursements for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010 was primarily attributable to (i) operating expense reimbursements, which decreased by $1,603 mainly due to no reimbursement for the base year of new and renewal leases commenced in 2011; (ii) a decline in electric income of $693, which is reimbursable; (iii) Consumer Price Index income, which decreased by $622; (iv) real estate tax escalation income, which increased by $977 mainly due to increased real estate tax expense; (v) cleaning income, which increased by $122; and (vi) security and repairs income, which increased by $130.

Third-Party Management and Other Fees

Third-party management and other fees increased by $1,842, or 65.1%, to $4,671 for the nine months ended September 30, 2011 from $2,829 for the nine months ended September 30, 2010. This increase is primarily attributable to increased supervisory and professional fees charged to the properties being accounted for under the equity method, the option properties and the excluded properties and excluded businesses. We earned (i) supervisory fees from such entities of $2,699 and $1,422 for the nine months ended September 30, 2011 and 2010, respectively, and (ii) property management fees from such entities of $1,530 and $822 for the nine months ended September 30, 2011 and 2010, respectively.

Construction Revenue

Construction revenue increased by $11,610, or 49.0%, to $35,323 for the nine months ended September 30, 2011 from $23,713 for the nine months ended September 30, 2010. This increase is attributable to greater construction activity in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. In 2011, we experienced a significant increase in the project size of our construction projects. The aggregate billings for the five largest projects in the nine months ended September 30, 2011 was $29,540, while the aggregate billings for the five largest projects in the nine months ended September 30, 2010 was $18,000. We do not expect this increase in the project size and quantity of our construction projects to continue in the immediate future.

Other Income and Fees

Other income and fees decreased by $3,117, or 23.9%, to $9,909 for the nine months ended September 30, 2011 from $13,026 for the nine months ended September 30, 2010. This decrease is attributable to lease cancellation income which was $9,416 higher in the nine months ended September 30, 2010, related to three tenants at 1359 Broadway and 250 West 57th Street, all of which vacated their spaces in 2010. This decrease was

partially offset by $5,068 of income received from the Helmsley estate as a voluntary reimbursement of legal expenses previously incurred by us, and $717 of professional fees earned from the option properties for the nine months ended September 30, 2011. Additionally, the overage rent earned was $666 higher in the nine months ended September 30, 2011.

Operating Expenses

Operating expenses decreased by $3,523, or 8.0%, to $40,520 for the nine months ended September 30, 2011 from $44,043 for the nine months ended September 30, 2010. This decrease is primarily attributable to a decrease in electricity expense of $1,931 following a change in electric provider at certain of our Manhattan office properties resulting in better rates. Our bad debt expense also declined by $1,969 in 2011 due to improved collections. These decreases were partially offset by an increase to payroll of $792.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses increased by $400, or 3.1%, to $13,431 for the nine months ended September 30, 2011 from $13,031 for the nine months ended September 30, 2010. This increase is primarily attributable to an increase in administrative payroll.

Construction Expenses

Construction expenses increased by $10,863, or 46.7%, to $34,121 for the nine months ended September 30, 2011 from $23,258 for the nine months ended September 30, 2010. This increase correlates with the increase in the new construction projects that were commenced in the nine month period ended September 30, 2010 and 2011.

Real Estate Taxes

Real estate taxes increased by $1,658, or 8.2%, to $21,968 for the nine months ended September 30, 2011 from $20,310 for the nine months ended September 30, 2010. The increase was primarily attributable to increases of $848 at First Stamford Place and $267 at Metro Center, both attributable to prior year refunds received in the nine months ended September 30, 2010, and an increase of $236 at One Grand Central Place.

Depreciation and Amortization

Depreciation and amortization increased by $725, or 2.9%, to $25,773 for the nine months ended September 30, 2011 from $25,048 for the nine months ended September 30, 2010. The increase in depreciation and amortization expense was primarily the result of improvements made at the Empire State Building and One Grand Central Place partially offset by the write-off of unamortized tenant improvements and leasing costs at 1359 Broadway in 2010 associated with the early termination of leases.

Interest Expense, net

Interest expense, net (including amortization of mortgage costs) increased by $2,570, or 6.6%, to $41,732 for the nine months ended September 30, 2011 from $39,162 for the nine months ended September 30, 2010. The increase was primarily attributable to (i) a prepayment fee of $2,343 and increased amortization of prior mortgage costs of $772 less lower interest expense of $365 with respect to our new secured term loan at the Empire State Building which closed in July 2011; (ii) increased mortgage interest expense at 500 Mamaroneck Avenue due to increased borrowings (approximately $215); and (iii) partially offset at 10 Union Square due to the 2010 prepayment of debt ($155 of increase in expense for the nine months ended September 30, 2010) respectively.

Equity in Income of Non-controlled Entities

Equity in income of non-controlled entities decreased by $137, or 1.1%, to $12,239 for the nine months ended September 30, 2011 from $12,376 for the nine months ended September 30, 2010. Our share of equity in net income of non-controlled entities benefitted from increased net income at our equity investments in 1333 Broadway, 1350 Broadway and 501 Seventh Avenue. This increase resulted from increased occupancy and lower operating expenses and was offset by a slight decrease of our share of equity in income at the Empire State Building due to lower operating income due to increased operating expenses and depreciation and amortization from capital expenditures partially offset by higher rents and net observatory income primarily attributable to revenues resulting from higher admission prices and increased attendance.

Year Ended December 31, 2010 Compared To Year Ended December 31, 2009 (in thousands)

The following table summarizes the historical results of operations of our predecessor for the years ended December 31, 2010 and 2009:

	Year Ended December 31,			
	2010	**2009**	**Change**	**%**
Revenues:				
Rental revenue[1]	$ 166,159	$ 167,556	$ (1,397)	(0.8%)
Tenant expense reimbursement	32,721	36,309	(3,588)	(9.9%)
Third-party management and other fees	3,750	4,296	(546)	(12.7%)
Construction revenue	27,139	15,997	11,142	69.7%
Other income and fees	16,776	8,157	8,619	105.7%
Total Revenues	246,545	232,315	14,230	6.1%
Expenses:				
Operating expenses	60,356	58,850	1,506	2.6%
Marketing, general and administrative expenses	13,924	16,145	(2,221)	(13.8%)
Construction expenses	27,581	17,281	10,300	59.6%
Real estate taxes	27,585	28,937	(1,352)	(4.7%)
Depreciation and amortization	34,041	29,327	4,714	16.1%
Total Operating Expenses	163,487	150,540	12,947	8.6%
Income from Operations Before Interest Expense and Equity in Net Income of Non-Controlled Entities	**83,058**	**81,775**	**1,283**	**1.6%**
Interest expense, net	52,264	50,738	1,526	3.0%
Income from Operations Before Equity in Net Income of Non-Controlled Entities	**30,794**	**31,037**	**(243)**	**(0.8%)**
Equity in net income of non-controlled entities	15,324	10,800	4,524	41.9%
Net Income	**$ 46,118**	**$ 41,837**	**$ 4,281**	**10.2%**

(1) Includes $17.1 million and $19.7 million of leasehold rent for the years ended December 31, 2010 and December 31, 2009, respectively.

Rental Revenue

Rental revenue decreased by $1,397, or 0.8%, to $166,159 for the year ended December 31, 2010 from $167,556 for the year ended December 31, 2009. This decrease was primarily attributable to a decrease in additional leasehold rent received from the operating lessee at the Empire State Building in the amount of $3,459. Additional leasehold rent is calculated as a function of the property s operating income and is reduced by capital expenditures made by the lessee. Rent was further reduced by the expiration or early termination of tenant leases at various properties (including a retail lease at 250 West 57th Street), which resulted in lower revenues.

The retail lease cancellation resulted in reduced rents of $1,500. New leasing at One Grand Central Place added $3,000 of rental revenue in 2010 compared to 2009. Additionally, rental revenue at First Stamford Place increased by $783. The decline was mitigated by new leases and increases to rent from various assets.

Tenant Expense Reimbursement

Tenant expense reimbursement decreased by $3,588, or 9.9%, to $32,721 for the year ended December 31, 2010 from $36,309 for the year ended December 31, 2009. The decrease was primarily the result of a decrease in real estate tax escalation reimbursement of $2,506, caused by a decrease in real estate tax expense, as well as leasing of vacant space in 2010 and portions of 2009. Additionally, the decrease has also been caused by a reduction in operating escalations of $1,309 as a result of the expiration and termination in 2010 of several leases with comparatively higher escalation billings. The decrease was offset by an increase in CPI escalations of $868 resulting from higher CPI in 2010 and several new tenants with CPI based escalations.

Third-Party Management and Other Fees

Third-party management and other fees decreased by $546, or 12.7%, to $3,750 for the year ended December 31, 2010 from $4,296 for the year ended December 31, 2009. This decrease is attributable to decreased supervisory fees charged to the properties being accounted for under the equity method, the option properties and the excluded properties and excluded businesses.

Construction Revenue

Construction revenue increased by $11,142, or 69.7%, to $27,139 for the year ended December 31, 2010 from $15,997 for the year ended December 31, 2009. This increase is attributable to a general increase in construction activity in 2010. In 2010, we experienced a significant increase in the project size of our construction projects. Most notably, there were three projects which commenced in 2010 which were not present in 2009 totaling approximately $11,400 of construction revenue in 2010.

Other Income and Fees

Other income and fees increased by $8,619, or 105.7%, to $16,776 for the year ended December 31, 2010 from $8,157 for the year ended December 31, 2009. This increase is primarily attributable to an increase in lease cancellation fees in 2010 of $7,832. Three tenants terminated their leases in 2010 at 1359 Broadway, First Stamford Place, and 250 West 57th Street resulting in $10,877 of other income in 2010. Comparatively, one tenant at One Grand Central Place accounted for $2,900 of the cancellation income in 2009.

Operating Expenses

Operating expenses increased by $1,506, or 2.6%, to $60,356 for the year ended December 31, 2010 from $58,850 for the year ended December 31, 2009. Our property-related payroll expenses increased by $1,155 due to increased staffing. Additionally, our bad debt expense increased by $705 due to increased reserves. These increases were offset by lower repairs and maintenance which declined by $1,073.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses decreased by $2,221, or 13.8%, to $13,924 for the year ended December 31, 2010 from $16,145 for the year ended December 31, 2009. The decrease is primarily due to lower administrative payroll expense of $1,699 in 2010 compared to 2009.

Construction Expenses

Construction expenses increased by $10,300, or 59.6%, to $27,581 for the year ended December 31, 2010 from $17,281 for the year ended December 31, 2009. In 2010, we experienced a significant increase in the project size of our construction projects. Most notably, there were three projects which commenced in 2010 which were not present in 2009 totaling approximately $10,300 of construction expense in 2010.

Real Estate Taxes

Real estate taxes decreased by $1,352, or 4.7%, to $27,585 for the year ended December 31, 2010 from $28,937 for the year ended December 31, 2009. The decrease was attributable to reduced assessments and prior year refunds for First Stamford Place ($1,300) and Metro Center ($400), offset by increases at other properties.

Depreciation and Amortization

Depreciation and amortization expense increased by $4,714, or 16.1%, to $34,041 for the year ended December 31, 2010 from $29,327 for the year ended December 31, 2009. This resulted from an approximately 14% increase in 2010, which was primarily associated with tenant improvements concentrated at One Grand Central Place, First Stamford Place, and 10 Bank Street.

Interest Expense, net

Interest expense, net increased by $1,526, or 3.0%, to $52,264 for the year ended December 31, 2010 from $50,738 for the year ended December 31, 2009. The increase was attributable to increased borrowings to fund capital expenditures, tenant improvements and leasing commissions at the Empire State Building, One Grand Central Place and 10 Union Square.

Equity in Income of Non-controlled Entities

Equity in income of non-controlled entities increased by $4,524, or 41.9%, to $15,324 for the year ended December 31, 2010 from $10,800 for the year ended December 31, 2009. This increase was due to (i) increased rental income at 1350 Broadway as a result of two large retail tenants whose leases commenced in April and May 2009 and several other new leases entered into in 2010 partially offset by expiring leases;
(ii) improved operating results at 1333 Broadway where in 2009, the entity incurred a net loss whereas in 2010, it generated net income; and
(iii) increased net income at the Empire State Building due to higher observatory revenues and licensing fees. These increases were partially offset by lower net income at 501 Seventh Avenue due to higher repairs and maintenance, increased depreciation expense on improvements placed in service during 2009 and 2010 and higher overage rent payable to us.

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Year Ended December 31, 2009 Compared To Year Ended December 31, 2008 (in thousands)

The following table summarizes the historical results of operations of our predecessor for the years ended December 31, 2009 and 2008:

	Year Ended December 31,			
	2009	**2008**	**Change**	**%**
Revenues:				
Rental revenue[1]	$ 167,556	$ 162,194	$ 5,362	3.3%
Tenant expense reimbursement	36,309	35,684	625	1.8%
Third-party management and other fees	4,296	5,916	(1,620)	(27.4%)
Construction revenue	15,997	56,561	(40,564)	(71.7%)
Other income and fees	8,157	8,442	(285)	(3.4%)
Total Revenues	232,315	268,797	(36,482)	(13.6%)
Expenses:				
Operating expenses	58,850	55,291	3,559	6.4%
Marketing, general and administrative expenses	16,145	17,763	(1,618)	(9.1%)
Construction expenses	17,281	56,080	(38,799)	(69.2%)
Real estate taxes	28,937	24,863	4,074	16.4%
Depreciation and amortization	29,327	26,838	2,489	9.3%
Total Operating Expenses	150,540	180,835	(30,295)	(16.8%)
Income from Operations Before Interest Expense and Equity in Net Income of Non-Controlled Entities	**81,775**	**87,962**	**(6,187)**	**(7.0%)**
Interest expense, net	50,738	48,664	2,074	4.3%
Income from Operations Before Equity in Net Income of Non-Controlled Entities	**31,037**	**39,298**	**(8,261)**	**(21.0%)**
Equity in net income of non-controlled entities	10,800	13,422	(2,622)	(19.5%)
Net Income	**$ 41,837**	**$ 52,720**	**$ (10,883)**	**(20.6%)**

(1) Includes $19.7 million and $15.4 million of leasehold rent for the years ended December 31, 2009 and December 31, 2008, respectively.

Rental Revenue

Rental revenue increased by $5,362, or 3.3%, to $167,556 for the period ended December 31, 2009 from $162,194 for the period ended December 31, 2008. Basic and additional rent paid by the lessee of the Empire State Building increased by $1,790 and $4,061, respectively, and additional rent paid by the lessee of 501 Seventh Avenue decreased by $1,515. The change to basic rent for the Empire State Building was related to increased borrowings for improvements made during the period, and the related change to basic rent to fund the debt service payments. Additional leasehold rent is calculated as a function of the property s operating income and is reduced by capital expenditures made by the lessee. Higher rents and new leasing added to the increase in rents for 2009.

Tenant Expense Reimbursement

Tenant expense reimbursement increased by $625, or 1.8%, to $36,309 for the period ended December 31, 2009 from $35,684 for the period ended December 31, 2008. Generally, under our leases, we are entitled to reimbursement from our tenants for increases in specific operating expenses associated with the leased property

over the amount incurred for these operating expenses in the first year of the leases. Therefore, no tenant reimbursements are typically earned during the first year of a lease term. The increase was primarily the result of an increase in real estate tax escalation reimbursements caused by increased real estate tax expenses.

Third-Party Management and Other Fees

Third-party management and other fees income decreased by $1,620, or 27.4%, to $4,296 for the period ended December 31, 2009 from $5,916 for the period ended December 31, 2008. This decrease is primarily attributable to a $1,602 decrease related to professional and service fees earned from related parties that are managed by our predecessor and mortgage origination fees received in 2008 that were not received in 2009. This decrease is also attributable to decreased supervisory fees charged to the properties being accounted for under the equity method, the option properties and the excluded properties and excluded businesses.

Construction Revenue

Construction revenue decreased by $40,564, or 71.7%, to $15,997 for the year ended December 31, 2009 from $56,561 for the year ended December 31, 2008. This decrease is attributable to a decrease in construction activity due to the economic downturn and the completion of several large projects in 2008.

Other Income and Fees

Other income and fees decreased by $285, or 3.4%, to $8,157 for the year ended December 31, 2009 from $8,442 for the year ended December 31, 2008.

Operating Expenses

Operating expenses increased by $3,559, or 6.4%, to $58,850 for the year ended December 31, 2009 from $55,291 for the year ended December 31, 2008. This increase is primarily attributable to an increase of $3,550 in repairs and related work performed on vacant space. $2,406 of the increase relates to repairs and maintenance at One Grand Central Place, which performed asbestos testing, painting, and other building repairs in 2009. This increase was offset by lower insurance premiums, utility expenses and property-related payroll expenses across our portfolio.

Marketing, General and Administrative Expense

Marketing, general and administrative expenses decreased by $1,618, or 9.1%, to $16,145 for the period ended December 31, 2009 from $17,763 for the period ended December 31, 2008. This decrease was primarily attributable to lower professional fees during 2009.

Construction Expenses

Construction expenses decreased by $38,799, or 69.2%, to $17,281 for the period ended December 31, 2009 from $56,080 for the period ended December 31, 2008. This decrease corresponds to the decrease in construction activity in 2009 compared to 2008.

Real Estate Taxes

Real estate taxes increased by $4,074, or 16.4%, to $28,937 for the year ended December 31, 2009 from $24,863 for the year ended December 31, 2008. This increase is attributable to an increase in real estate tax rates and assessed values in 2009 related to One Grand Central Place, 1359 Broadway, 250 West 57th Street, First Stamford Place and Metro Center. The properties received higher tax value assessments; additionally, the City of Stamford increased the millage rate for the 2009/2010 tax year, further increasing the tax for the second half of 2009 for the properties located there.

Depreciation and Amortization

Depreciation and amortization expense increased by $2,489, or 9.3%, to $29,327 for the year ended December 31, 2009 from $26,838 for the year ended December 31, 2008. The increase in depreciation and amortization expense was the result of higher capital expenditures during 2008 and 2009. Tenant improvements increased approximately 14% from 2008 to 2009, with the largest increase at One Grand Central Place. The building was undergoing improvements and increased leasing activity during 2008 and 2009, resulting in the capitalization of additional assets at a faster rate than assets were written off. Additional smaller increases were due to the amortization of deferred leasing costs, which also increased from 2008 to 2009 because of new tenant leases signed during the period.

Interest Expense, net

Interest expense, net increased by $2,074, or 4.3%, to $50,738 for the year ended December 31, 2009 from $48,664 for the year ended December 31, 2008. The increase was attributable to increased borrowings to fund capital expenditures and tenant improvements at the Empire State Building and One Grand Central Place.

Equity in income of non-controlled entities

Equity in income of non-controlled entities decreased by $2,622, or 19.5%, to $10,800 for the year ended December 31, 2009 from $13,422 for the year ended December 31, 2008. This decrease was due to (i) net income at 1333 Broadway and 1350 Broadway declined due to higher interest expense resulting from increased borrowings to fund property improvements and tenanting costs, and (ii) basic rent and overage rent payable by the Empire State Building to us was lower due to higher debt service and lower capital expenditures both of which increase rent payable. Although observatory revenues remained relatively consistent from 2008 to 2009, observatory expenses were higher in 2008 due to higher expenditures.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, including lease-up costs, fund our renovation and repositioning programs, acquire properties, make distributions to our stockholders and other general business needs. Based on the historical experience of our predecessor and our business strategy, in the foreseeable future we anticipate we will generate positive cash flows from operations. In order to qualify as a REIT, we are required under the Code to distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. We expect to make quarterly distributions to our stockholders.

While we may be able to anticipate and plan for certain liquidity needs, there may be unexpected increases in uses of cash that are beyond our control and which would affect our financial condition and results of operations. For example, we may be required to comply with new laws or regulations that cause us to incur unanticipated capital expenditures for our properties, thereby increasing our liquidity needs. Even if there are no material changes to our anticipated liquidity requirements, our sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or needed. Our primary sources of liquidity will generally consist of cash on hand and cash generated from our operating activities and mortgage financings. We expect to meet our short-term liquidity requirements, including distributions, operating expenses, working capital, debt service, and capital expenditures from cash flows from operations, the net proceeds from this offering and $179.1 million of available borrowing capacity under our loans on a pro forma basis following this offering and the formation transactions (based on September 30, 2011 pro forma outstanding balances). The $179.1 million of available borrowing capacity is comprised of $141.0 million with respect to our secured term loan on the Empire State Building, $20.1 million with respect to our mortgage loan on 250 West 57th Street and $18.0 million of available borrowing capacity with respect to our mortgage loan on 1350 Broadway. The availability of these borrowings is subject to the conditions set forth in the applicable loan agreements. We

expect to meet our long-term capital requirements, including acquisitions (including potentially the option properties), redevelopments and capital expenditures through our cash flows from operations, the net proceeds from this offering, mortgage financings, debt issuances, common and/or preferred equity issuances and asset sales.

Upon completion of this offering and the formation transactions, we estimate we will receive gross proceeds from this offering of approximately $ (or $ if the underwriters option to purchase additional shares is exercised in full) assuming an initial public offering price of $ per share, which is the mid-point of the range of initial public offering prices set forth on the front cover of this prospectus. After deducting underwriting discounts and commissions and expenses of this offering from the gross proceeds, the net proceeds from this offering would be approximately $ (or $ if the underwriters option to purchase additional shares is exercised in full). We do not intend to use any of the net proceeds from this offering to fund distributions to our stockholders, but to the extent we use the net proceeds to fund distributions, these payments will be treated as a return of capital to our stockholders for U.S. federal income tax purposes. Pending the use of the net proceeds, we intend to invest such portion of the net proceeds in interest-bearing accounts and short-term, interest-bearing securities that are consistent with our intention to qualify for taxation as a REIT.

We expect to have approximately $1.04 billion of total consolidated indebtedness outstanding and $179.1 million of available borrowing capacity under our loans on a pro forma basis upon consummation of this offering and the formation transactions (based on September 30, 2011 pro forma outstanding balances). Our overall leverage will depend on our mix of investments and the cost of leverage. Our charter does not restrict the amount of leverage that we may use. Our properties require periodic investments of capital for individual lease related tenant improvements allowances, general capital improvements and costs associated with capital expenditures.

The following table summarizes our tenant improvement costs, leasing commission costs and our capital expenditures for the 18 properties we will own following this offering and the formation transactions as if they were consolidated for each of the periods presented:

***Office Properties*[1]**

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008
Total New Leases and Renewals				
Number of leases signed	185	312	253	224
Total Square Feet	1,177,067	1,111,221	1,036,962	797,529
Leasing commission costs[2]	$ 21,120,331	$ 11,412,065	$ 11,716,091	$ 11,823,226
Tenant improvement costs[2]	$ 47,322,323	$ 35,493,556	$ 39,275,220	$ 22,665,740
Total leasing commissions and tenant improvement costs[2]	$ 68,442,654	$ 46,905,621	$ 50,991,311	$ 34,488,966
Leasing commission costs per square foot[2]	$ 17.94	$ 10.27	$ 11.30	$ 14.82
Tenant improvement costs per square foot[2]	$ 40.20	$ 31.94	$ 37.88	$ 28.42
Total leasing commissions and tenant improvement costs per square foot[2]	$ 58.15	$ 42.21	$ 49.17	$ 43.24

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Retail Properties [3]

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008
Total New Leases and Renewals				
Number of leases signed	14	21	26	9
Total Square Feet	45,990	85,949	107,717	12,591
Leasing commission costs[2]	$ 1,788,030	$ 2,666,173	$ 2,885,227	$ 1,565,062
Tenant improvement costs[2]	$ 212,088	$ 760,650	$ 215,000	$ 25,000
Total leasing commissions and tenant improvement costs[2]	$ 2,000,118	$ 3,426,823	$ 3,100,227	$ 1,590,062
Leasing commission costs per square foot[2]	$ 38.88	$ 31.02	$ 26.79	$ 124.30
Tenant improvement costs per square foot[2]	$ 4.61	$ 8.85	$ 2.00	$ 1.99
Total leasing commissions and tenant improvement costs per square foot[2]	$ 43.49	$ 39.87	$ 28.78	$ 126.29
Total Portfolio				
Capital expenditures[4]	$ 20,192,056	$ 46,729,861	$ 57,221,197	$ 58,031,971

(1) Excludes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties. Includes the Empire State Building broadcasting licenses and observatory operations.
(2) Presents all tenant improvement and leasing commission costs as if they were incurred in the period in which the lease was signed, which may be different than the period in which they were actually paid.
(3) Includes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties. Excludes the Empire State Building broadcasting licenses and observatory operations.
(4) Includes all capital expenditures, excluding tenant improvement and leasing commission costs, which are primarily attributable to the renovation and repositioning program conducted at our Manhattan office properties.

As of September 30, 2011, on a pro forma basis, we expect to incur additional costs of approximately $75.1 million relating to obligations under signed new leases. This consists of approximately $70.6 million for tenant improvements and other improvements related to new leases and approximately $4.5 million on leasing commissions.

We currently intend to invest between $175.0 million and $215.0 million of additional capital through the end of 2013 (excluding leasing commissions and tenant improvements) in continuation of our renovation and repositioning program for our Manhattan office properties. We expect to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation and repositioning program. In addition, we currently estimate that between $55.0 million and $65.0 million of capital is needed beyond 2013 to complete the renovation and repositioning program at the Empire State Building, which we expect to complete substantially in 2016 due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. However, these estimates are based on current budgets and are subject to change.

During the nine months ended September 30, 2011,

(i) we arranged a variable-rate mortgage loan on 501 Seventh Avenue in the amount of $6.5 million, bearing interest at LIBOR plus 200 basis points in connection with improvements as part of our renovation and repositioning program.

(ii) we refinanced mortgage loans on the Empire State Building totaling $92.0 million with a new secured term loan in the amount of up to $300.0 million (of which $159.0 million was drawn in 2011) bearing interest at 250 basis points over the 30-day LIBOR rate, in connection with improvements as part of our renovation and repositioning program.

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During 2010,

(i) we borrowed $9.1 million under an existing mortgage loan on 1333 Broadway bearing interest at 6.32% per annum in connection with improvements as part of our renovation and repositioning program; and

(ii) we refinanced a maturing $18.4 million loan on 10 Union Square with a $22.0 million mortgage bearing interest at a rate of 6.00% per annum. The net proceeds were used for tenant improvements, loan costs and to distribute $3.1 million to existing investors.

During 2009,

(i) we borrowed approximately $31.5 million through a fixed-rate mortgage loan on the Empire State Building bearing interest at 6.50% per annum, in connection with improvements as part of our renovation and repositioning program;

(ii) we borrowed approximately $16.0 million through a fixed-rate mortgage loan on One Grand Central Place bearing interest at 7.00% per annum, in connection with improvements as part of our renovation and repositioning program;

(iii) we arranged a variable-rate mortgage loan on 250 West 57th Street in the amount of $21.0 million (of which $0.9 million was drawn in 2009), bearing interest at a rate of Prime plus 100 basis points with a minimum floor of 6.50% per annum, in connection with improvements as part of our renovation and repositioning program;

(iv) we arranged a variable-rate mortgage loan on 1350 Broadway in the amount of $18.7 million (of which $0.7 million was drawn in 2010), bearing interest at a rate of Prime plus 100 basis points with a minimum floor of 6.50% per annum; and

(v) we borrowed a total of $23.7 million under existing mortgage loans on 1350 Broadway, 250 West 57th Street, and 1333 Broadway bearing interest at 5.87%, 6.13%, and 6.32% per annum, respectively, in connection with improvements as part of our renovation and repositioning program.

During 2008,

(i) we arranged a fixed-rate mortgage loan on 1350 Broadway in the amount of $39.8 million (of which $34.0 million was drawn in 2008) bearing interest at a rate of 5.87% per annum, in connection with improvements as part of our renovation and repositioning program;

(ii) we borrowed $29.2 million under an existing a fixed-rate mortgage loan on 1333 Broadway bearing interest at a rate of 6.32% per annum, in connection with improvements as part of our renovation and repositioning program; and

(iii) we borrowed $3.0 million under an existing mortgage loan on 250 West 57th Street bearing interest at a rate of 6.13% per annum, in connection with improvements as part of our renovation and repositioning program.

These principal amounts and rates of interest represent the fair values at the date of financing.

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Leverage Policies

We expect to employ leverage in our capital structure in amounts determined from time to time by our board of directors. Although our board of directors has not adopted a policy that limits the total amount of indebtedness that we may incur, we anticipate that our board of directors will consider a number of factors in evaluating our level of indebtedness from time to time, as well as the amount of such indebtedness that will be either fixed or floating rate. Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur nor do they restrict the form in which our indebtedness will be taken (including, but not limited to, recourse or non-recourse debt and cross collateralized debt). Our board of directors may from time to time modify our leverage policies in light of the then current economic conditions, relative costs of debt and equity capital, market values of our properties, general market conditions for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors.

Consolidated Indebtedness to be Outstanding After This Offering

Upon completion of this offering and the formation transactions, we expect to have pro forma total indebtedness outstanding of approximately $1.04 billion (based on September 30, 2011 pro forma outstanding balances). This indebtedness is comprised of 23 mortgage loans secured by 17 of our properties, including the secured term loan on the Empire State Building, 84.0% of which is anticipated to be at fixed rates. The weighted average interest rate on the total indebtedness is expected to be 5.29% per annum.

The following table (in thousands) sets forth certain information with respect to the mortgage indebtedness as of September 30, 2011 that we expect will be outstanding after this offering and the formation transactions.

Property Name	Stated Interest Rate	Principal Balance as of September 30, 2011	Debt Service Nine months Ended September 30, 2011	Amortization Commencement Date/Period	Maturity Date[1]	Estimated Principal Balance at Maturity
69-97 Main Street, Westport, CT	5.64%	$ 9,402	$ 519	05/01/07; 30 years	05/01/13	$ 9,150
501 Seventh Avenue						
(first lien mortgage loan)	5.75%	$ 1,118	$ 74	02/07/05; 25 years	08/01/13	$ 1,053
(second lien mortgage loan)[2]	5.75%; 6.04%	$ 41,271	$ 2,736	25 years[3]	08/01/13	$ 38,913
(third lien mortgage loan)	LIBOR + 2.0%	$ 6,540	$ 25[4]	Interest Only	08/01/13	$ 6,540
The Empire State Building (secured term loan)[5]	LIBOR + 2.5%	$ 159,000	$ 439	Interest Only	07/26/14	$ 159,000
1359 Broadway						
(first lien mortgage loan)	5.75%	$ 10,323	$ 685	02/16/05; 25 years	08/01/14	$ 9,366
(second lien mortgage loan)[6]	5.75%; 5.87%; 6.40%	$ 37,765	$ 2,484	02/16/05; 25 years	08/01/14	$ 34,781
One Grand Central Place	5.34% - 7.00%	$ 92,050	$ 5,588	25 years[7]	11/05/14	$ 84,411
500 Mamaroneck Avenue	5.41%	$ 34,075	$ 1,858	02/01/07; 30 years	01/01/15	$ 31,827

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Property Name	Stated Interest Rate	Principal Balance as of September 30, 2011	Debt Service Nine months Ended September 30, 2011	Amortization Commencement Date/Period	Maturity Date[1]	Estimated Principal Balance at Maturity
250 West 57th Street						
(first lien mortgage loan)	5.33%	$ 27,409	$ 1,658	01/05/07; 25 years	01/05/15	$ 24,680
(second lien mortgage loan)	6.13%	$ 11,842	$ 729	04/05/09; 25 years	01/05/15	$ 10,937
(third lien mortgage loan)	Greater of 6.50% and Prime +1%[8]	$ 935	$ 46	Interest Only	01/05/15	$ 935
Metro Center						
(Note 1)[9]	5.80%	$ 61,701	$ 3,707	12/31/03; 30 years	01/01/16	$ 55,144
(Note 2)[9]	6.02%	$ 38,856	$ 2,163	08/01/09; 30 years	01/01/16	$ 36,225
10 Union Square	6.00%	$ 21,645	$ 1,198	04/28/10; 30 years	05/01/17	$ 19,752
10 Bank Street	5.72%	$ 34,628	$ 1,872	07/01/09; 30 years	06/01/17	$ 31,194
1542 Third Avenue	5.90%	$ 19,788	$ 1,132	05/09/07; 30 years	06/01/17	$ 17,569
First Stamford Place	5.65%	$ 250,000	$ 10,711	Interest only[10]	07/05/17	$ 231,607
383 Main Avenue	5.59%	$ 31,536	$ 1,677	08/05/09; 30 years	07/05/17	$ 28,278
1010 Third Avenue and 77 West 55th Street	5.69%	$ 29,126	$ 1,565	08/05/09; 30 years	07/05/17	$ 26,160
1333 Broadway	6.32%	$ 79,946[11]	$ 3,375	Interest Only[12]	01/05/18	$ 66,602
1350 Broadway						
(first lien mortgage loan)	5.87%	$ 43,892[13]	$ 1,750	Interest Only[14]	04/05/18	$ 36,983
(second lien mortgage loan)	Greater of 6.50% and Prime +1%[15]	$ 777[16]	$ 34	Interest Only	04/05/18[17]	$ 677
Total/Weighted Average:	5.29%	$ 1,043,625	$ 46,026			$ 961,784

(1) Pre-payment is generally allowed for each loan upon payment of a customary pre-payment penalty.
(2) Represents the two tranches of the second lien mortgage loan.
(3) Amortization began on April 1, 2005 as to $39,424 original principal and on April 1, 2006 as to $8,276 original principal.
(4) Loan made on June 29, 2011.

(5) Loan is secured by the Empire State Building. This loan closed in July 2011. For a description of the loan, see Description of Certain Debt Empire State Building Secured Term Loan below.
(6) Represents three tranches of the second lien mortgage loan.
(7) Amortization began on August 7, 2007 as to $84,000 original principal and on November 5, 2009 as to $16,000 original principal.
(8) We have the option to fix the interest rate on all or any portion of the principal, up to three times during the term of the loan and in minimum increments of $5,000 to an annual rate equal to either (i) the greater of (a) 6.50% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Fed Reserve Board as of two days prior to the effective date of the fixing of the interest rate, and (ii) the greater of

(a) 6.75% or (b) 325 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Federal Reserve Board as of 30 days prior to the effective date of the fixing of the interest rate. If option (i) is selected, we will be subject to the payment of pre-payment fees, and if option (ii) is selected, we may prepay the loan without any pre-payment fees.

(9) Notes 1 and 2 are pari passu.

(10) Amortization will begin on August 5, 2012, with a period of 30 years.

(11) Includes unamortized premium of $8,746.

(12) Amortization will begin on February 5, 2013, with a period of 30 years.

(13) Includes unamortized premium of $4,142.

(14) Amortization will begin on May 5, 2013, with a period of 30 years.

(15) Prior to October 10, 2014, we have the option to fix the interest rate on all or any portion of the principal, up to three times and in minimum increments of $5,000 to an annual rate equal to either (i) the greater of (a) 6.50% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to October 10, 2014 as most recently made available by the Fed Reserve Board as of two business days prior to the effective date of the fixing of the interest rate. Upon the earlier of (i) October 10, 2012, or (ii) 90 days after 90% of the loan has been advanced, the interest rate on the remaining portion of the loan that has not been previously fixed shall be fixed until October 10, 2014 at an annual rate equal to the greater of (a) 6.50% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to October 14, 2014 as most recently made available by the Federal Reserve Board as of two business days prior to the effective date of the fixing of the interest rate.

(16) Includes unamortized premium of $100.

(17) We have the right to extend the maturity date to April 5, 2018. If we elect to extend the term of the loan, the interest rate will be reset at an annual rate equal to, at our option, either: (i) the greater of (a) 6.5% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to April 5, 2018 as most recently made available by the Fed Reserve Board as of 30 days prior to the first day of the extended term of the loan or (ii) the greater of (a) 6.75% or (b) 325 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to April 5, 2018 as most recently made available by the Federal Reserve Board as of 30 days prior to the first day of the extended term of the loan. If option (i) is elected, we will be subject to the payment of pre-payment fees, and if option (ii) is selected, we may prepay the loan without any pre-payment fees.

Description of Certain Debt

The following is a summary of the material provisions of the secured term loan agreement with respect to the loan secured by the Empire State Building.

Empire State Building Secured Term Loan

On July 26, 2011, we entered into a three-year term loan, or our secured term loan, with institutional lenders, including HSBC Bank USA, National Association as agent and HSBC Bank USA, National Association and DekaBank Deutsche Girozentrale as lead arrangers. The secured term loan is secured by the Empire State Building. The secured term loan was amended by the First Amendment to Loan Agreement, Ratification of Loan Documents and Omnibus Amendment dated as of November 2, 2011 to provide for additional commitments from Capital One, National Association so that, collectively, the loan was increased to $300.0 million. No additional funds were drawn at the time of the modification.

The lenders provided us with an initial advance of $159.0 million and, subject to the conditions set forth in the secured term loan agreement (as amended), agreed to provide us with additional advances of up to $141.0 million. Provided no event of default has occurred, and subject to other conditions, upon our request, HSBC has also agreed to source further additional commitments aggregating up to $200 million in the sole discretion of the lenders. If this is accomplished, the secured term loan would increase to $500 million.

The outstanding principal amount of the secured term loan bears interest at a rate equal to 2.5% per annum above 30-day LIBOR, unless such rate is not available, in which event the secured term loan would bear interest at 2.5% per annum in excess of (i) HSBC s prime rate or (ii) the BBA LIBOR Daily Floating Rate. The initial advance noted above accrued interest at the BBA LIBOR Daily Floating Rate plus the margin of 2.5% per annum until August 1, 2011. In connection with this loan, we issued promissory notes, a mortgage encumbering the Empire State Building in favor of the lenders, and other customary security and other loan documents. The maturity date of this loan is July 26, 2014, which we may extend to July 26, 2015 and thereafter to July 26, 2016, in each case, upon payment of an extension fee of 0.25% of the total availability under the secured term loan

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agreement at the time of such extension. Such extensions are subject to customary conditions, including the satisfaction of certain loan-to-value and debt yield ratios at the time the extension is requested and the absence of an event of default.

The initial advance of $159.0 million was used to pay and discharge then existing secured mortgage loans relating to the Empire State Building and to fund operations and working capital requirements related to the Empire State Building (including for improvements).

Payment obligations relating to the secured term loan may be accelerated upon the occurrence of an event of default under the secured term loan agreement. Events of default under the secured term loan agreement include, subject in some cases to specified cure periods: payment defaults; failure by us to pay taxes; failure to keep certain insurance policies in effect; breaches of representations and covenants contained in the mortgage; defaults in the observance or performance of covenants; inaccuracy of representations and warranties in any material respect; bankruptcy and insolvency related defaults; and the entry of one or more final judgments for the payment of more than $1 million that are not satisfied within 30 days.

The secured term loan agreement contains affirmative and negative covenants customary for financings of this type. Negative covenants in the secured term loan agreement limit our ability, subject to certain exceptions, to transfer all or substantially all of our property; incur indebtedness and liens; dissolve, liquidate or enter into mergers or similar transactions; change our line of business; cancel debt; enter into transactions with affiliates; rezone our property; sell our assets; make certain distributions to investors; and change our organizational documents. We must also maintain a debt yield as specified in the secured term loan agreement.

Restrictive Covenants

The terms of our mortgage debt include certain restrictions and covenants which may limit, among other things, certain investments, the incurrence of additional indebtedness and liens and the disposition or other transfer of assets and interests in the borrower and other credit parties, and requires compliance with certain debt yield, debt service coverage and loan to value ratios. In addition, our secured term loan restricts the payment of dividends prior to the payment of operating expenses.

Contractual Obligations

The following table summarizes the amounts due in connection with our contractual obligations described below as of December 31, 2010 for the years ended December 31, 2011 (assuming all debt obligations as of September 30, 2011 were outstanding as of January 1, 2011) through 2016 and thereafter on a pro forma basis (in thousands). For a description of the pro forma adjustments made to our predecessor s historical financial statements, See Unaudited Pro Forma Financial Information.

	Pro Forma Year Ended December 31,							
	2011	2012	2013	2014	2015	2016	Thereafter	Total
Mortgages and other debt[1]								
Interest expense	$ 54,544	$ 54,103	$ 52,067	$ 45,915	$ 33,445	$ 27,659	$ 18,535	$ 286,268
Amortization	$ 10,318	$ 12,275	$ 15,468	$ 14,841	$ 10,203	$ 8,400	$ 5,616	$ 77,121
Principal repayment			$ 55,543	$ 287,211	$ 68,426	$ 91,369	$ 458,822	$ 961,371
Ground leases	$ 108	$ 108	$ 108	$ 108	$ 108	$ 108	$ 2,763	$ 3,411
Operating leases								
Tenant improvement and leasing commission costs[2]	$ 72,741	$ 37,536						$ 110,277
Total	$ 137,711	$ 104,022	$ 123,186	$ 348,075	$ 112,182	$ 127,536	$ 485,736	$ 1,438,448

(1) Assumes no extension options are exercised.
(2) The timing of the amounts due in connection with our contractual obligations associated with tenant improvement and leasing commission costs are not ascertainable and, accordingly, such amounts have been recorded equally in both 2011 and 2012.

Off-Balance Sheet Arrangements

As of September 30, 2011, we did not have any off-balance sheet arrangements.

Distribution Policy

In order to qualify as a REIT, we must distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income (including net capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax liability on our income and the 4% nondeductible excise tax.

Before we pay any distribution, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and obligations to make payments of principal and interest, if any. However, under some circumstances, we may be required to use cash reserves, incur debt or liquidate assets at rates or times that we regard as unfavorable or make a taxable distribution of our shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax in that year. However, we currently have no intention to use the net proceeds from this offering to make distributions nor do we currently intend to make distributions using shares of our common stock.

Cash Flows

Comparison of Nine Months Ended September 30, 2011 to Nine Months Ended September 30, 2010 (in thousands)

Net cash. Cash on hand was $125,924 and $80,482, respectively, as of September 30, 2011 and 2010.

Operating activities. Net cash provided by operating activities increased by $10,951 to $61,507 for the nine months ended September 30, 2011 compared to $50,556 for the nine months ended September 30, 2010. This increase primarily resulted from an increase in net operating income generated by our properties.

Investing activities. Net cash used in investing activities increased $11,513 to $42,218 for the nine months ended September 30, 2011 compared to $30,705 for the nine months ended September 30, 2010. This increase resulted primarily from a $12,890 increase in tenant improvement costs.

Financing activities. Net cash provided in financing activities increased $52,292 to $18,836 for the nine months ended September 30, 2011 compared to $33,456 of net cash used for the nine months ended September 30, 2010. This increase primarily resulted from a $67,000 increase in net borrowings in connection with the Empire State Building, partially offset by financing charges of $6,554 on the new loan and an increase in deferred costs of $8,744 relating to the consolidation.

Comparison of Year Ended December 31, 2010 to Year Ended December 31, 2009 (in thousands)

Net cash. Cash on hand was $88,031 and $94,087, respectively, as of December 31, 2010 and 2009.

Operating activities. Net cash provided by operating activities increased $15,872 to $74,381 for the year ended December 31, 2010 compared to $58,509 for the year ended December 31, 2009. This increase primarily resulted from an increase in net operating income generated by our properties and the timing in which we settled accounts payable and accrued expenses.

Investing activities. Net cash used in investing activities decreased $3,780 to $34,837 for the year ended December 31, 2010 compared to $38,617 for the year ended December 31, 2009. This decrease of net cash used in investing activities primarily resulted from a decrease in capital expenditures and costs associated with the development of Metro Tower of $14,353 partially offset by an increase in tenant improvements of $10,862.

Financing activities. Net cash used in financing activities increased $40,565 to $45,600 for the year ended December 31, 2010 compared to $5,035 for the year ended December 31, 2009. This increase primarily resulted from a decrease in net borrowings, including financing charges, of $43,212 and a decrease in contributions of $1,615 partially offset by a decrease in distributions of $8,152.

Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008 (in thousands)

Net cash. Cash on hand was $94,087 and $79,230, respectively, as of December 31, 2009 and 2008.

Operating activities. Net cash provided by operating activities decreased $16,901 to $58,509 for the year ended December 31, 2009 compared to $75,410 for the year ended December 31, 2008. This decrease primarily resulted from a decrease in net operating income generated by our properties ($10,883) plus changes in operating assets and liabilities ($16,274), offset by a decrease in investment in non-controlled entities ($2,622) and an increase in depreciation and amortization ($2,698).

Investing activities. Net cash used in investing activities increased $24,849 to $38,617 for the year ended December 31, 2009 compared to $13,768 for the year ended December 31, 2008. This increase of net cash used in investing activities primarily resulted from an increase in capital expenditures of $20,955, an increase in tenant improvements of $2,716 and a decrease in restricted cash used for investing activities of $1,520 partially offset by a decrease in costs associated with the development of Metro Tower of $342.

Financing activities. Net cash used in financing activities decreased $60,789 to $5,035 for the year ended December 31, 2009 compared to $65,824 for the year ended December 31, 2008. This decrease primarily resulted from an increase in net borrowings, including financing charges, of $40,783, a decrease in distributions of $18,584 and an increase in contributions of $1,422.

Net Operating Income

Following the closing of this offering, our financial reports will include a discussion of property net operating income, or NOI. NOI is a non-GAAP financial measure of performance. NOI is used by investors and our management to evaluate and compare the performance of our properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by (i) the cost of funds of the property owner; (ii) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP; or (iii) general and administrative expenses and other gains and losses that are specific to the property owner. The cost of funds is eliminated from net operating income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our office or retail properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a

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result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed purchases or sales. We believe that eliminating these costs from net income is useful because the resulting measure captures the actual revenue, generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income which further limits its usefulness.

NOI is a measure of the operating performance of our properties but does not measure the performance of our company as a whole. NOI is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income computed in accordance with GAAP and discussions elsewhere in this Management s Discussion and Analysis of Financial Condition and Results of Operations regarding the components of net income that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, our NOI may not-be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

The following table presents a reconciliation of our historical and pro forma net income, the most directly comparable GAAP measure, to NOI for the periods presented (in thousands):

	Pro Forma		Historical			
	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010	2009	2008
Net income[1]	$ 71,045	$ 84,609	$ 34,234	$ 46,118	$ 41,837	$ 52,720
Add:						
Marketing, general and administrative expenses	$ 23,083	$ 23,534	$ 13,431	$ 13,924	$ 16,145	$ 17,763
Total depreciation and amortization[2]	$ 41,811	$ 57,481	$ 31,245	$ 40,121	$ 33,986	$ 31,066
Interest expense, net[3]	$ 46,237	$ 57,290	$ 44,519	$ 55,851	$ 53,768	$ 50,483
Construction expenses	$ 34,121	$ 27,581	$ 34,121	$ 27,581	$ 17,281	$ 56,080
Less:						
Construction revenue	$ (35,323)	$ (27,139)	$ (35,323)	$ (27,139)	$ (15,977)	$ (56,561)
Third-party management and other fees	$ (4,671)	$ (3,750)	$ (4,671)	$ (3,750)	$ (4,296)	$ (5,916)
Net operating income	**$ 176,303**	**$ 219,606**	**$ 117,556**	**$ 152,706**	**$ 142,744**	**$ 145,635**
Other Net Operating Income Data						
Straight line rental revenue	$ 6,591	$ 12,635	$ 2,434	$ 4,032	$ 1,149	$ 1,982

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	Pro Forma		Historical			
	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010	2009	2008
Net Increase (decrease) in rental revenue from the amortization of in place lease assets, above and below-market lease assets and liabilities	$ 1,243	$ (6,716)				
Amortization of assumed below market ground lease(4)	$ 1,226	$ 1,635				
Ground rent earned from non-controlled entities(4)			$ 9,593	$ 17,106	$ 19,717	$ 15,380
Management fees from non-controlled entities			$ 2,324	$ 1,254	$ 1,383	$ 1,834

(1) Excludes gains/losses from sales.
(2) Includes adjustment for proportionate share of depreciation and amortization expense relating to non-controlled entities of $5,472 for the nine months ended September 30, 2011 and $6,080, $4,659 and $4,228 for the three years ended December 31, 2010.
(3) Includes adjustment for proportionate share of interest expense, net related to non-controlled entities of $2,787 for the nine months ended September 30, 2011 and $3,587, $3,030 and $1,819 for the three years ended December 31, 2010.
(4) Upon completion of this offering and the formation transactions, we will incur amortization of the assumed below-market ground lease attributable to 1350 Broadway, in addition to the contractual ground rent payment of $108.

Funds from Operations

We present below a discussion of funds from operations, or FFO. We compute FFO in accordance with the White Paper on FFO published by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) (determined in accordance with GAAP), excluding impairment writedowns of investments in depreciable real estate and investments in in-substance real estate investments, gains or losses from debt restructurings and sales of depreciable operating properties, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs), less distributions to non-controlling interests and gains/losses from discontinued operations and after adjustments for unconsolidated partnerships and joint ventures. FFO is a widely recognized non-GAAP financial measure for REITs that we believe, when considered with financial statements determined in accordance with GAAP, is useful to investors in understanding financial performance and providing a relevant basis for comparison among REITs. In addition, FFO is useful to investors as it captures features particular to real estate performance by recognizing that real estate has generally appreciated over time or maintains residual value to a much greater extent than do other depreciable assets. Investors should review FFO, along with GAAP net income, when trying to understand an equity REIT s operating performance. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that results from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs. FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income (loss) determined in accordance with GAAP or to cash flow from operating activities determined in accordance with GAAP. FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Although FFO is a measure used for comparability in assessing the performance of REITs, as the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one company to another.

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The following table presents a reconciliation of our historical and pro forma net income, the most directly comparable GAAP measure, to FFO for the periods presented (in thousands):

	Pro Forma		Historical			
				For the Year Ended December 31,		
	For the Nine Months Ended September 30, 2011 (unaudited)	For the Year Ended December 31, 2010 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)	2010	2009	2008
Net income[(1)]	$ 71,045	$ 84,609	$ 34,234	$ 46,118	$ 41,837	$ 52,720
Add:						
Real estate depreciation and amortization[(2)]	$ 41,280	$ 56,703	$ 30,978	$ 39,709	$ 33,621	$ 30,793
Funds from operations	**$ 112,325**	**$ 141,312**	**$ 65,212**	**$ 85,827**	**$ 75,458**	**$ 83,513**

(1) Excludes gains/losses from sales.
(2) Includes adjustment for proportionate share of real estate depreciation and amortization expense relating to non-controlled entities of $5,337 for the nine months ended September 30, 2011 and $5,915, $4,559 and $4,208 for the three years ended December 31, 2010.

EBITDA

We present below a discussion of EBITDA. We compute EBITDA as net income plus interest expense, net of interest income, income taxes and depreciation and amortization. We present EBITDA because we believe that EBITDA, along with cash flow from operating activities, investing activities and financing activities, provides investors with an additional indicator of our ability to incur and service debt. EBITDA should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of our financial performance, as an alternative to net cash flows from operating activities (determined in accordance with GAAP), or as a measure of our liquidity.

The following table presents a reconciliation of our historical and pro forma net income, the most directly comparable GAAP measure, to EBITDA for the periods presented (in thousands):

	Pro Forma		Historical			
				For the Year Ended December 31,		
	For the Nine Months Ended September 30, 2011	For the Year Ended December 31, 2010	For the Nine Months Ended September 30, 2011	2010	2009	2008
Net income[(1)]	$ 71,045	$ 84,609	$ 34,234	$ 46,118	$ 41,837	$ 52,720
Add:						
Income taxes[(2)]	$ 6,300	$ 2,200				
Interest expense, net[(3)]	$ 46,237	$ 57,290	$ 44,519	$ 55,851	$ 53,768	$ 50,483
Total depreciation and amortization[(4)]	$ 41,811	$ 57,481	$ 31,245	$ 40,121	$ 33,986	$ 31,066
EBITDA	**$ 165,393**	**$ 201,580**	**$ 109,998**	**$ 142,090**	**$ 129,591**	**$ 134,269**

(1) Excludes gains/losses from sales.
(2) Includes additional federal, state and local tax expense of $6,300 and $2,200 we expect to incur for the nine months ended September 30, 2011 and for the year ended December 31, 2010 related to our observatory operations through a TRS.

(3) Includes adjustment for proportionate share of interest expense, net related to non-controlled entities of $2,787 for the nine months ended September 30, 2011 and $3,587, $3,030 and $1,819 for the three years ended December 31, 2010.

(4) Includes adjustment for proportionate share of depreciation and amortization expense relating to non-controlled entities of $5,472 for the nine months ended September 30, 2011 and $6,080, $4,659 and $4,228 for the three years ended December 31, 2010.

Distribution to Equity Holders

Distributions have been made to equity holders in 2008, 2009, 2010 and for the nine months ended September 30, 2011 as follows:

For the year ended:	
December 31, 2008	$ 67,410,000
December 31, 2009	$ 48,826,000
December 31, 2010	$ 40,674,000
For the nine months ended:	
September 30, 2011	$ 34,751,000

Inflation

Substantially all of our leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. We do not believe inflation has had a material impact on our historical financial position or results of operations.

Seasonality

We do not consider our business to be subject to material seasonal fluctuations, except that our observatory business is subject to tourism trends and weather, and therefore does experience some seasonality. Over the past ten years, the number of visitors to the observatory, on average, has been slightly higher in the third quarter and slightly lower in the first quarter of each year.

Quantitative and Qualitative Disclosures About Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. One of the principal market risks facing us is interest rate risk on our floating rate indebtedness. Following this offering and the formation transactions, we expect to have floating rate mortgage loans on 501 Seventh Avenue (third lien), 250 West 57th Street (third lien), 1350 Broadway (second lien) and our secured term loan on the Empire State Building, which collectively represents 16.0% of our pro forma indebtedness.

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. Our primary objectives when undertaking hedging transactions and derivative positions will be to reduce our floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. This in turn will reduce the risk that the variability of cash flows will impose on floating rate debt. However, we can provide no assurances that our efforts to manage interest rate volatility will successfully mitigate the risks of such volatility on our portfolio. We are not subject to foreign currency risk.

We are exposed to interest rate changes primarily through (i) property-specific floating rate construction financing, and (ii) other property-specific floating rate mortgages. Our objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower our overall borrowing costs. To achieve these objectives, we may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps or caps in order to mitigate our interest rate risk on a related floating rate financial instrument. We do not enter into derivative or interest rate transactions for speculative purposes.

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As of September 30, 2011 and December 31, 2010, we had total outstanding pro forma floating rate mortgage debt obligations of $167.3 million and $1.6 million, respectively. Based on our variable balances, interest expense would have increased by approximately $1.7 million for the 12 months ended September 30, 2011, if short-term interest rates had been 1% higher. As of September 30, 2011 and December 31, 2010, the weighted average interest rate on the $863.5 million and $963.2 million, respectively, of pro forma fixed-rate indebtedness outstanding was 5.77% per annum, each with maturities at various dates through April 5, 2018.

As of September 30, 2011, our pro forma outstanding debt was approximately $1.04 billion, which was approximately $13.0 million more than the historical book value as of such date. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

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ECONOMIC AND MARKET OVERVIEW

Unless otherwise indicated, all information in this Economic and Market Overview section is derived from the market studies prepared by Rosen Consulting Group, or RCG, a national commercial real estate advisory company in January 2012. Market data not derived from the market studies prepared by RCG were derived from publicly available information and other industry sources. These sources generally state that the information they provide has been obtained from sources believed to be reliable. Forecasts are based on data (including third-party data), models and experience of these sources, and are based on various assumptions, all of which are subject to change without notice. There is no assurance any of the projected amounts will be achieved. We believe the data others have compiled are reliable, but we have not independently verified this information. The manner in which we define our property markets and submarkets differs from how RCG has done so in its market study included herein. Further, RCG s definition of the New York metropolitan area differs from our definition of the greater New York metropolitan area in that it includes Putnam County and Rockland County in New York and Bergen County, Hudson County, and Passaic County in Northern New Jersey and excludes Fairfield County in Connecticut.

New York Metropolitan Division Economy and Demographics

New York City Overview

As the financial and entertainment capital of the United States, New York City is a destination for new residents, businesses, and tourists alike. New York City is an international hub for entertainment, finance, culture, cuisine, art, education, political affairs and media. Home to major conglomerates in the areas of finance, entertainment, and advertising, New York City is also one of the most-prized office markets in the world. The market s high barriers to entry and wide array of office demand driving industries provides stability through economic cycles and a foundation for the market s growth over the long-term. The city s lively, 24-7 environment makes New York City a go-to destination for both domestic and international tourists and attracts close to 50 million visitors annually, which helps to maintain the market s status as one of the most expensive retail markets in the country. Reaching a record-breaking 50.2 million visitors in 2011, New York City remains a top tourist destination among U.S. cities. One of the world s premiere gateway cities, New York, with its large, diversified economy, will play a central role in the expanding global economy.

Regional Overview

The New York metropolitan division, which includes New York City, three suburban counties located north of New York City: Putnam County, Rockland County, and Westchester County, and three counties located in Northern New Jersey: Bergen County, Hudson County, and Passaic County, is the largest regional economy in the United States, with an employment base that totaled approximately 5.2 million as of November 2011. The New York metropolitan statistical area, which in addition to the aforementioned New York metropolitan division includes Long Island and parts of northern and central New Jersey, had a nominal gross product of $1.3 trillion in 2010, the latest data available and the largest in the United States. Because of its global reach and available professional, educational and cultural resources, the New York metropolitan division is a highly desirable location for businesses and new residents. While New York City remains the global financial capital, the regional economic base is diverse and driven by other major industries such as business services, education, health care, technology, tourism, media and publishing.

In November 2011, year-over-year employment growth in the Manhattan borough (New York County) increased for a second consecutive month, rising by 0.5% to approximately 933,000 jobs, according to the BLS Household Survey.

Major Economic Drivers

Anticipated to be one of the fastest-growing employment sectors during the forecast period, the professional and business services sector accounted for 15.4% of the total labor force and 14.6% of the New York

metropolitan statistical area s gross metropolitan area product in 2010, the latest available data for this sector, for a total of $187.4 billion. Payroll expansion in the professional and business services, trade, educational and health services, and leisure and hospitality sectors contributed to a healthy level of private sector hiring. Job growth within these sectors can be largely attributed to gains in tourism spending, the growth of New York s diverse array of technology-related industries, and favorable demographic trends in the area. Capitalizing on the area s concentration of technical and creative talent, the New York regional professional and businesses sector encompasses a variety of professions from engineering and law to architecture, fashion design, and marketing. The anticipated rise in demand for specialized services such as law, consulting, accounting, and architecture should increase as the larger economy recovers from recent lows, which should fuel growth in the sector. In New York City, the growth of companies in the professional and business services sector is closely tied to the health of the heavily concentrated finance and media industries. New York City s large, diverse and educated workforce should facilitate the continued growth of companies in research and development, as well as in computer systems design. A promising trend for both the New York City economy and office market is the expansion of high-tech companies in the market, which have contributed to the growth of the New York City economy during the recent decade, and will play a prominent role in the recovery of the economy and future expansion. The New York regional tech industry is the East Coast s answer to California s Silicon Valley. The area s proximity to existing media and entertainment networks, as well as the availability of highly-skilled talent and venture capital firms, should continue to attract tech entrepreneurs to New York City. This trend should support accelerated growth and visibility among burgeoning tech companies and the expansion of existing companies such as Foursquare, BuzzFeed, and Tumblr.

Despite the New York metropolitan division economy s increasing diversity, the financial activities sector remains a major growth driver in the economy, particularly because of the sector s concentration of high-income jobs and the business services needed to support operations. Many other sectors of the economy depend on the financial industry for growth including business services, retail trade, residential and commercial real estate, arts and leisure, and many others. Understandably, the unwinding of the financial markets had a disproportionately large effect on the New York region s financial services sector. During the two-year period following the onset of the national recession in December 2007, the New York region s financial services sector lost more than 200,000 jobs but has since recovered. As of late 2011, employers restaffed approximately 40% of the total jobs cut since the recession.

The educational and health services sector is also a major economic driver in the area, accounting for 20.0% of total employment or just over one million jobs as of November 2011. Expected to be one of the fastest-expanding employment sectors during the forecast period, educational services will benefit from the continued growth of younger age-cohorts combined with the heightened need for health services from aging baby-boomers. The sector recorded a gross product totaling $109.9 billion in 2010, the latest available data, or 8.5% of the total metropolitan statistical area economy. According to the 2009 American Community Survey, approximately 891,000 or 7.6% of the New York metropolitan division s estimated 11.7 million residents were enrolled in higher education. With more than 110 colleges and universities located within New York City, education is a major service industry in the local economy. The city s four medical schools are all attached to tertiary-care hospitals, forming academic medical centers that provide advanced care to local residents and the thousands of out-of-area patients who visit the area specifically to receive treatment in these centers. The strength of the sector is further bolstered by several major medical research facilities in the area. New York State s total funding by the National Institutes of Health was the second-highest of all states for 2009, with many recipients located in New York City.

A source for media and entertainment for both national and international audiences, the New York metropolitan division s information services sector, which accounts for 3.7% of total employment, encompasses a wide range of industries such as traditional print publishing, motion picture and audio recording, broadcasting, telecommunications, and others. The New York region is the country s largest media market and is home to some of the country s largest and most influential newspapers and publishing houses. The area is also home to the country s major television and record industry conglomerates and the world s largest advertising agencies. These

firms form a large base of tenants for New York City s office market. The information services sector gross product totaled $96.5 billion in 2010, the latest available data, or 7.5% of the overall economy. Going forward, while New York City is expected to maintain its place as the global center for television, music and publishing, long-term dynamic factors like technological advancements, shifting consumer preferences, and rising popularity of other forms of media are likely to cause continued shifts within the media and entertainment industry.

Dependent upon consumer spending habits and the area s bustling tourism industry, the New York metropolitan division s trade and leisure and hospitality sectors combined, to account for 22.2% of total employment with more than 1.1 million jobs as of November 2011. Fueled by retail sales and visitor spending, New York City s tourism industry is an integral part of the continued success of the local economy. In 2010, 48.7 million domestic tourists (80%) and international tourists (20%) visited New York City, accounting for approximately $31 billion in spending, which supports more than 300,000 jobs in the area. This surpasses the 2009 total of 45 million domestic visitors and $28.2 billion in spending. Following the stronger-than-expected recovery in the local tourism industry through 2010, the anticipated continuation of this trend should allow the city to reach its goal of attracting 50 million visitors annually by 2012.

The fashion industry remains an important source of job growth and office demand in New York City. According to the New York Economic Development Corporation, New York City s fashion industry the largest in the country employs approximately 165,000 people, accounting for approximately 5.5% of the city s workforce, and serves as the headquarters for more than 900 fashion companies. The New York metropolitan division s fashion industry consists of jobs in fashion/apparel design and trade, which are largely concentrated in the Manhattan s Garment Center District, as well as Chinatown and Long Island City.

Demographic Characteristics

The New York metropolitan division has the largest and one of the wealthiest populations of any U.S. metropolitan region, with approximately 11.6 million residents living within the 11-county metropolitan division defined by the Census, as of 2010. Historically, the New York metropolitan division s large and stable population base generally grows more slowly than the national average in percentage terms. Through the previous decade, the New York metropolitan division s population growth averaged 0.3% annually, rising at a slower pace in comparison with the national average of 0.9% growth per year. However, the New York metropolitan area s population grew by 574,107 people in the ten years through 2010, making it the ninth-fastest-growing region during the previous decade in terms of total new residents added. In 2010, the New York metropolitan division s mean per capita income was $52,963. During the most recent recession, the onset of the credit crunch and subsequent financial crisis led to a significant deceleration in the New York metropolitan division s per capita income growth but, more recently, trended upwards to 1.5% in 2010. As a result of accommodative federal fiscal and monetary policies initiated in 2007, a decline in per capita income in 2008 and 2009 was prevented. As per capita income levels rebound as a result of improvements to the local job market, the resulting rise in disposable income levels should drive more robust retail sales activity in the coming years.

As of 2010, an estimated 4.3 million households were located in the New York metropolitan division. A variety of factors influence the rate of household creation, including job growth, housing supply and costs, and overall population growth, among others. Through the last decade, the total number of households in the New York metropolitan division grew at a slower pace than the national average, rising by 0.3% annually on average between 2000 and 2010 compared to household growth nationally, which increased at an annual average rate of 1.1% during the same period. More recently, since the onset of the national recession in 2007, household creation in the New York metropolitan division has accelerated at a time when the national rate of household creation has decelerated as the decline in rental rates combined with positive job growth facilitated new household creation.

Forecast and Outlook

Driven by positive net migration through the forecast period resulting from a continued influx of new residents from other states and other countries, we expect the New York metropolitan division s population to

rise at a relatively strong rate compared with the last decade. In the forecast period through 2015, population is forecasted to grow at an average annual rate of 0.5%. In absolute terms, the forecast calls for population to increase by 314,000 through 2015. As new residents move into vacant housing units and sustained job creation encourages households to unbundle, the rate of household creation is expected to closely mirror the rate of population growth through forecast period. Total households will likely grow, on average, 0.5% annually during the five years through 2015. The national household growth rate is expected to surpass that of the New York metropolitan division and average 0.9% growth annually through 2015.

Our expectations for positive population growth and household formation are driven by our forecast for sustained job growth and moderate economic recovery during the forecast period. Following the moderate improvements to payroll levels in 2011, we expect total payroll employment to expand at a healthy pace through the remainder of the forecast period as the recovery and restaffing within the private sector gains momentum. Much of the employment growth will be concentrated in Manhattan.

Following an anticipated pullback in the pace of job creation through the near-term forecast period to 0.4% in 2012, job growth throughout the metropolitan division should accelerate through the latter half of the forecast period, reaching a year-over-year rate of 1.4% by the end of 2015, led by healthy gains in the professional and business services, financial activities, and educational and health services sectors. Supporting the expansion of the labor force during this time will be the strong rebound in leisure and hospitality employment fueled by the recovery in tourism and business travel by both domestic and international visitors. By comparison, the rate of employment growth at the national level is forecasted to rise to by 1.2% in 2012. Job growth at the local level is expected to ease through 2012 fueled by stagnant job growth across the financial services industry. Following this slowdown in the rate of job creation, job growth in the New York metropolitan division is expected to increase to 1.0% by 2013 and 1.4% by 2014, outpacing the rate of job growth nationally during this period. By 2015, job creation in the New York metropolitan division is expected to rise by 1.4%, closely mirroring the pace of job creation at the national level.

Despite recent turmoil in the financial services industry and rising influence from financial centers in other countries, New York City will maintain its role as the primary financial capital of the world. The New York regional economy will be further strengthened as the metropolitan division s economic base adapts and diversifies in lockstep with the evolution of the business and regulatory environment. Looking forward, industries such as new media, health care, business services, and education will drive growth in the market, strengthening New York City s appeal to tourists and business travelers. These favorable economic and demographic trends during the forecast period will likely translate into a healthy, though moderate, rebound in retail sales during this time.

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Stamford Metropolitan Statistical Area Economy and Demographics

Regional Overview

The Stamford metropolitan statistical area encompasses all of Fairfield County, the most populous county in the State of Connecticut, which includes the cities of Stamford and Norwalk and the towns of Greenwich, New Canaan, Darien, Westport, Weston, and Wilton. With an employment base that totaled approximately 395,000 jobs as of November 2011, the area is home to companies from a broad range of industries such as television, computer software, chemicals, and manufacturing, in addition to industry-leading hedge funds and investment management firms. In addition to the metropolitan statistical area s financial prowess, the regional economy is also driven by trade, professional and business services, and educational and health services sectors. Fairfield County s diverse economic base should promote the influx of companies into the area, promoting the area s long-term economic and demographic growth, as well as for the health of the area s commercial real estate market.

Major Economic Drivers

Home to numerous corporate divisions and major players in the financial services industry, Fairfield County has one of the largest concentrations of financial services companies and corporations, which include UBS, RBS Securities, and GE Capital. The City of Stamford remains the economic engine of Fairfield County and is home to a number of Fortune 500 companies. Companies headquartered or with large operating divisions housed within the metro division include Nestle, Starwood, Thomson Reuters, Xerox, Elizabeth Arden, and Pitney Bowes.

A major driver of the Stamford metropolitan statistical area economy is the financial activities sector, which employed approximately 42,200 people as of November 2011 and accounted for roughly 10.7% of the total labor force and 26.2% of total earnings in the metropolitan statistical area as of 2008, the latest data available. In 2010, the finance industry accounted for approximately 40.2% of GDP growth in the Stamford metropolitan statistical area.

Employment in professional and business services composed 16.0% of the total labor force with close to 64,000 employed as of November 2011. Second only to the area s finance industry, the professional and business services sector accounts for approximately 14.6% of the Stamford metropolitan statistical area GDP in 2010.

With more than 68,300 people employed in educational and health services as of November 2011, 17.3% of total employment was in this sector, the largest employment sector by total number of people employed.

Trade is also a major driver of the economy, employing 59,200 people as of November 2011, accounting for 15.0% of total employment in the area. The City of Stamford is the major retail center of Fairfield County.

Demographic Characteristics

Fairfield County is often the preferred location to raise families due to the high quality of life offered by Southwestern Connecticut s suburban neighborhoods. The expansion of companies in the area in addition to the area s high-quality residential product, cultural amenities, and convenient public transportation has led to an increase in the number of workers commuting into Fairfield County from surrounding locations, many of which utilize the area s public transportation network. The area s extensive network is centered on the Stamford Transportation Center, which is in close proximity to the city s major retail and office hubs. More than 30% of all riders passing through the transit center commute for work into the Stamford metropolitan statistical area. The busiest New Haven Line station outside of New York City, the Stamford Transportation Center has facilitated the rise in the number of reverse commuters into Fairfield County from New York City, which doubled during the 10-year period from 1997 to 2007, with approximately 1,900 riders commuting into the Fairfield County area as of 2007. Commonly referred to as the Gold Coast, the southwestern portion of Fairfield County is known for its concentration of exceptional wealth. The region is known for having some of the wealthiest towns and neighborhoods in the country, which include the towns of New Canaan, Greenwich, and Weston.

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In 2010, households with incomes of $100,000 or greater made up 38.8% of all households in Fairfield County, surpassing the number of $100,000 or greater income households nationally (19.9%) and in the state of Connecticut (29.9%), according to the 2010 American Community Survey. An indication of the extreme concentration of wealth in the area, the percentage of households with incomes of $200,000 or greater was 14.3% in Fairfield County compared to 3.9% nationally and 7.6% in the State of Connecticut.

The concentration of wealthy households in the area should increase as financial markets stabilize and employment levels in the region gradually revert to pre-recession levels. Per capita income in the Stamford metropolitan statistical area was $75,868 in 2010, a 2.4% increase from the previous year the first annual increase in per capita personal income since 2007.

Forecast and Outlook

In comparison to the previous decade, we expect total population in the area to rise at a faster rate, driven by positive net migration through the forecast period, which is expected to average 1,300 residents annually through the forecast period ending in 2015. The total population is forecasted to grow at an average annual rate of 0.6%. In absolute terms, the forecast calls for population to increase by close to 30,000 through 2015. Our household formation forecast is expected to follow a similar trend and increase by an annual average rate of 0.6%.

We expect total employment in Fairfield County to increase through the near-term forecast period, as a result of the on-going recovery in the financial markets and increased job growth across a broader array of industries. Following the estimated 0.4% decline in total employment in 2011, we expect more robust job creation, particularly among the economy s largest job employment sectors, to result in an annual employment growth rate of 0.9% in 2012 followed by a 0.6% rise in 2013. As the economy enters a more prosperous phase of the economic cycle, job growth is expected to rise to 1.1% by 2014 as companies in the financial activities, leisure and hospitality, as well as educational and health services employment sectors re-staff at a more brisk pace. We expect the economy to regain momentum, resulting in a 1.2% employment growth rate in 2015. The forecasted 14,100 net jobs added during the five-year period from 2010 to 2015 replenishes 53% of the roughly 27,000 jobs lost during the two-year period following the onset of the national recession in December 2007.

Office Markets

Manhattan

Manhattan s office market is by far the largest in the United States measured by total square footage. With approximately 393 million square feet of office space, the island leads every other major city by a healthy margin. For comparison, the Washington, D.C. and Chicago office markets contain 289 million square feet and

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214 million square feet, respectively. Rounding out the top five are Los Angeles with 194 million square feet of space and Boston with 183 million square feet. Manhattan is further split into three major markets: Midtown, Midtown South and Downtown. Midtown is defined to include the land north of 32nd Street east of 6th Avenue and north of 30th Street west of 6th Avenue. Midtown South is between Midtown and 14th Street. Downtown is defined to include all areas south of Canal Street and the Manhattan Bridge. The depth of New York s workforce, economic ties with countries around the globe, and clusters of sophisticated service industries make Manhattan a highly desirable place to do business, which together drive strong demand for office space irrespective of economic cycles. While the local office tenant base is broad, several industries cluster in Manhattan office space, including financial activities, legal, consulting and other professional services, media and publishing, advertising, communications, and fashion/apparel.

Demand-Supply Analysis

The recovery of the Manhattan office market is well underway, with each submarket recording positive net absorption for 2011. Demand for office space bounced back through the year, with leasing activity in 2011 increased 14% over 2010 to its highest level in a decade, according to Cushman & Wakefield. Positive net absorption totaled approximately 5.5 million square feet during the year. Office employment grew by 1.3% year-to-date through November 2011, which translates into approximately 18,200 new office jobs. The overall vacancy rate, which includes all non-owner-occupied, Class A, B and C office buildings in Manhattan, decreased to 9.1% as of the fourth quarter of 2011 from 10.5% at year-end 2010. No new multi-tenant buildings came online in Manhattan during 2011. In Midtown, the office vacancy rate decreased by 1.0 percentage points to 9.6% during the year. The Downtown office vacancy rate decreased 1.4 percentage points to 9.5%. Within the Midtown South submarket, the vacancy rate decreased 2.2 percentage points to 6.4%. Manhattan s vacancy rate compares favorably with other U.S. gateway cities. Its overall office vacancy rate was lower than Boston, Chicago, Los Angeles, San Francisco and Washington, D.C. since at least 2005. As of the fourth quarter of 2011, the vacancy rates in these other gateway cities ranged between 11.4% in San Francisco and 18.9% in Chicago, compared with 9.1% in Manhattan. The Manhattan vacancy rate also compares favorably to other major CBDs. As of the end of 2011, the vacancy rate in the CBDs of these gateway cities ranged from 9.7% in San Francisco to 19.1% in Los Angeles.

Leasing office space in Manhattan and, in particular, within the Midtown market is the most expensive in terms of overall average gross asking rents among major office markets within the United States, far exceeding those of other gateway cities. As of the fourth quarter of 2011, the overall total market average gross asking rents in the Boston, Chicago, Los Angeles, San Francisco and Washington, D.C. office markets, which include all building classes within the CBD submarket, ranged between $31.28 per square foot in Chicago and $49.70 per square foot in Washington, D.C. Manhattan s overall average gross asking rent was recorded at $57.25 per square foot, with Midtown averaging $65.42 per square foot. On the whole, the overall average asking rental rate in Manhattan started growing in 2011. The overall average asking rent, which includes all non-owner-occupied office space, grew by 1.9% to $57.25 per square foot in the fourth quarter of 2011. On a year-over-year basis, the average asking rent increased to 5.4% greater than at year-end 2010.

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Barriers to entry in Manhattan s office market are high. Following the delivery of 1.5 million square feet of new space to the Manhattan office market in 2010, no new buildings came online 2011.

Outlook

RCG s outlook for Manhattan s office market as a whole is positive. RCG believes continued hiring among office-using industries and continued strength in business confidence should drive new leasing activity as well as the withdrawal of sublease space from the market. RCG expects Midtown to benefit from much of the new office demand in addition to the restructuring demand base and general migration of major firms from Downtown. Furthermore, while the bounce back in demand during 2010 and 2011 was concentrated among the top-tier trophy assets and from tenants making lateral moves, including consolidations and trading up, the recovery going forward will be more broad-based, with Class B/C fundamentals likely to improve going forward.

Overall, Manhattan s office vacancy rate, which covers all office space in Midtown, Midtown South and Downtown, is forecasted to decrease through the forecast period to ultimately reach around 7.4% by 2014 from 9.1% in 2010 a 1.7 percentage-point drop. The market should considerably tighten in both Midtown and Downtown by the end of the five-year forecast period; the expected drop in the Midtown South vacancy rate is not likely to match the magnitude of Midtown or Downtown, given that its vacancy rate is already low and new supply is expected to come online within the five-year horizon. Manhattan s overall vacancy rate is forecasted to decrease to 7.4% by 2015 from 9.1% in 2011.

RCG s forecast calls for the overall average asking rent in the Manhattan office market to continue rising on a year-over-year basis through 2015. A falling vacancy rate should enable building owners to raise rents. Also the influx of unleased space on the market at new speculative office buildings through the forecast period will add an upward bias on the average rent calculation. RCG expects the average asking rent to increase by 5.9% in 2012 and by 9.2% in 2013. Annual rent growth is likely to peak in 2014 when the average rent is forecasted to increase by 14.3%, followed by slower growth of 8.1% in 2015. Manhattan office average asking rent growth is forecasted to exceed other U.S. gateway cities through the forecast period, an effect of strong demand and constraints on new supply. Compared with an annual average of 9.4% growth in Manhattan, average annual rent growth in other U.S. gateway city CBDs through 2015 are forecasted to range between 3.3% in Los Angeles and 8.3% in Boston.

RCG does not expect any new multi-tenant buildings to come online in 2012, a result of the economic and financial market turmoil in 2007-2009 that caused the suspension or cancellation of several major office construction projects that would have been delivered during this period. Through the medium term, RCG expects four major office towers to come online in 2013 and 2014. 1 World Trade Center is currently under construction and is scheduled to deliver 2.6 million square feet of new space to the Downtown market in 2013. Above-ground construction work on the 1.8 million square-foot 4 World Trade Center is under way and likely on pace for a 2014 delivery. Construction work on the 896,000 square-foot 250 West 55th Street resumed in 2011 in time for a 2014 delivery date. The first phase on the Hudson Yards project on the west side of Midtown an office tower whose non-owner-occupied portion totals 1.1 million square foot office tower is scheduled to be completed by 2015.

Midtown

Midtown s office market spans the island of Manhattan from 30th Street north to Central Park. Approximately 241 million square feet of rentable space are contained within Midtown s multi-tenant office buildings, making it the largest CBD office market in the country by far. For a size comparison, Downtown Chicago and the Washington, D.C. CBD combine for a total of just 226 million square feet of office space. Three-quarters 74.9% of Midtown s office stock is classified as Class A with total square footage of 181 million square feet. Approximately 44.6 million square feet of Midtown office space is counted as Class B stock, accounting for 18.5% of the total market. The remaining 6.5% of Midtown office space (16.4 million square feet) is categorized as Class C space.

Midtown is split into 11 submarkets: The Grand Central submarket is defined as the area bound by Fifth Avenue to the west, Second Avenue to the east, 39th Street to the south and 47th Street to the north, excluding Park Avenue north of 43rd Street. The Penn Station-Times Square South submarket it is defined as the area bound by Sixth Avenue to the east, the Hudson River to the west, 42nd Street to the north and 30th Street to the south. The West Side submarket is defined to include all office properties north of 42nd Street, west of 7th Avenue, with 59th Street and 57th streets forming a border to the north and the Hudson River forming the western boundary. Other submarkets include: 6th Ave/Rockefeller Center, Madison/Fifth, Park Avenue, East Side, Murray Hill, Lincoln Center and United Nations.

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Demand-Supply Analysis

The Midtown office market is considered one of the world s premier central business districts based on its mix of tenants, deep and broad available labor force, excellent transportation access and overall prestige. Included among its major tenants are world-class media conglomerates and publishing houses, international corporate businesses and major financial institutions. In addition to these major tenants, sophisticated professional services firms, including accounting, advertising, legal and consulting, among others, also congregate in Midtown to locate near clients.

RCG believes the Midtown office market as a whole is in the midst of a recovery. Despite uncertainty in the global economy and volatility in the capital markets during the second half of 2011, tenants are still trading up into higher quality space and consolidating into more central locations in order to lock in long-term leases for desirable locations at favorable pricing. Leasing activity overall in 2011 was relatively flat to 2010, approximately 19.0 million square feet of office space were leased throughout Midtown during 2011, even with 2010.

Leasing trends varied among Class B and C space. While a market-wide flight-to-quality led the bounce back in demand for high-quality assets, building owners financial health continues to prove an important deciding variable in driving leasing activity. A total of 3.2 million square feet of Class B space were leased in 2011, a decrease of 0.9% from 2010. Leasing volume of Class C space increased 10.7% to 920,000 square feet.

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The improving economic climate has also pushed some office users to withdraw sublease space from the market. The removal of sublease space reflects positively on market statistics since available sublease space raises the vacancy rate and exerting a twofold negative impact on the average rent by biasing average asking rent calculation downward and reducing landlords pricing power on direct availabilities. The amount of space available for sublease in Midtown declined to 3.9 million square feet as of the fourth quarter of 2011 a 51.9% drop from the second quarter of 2009. By comparison, the total amount of vacant space available in Midtown has declined by 17.0% during the same period. Sublease availabilities are generally less prevalent in Class B and C buildings than Class A. As of the fourth quarter of 2011, the overall vacancy rate, which covers all of Midtown office space, decreased by 3.0 percentage points since the first quarter of 2010 to reach 9.6%.

Based on high demand, RCG believes the cyclical decline in the overall average asking rent covering all of Midtown office space has passed. Midtown s overall average gross asking rent increased by 4.7% to $65.42 per square foot in 2011. Because 80% of Midtown s total vacant office stock is located in Class A buildings, Midtown s market-wide overall average gross asking rent, which is weighted on vacant stock, was heavily biased by the Class A concentration. Leading this trend have been the trophy buildings, particularly those clustered along the desirable Park and Madison Avenue corridors and near Central Park, where owners have been able to raise asking rents as space availabilities decline. RCG believes that falling vacancy rates have enabled landlords to raise asking rents for high-quality spaces. At the lower-end of the market, however, concessions still drive new leasing transactions, attributable to the imbalance between available supply and current demand among smaller office spaces and tenants specifically looking for smaller spaces.

Because of the difficulty and high costs associated with new building activity in Midtown, purely speculative construction projects have been rare in recent years. These constraints on supply also generally limit office development to dense high-rise office towers. During the past cycle, building activity has been concentrated to the immediate south of Times Square and around Bryant Park. In fact, three buildings delivered within two city blocks of each other account for 61% of the total amount of new multi-tenant office space delivered in Manhattan between 2004 and 2010. The 1.5 million square-foot New York Times building was completed in 2007 at 620 Eighth Avenue, followed by Bank of America s 2.1 million square-foot One Bryant Park tower in 2008. Despite the difficulties associated with purely speculative construction projects in Midtown, particularly at a time when construction financing was largely unavailable, SJP Properties delivered the 1.1 million square-foot 11 Times Square tower, located directly adjacent to the New York Times Building, in early 2010 completely vacant. The law firm Proskauer Rose subsequently signed on for approximately 400,000 square feet of space.

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Outlook

Based on the likelihood of a sustained demand recovery and a muted supply response, RCG s outlook for Midtown s office market is positive. Underpinning this demand recovery are several factors. While rents are still relatively inexpensive, firms will likely continue to take advantage of favorable opportunities to sign long-term leases at rents well-below recent peak levels. As of 2011, Midtown s overall average asking rent, which is calculated from all available space in the submarket, was $65.42 per square foot.

While top-quality spaces in desirable locations have led the market s early stage recovery, RCG believes that sustained job growth will drive office demand for smaller spaces and in second-tier locations going forward. In particular, recent data suggest job growth among smaller office space users will likely drive much of the leasing and expansion activity in the Midtown market in the future. Illustrating the significance of smaller firms on overall office demand, small firms expand at a disproportionately rapid rate compared with large firms, a trend that bodes well for the demand of small-scale office spaces in Midtown. During the last multi-year period of consistent job growth in New York State, from 2004 through 2008, smaller firms outgrew large firms by a wide margin. Firms employing 1 to 49 workers expanded total payrolls by a total of 6.2% during the five-year period. By contrast, companies in New York State with 1,000 or more employees only grew 1.7% during the five-year period. In terms of absolute magnitude, firms employing 1 to 250 workers accounted for 82% of the total number of new jobs added during the 2004 to 2008 period throughout New York. While statistics specifically describing Midtown firms staffing levels are not available, the patterns are likely similar to the New York state-wide trends.

As firms grow beyond the capacity of their existing locations and become increasingly confident in the economic climate going forward, expansion into larger office spaces becomes more likely. As a result, office employment growth should more directly translate to strengthening office demand through the medium term. Various employment statistics covering Manhattan, New York City and the New York metropolitan division indicate that job growth recovery continued through late 2011. The federal government s establishment survey, which counts total jobs, indicates that in the 11-county metropolitan division, which in addition to New York City includes Bergen, Hudson and Passaic Counties in New Jersey and Putnam, Rockland and Westchester Counties in New York, employers added a total of 32,200 jobs year-over-year through November 2011, a 0.6% year-over-year increase. A large majority of these new jobs were located in New York City: within the five boroughs, employers added 23,300 jobs in the 12 months through November 2011, expanding total employment by 0.6%. According to the government s survey of households, which counts number of persons employed (as opposed to the establishment survey s jobs tally), approximately 3,100 more Manhattan residents were employed as of November 2011 compared with the year prior, a 0.2% expansion. RCG s New York employment forecast, which covers the 11-county metropolitan division, calls for office employment to grow by 79,900 jobs through the 2012-2015 period at an average annual rate of 1.3%.

With concessions likely to drive leasing activity in the lower-end of the market through the immediate- to near-term, well-capitalized owners that are able to fund tenant improvement packages and other concessions should lead the recovery within the second-tier segment. Through the near term, RCG expects the overall vacancy rate, which covers all of Midtown office space, to fluctuate while following a gradual trend downward. By the end of 2012, the overall vacancy rate should reach 9.0% from 9.6% in the fourth quarter of 2011. In the years that follow, RCG predicts Midtown s office vacancy rate will decrease to ultimately reach 7.6% in 2015.

Midtown s overall average asking rent, which is calculated based on all available office space in Midtown, is likely to continue rising in spite of any near-term slowdown in leasing activity as a result of decreasing availability of space. Midtown s overall average asking rent is forecasted to grow at a fourth quarter-over-fourth quarter rate of 5.5% to $69.02 per square foot in 2012. Beyond 2012, RCG expects the overall average asking rent to rise at an accelerating pace as the market tightens and pricing power shifts in favor of landlords. With steady absorption and just one new building expected to come online in Midtown between 2011 and 2014, suitable office space is likely to be available only in short supply, particularly for tenants looking for large blocks in a single building. As tenants continue to expand and landlords gain more pricing power on lease negotiations, the likelihood of market-wide rent spikes increases. The average asking rent is forecasted to grow at a fourth quarter-over-fourth quarter rate of 11.2% to $76.75 per square foot in 2013 and 17.1% to $89.87 per square foot in 2014. By 2015, RCG s forecast calls for the average asking rent to grow 7.8% to $96.88.

Penn Station-Times Square South Submarket

The Penn Station-Times Square South submarket, located on the west side of Midtown Manhattan, to the south and west of Times Square and Bryant Park, is the largest office submarket in Midtown Manhattan by total office inventory at more than 45.8 million square feet. The submarket includes a portion of Times Square, Penn Station, Madison Square Garden, the James Farley Post Office, Macy s flagship store, the Herald Square retail district, the Port Authority Bus Terminal, the Jacob K. Javits Convention Center, and many other landmarks. Whereas Midtown as a whole is comprised of mostly Class A office space, the opposite is true in the Penn Station-Times Square South submarket. Class A buildings represent just 30% of the total square footage, while Class B and C buildings make up 44% and 26%, respectively. The Penn Station-Times Square South submarket s unique set of features attracts a diverse tenant base. The area s low cost compared with Midtown s other submarkets attracts large firms in a variety of industries, including fashion and retail, media and publishing, corporate, and professional services firms.

One of the main attractions for office tenants is the excellent connectivity via mass transit to other parts of Manhattan, the outer boroughs, New Jersey, Connecticut, Long Island and Upstate New York. The submarket s eponymous transit node, Pennsylvania Station, is one of the busiest rail stations in the world, serving approximately 600,000 passengers per day. The Port Authority Bus Terminal, located on 8th Avenue between 41st

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and 42nd Streets, is the largest bus terminal in the United States and the busiest in the world by passenger count, serving more than 58 million passengers passed through the terminal in 2008, or an average of nearly 159,000 per day, according to the latest available data. The Times Square-42nd Street subway station, which services 11 lines (1, 2, 3, 7, A, C, E, N, Q, R and shuttle to Grand Central), connected more passengers in 2010 than any other in the city s network with annual ridership totaling approximately 58.4 million. Three subway nodes along 34th Street serve the Penn Station and Herald Square area, with combined annual ridership totaling 88.9 million in 2010.

Counter to the trend in the overall Midtown market, the Penn Station-Times Square South vacancy rate increased slightly in 2011 to 9.8% from 9.4% in 2010. Driving an increase in the vacancy rate are new arrivals of large blocks of vacant space on the market. As of the fourth quarter of 2011, 12 large blocks of space, defined as 100,000 square feet or more, totaling 2.6 million square feet were available. By contrast, five block large blocks of space totaling 1.4 million square feet were available at year-end 2010. The vacancy rate excluding large blocks of space was measured at 4.1% at year-end 2011, down from 6.3% one year earlier.

The Penn Station-Times Square South overall average asking rent, which is calculated from all available office space in the submarket, increased 2.7% year-over-year to $50.63 per square foot as of the fourth quarter of 2011.

Two major office towers came online in the submarket during the last several years, both of which were located on opposite corners of the 8th Avenue and 41st Street intersection. The 1.5 million square-foot New York Times Building, located adjacent the Port Authority Bus Terminal at 620 8th Avenue, was completed in 2007. The New York Times has since subleased a portion of its original footprint in the building. The second tower, 11 Times Square, consists of 1.1 million square feet and was delivered without an anchor tenant in early 2010. Law firm Proskauer Rose subsequently leased approximately 36% of the space, followed by another law firm Zukerman Gore Brandeis & Crossman leasing just over 17,000 square feet in 2011.

RCG does not expect any additional office buildings to be completed in the Penn Station-Times Square South submarket through at least 2014. Nevertheless, two office development projects are in various stages of development: the Related Companies large-scale and multi-use Hudson Yards project and Vornado s proposed 15 Penn Plaza. Hudson Yards is likely on a shorter development schedule than 15 Penn Plaza. With respect to the Hudson Yards project, preliminary site preparation and planning work, including demolishing an existing building began in 2010, though structural work on the new complex has not yet commenced. The first office tower will contain approximately 1.7 million square feet of space. Coach Inc. pledged in late 2011 to purchase and occupy 600,000 square feet of the tower, leaving the remainder open for lease. Construction will reportedly commence in 2012 with a tentative completion date of 2015. Physical construction work on 15 Penn Plaza, on the other hand, is not likely for several years, with a completion date likely beyond 2015.

Grand Central Submarket

The Grand Central submarket is the second-largest office submarket in Midtown Manhattan with 43.7 million square feet and is located on the east side of Midtown Manhattan, to the north of Murray Hill and to the south of the Park Avenue corridor. The large majority of office space in the Grand Central submarket is contained within high quality office towers. Approximately 83% of the office space within the Grand Central submarket is classified as Class A. Respectively, Class B and C office space comprise 17% and 0.6% of submarket. The Grand Central submarket has benefitted over the last two decades as financial firms and professional service firms that support them have migrated to Midtown from Downtown. Midtown s high-rise office buildings offered greater flexibility and prestige versus Downtown s older office stock, while Midtown s excellent transit connectivity is an important advantage for workers commuting from Upstate New York, Connecticut and New Jersey. The Grand Central Terminal specifically is the largest train station in the world by number of platforms. In addition, advancement in computing and telecommunications technology over the past several decades have allowed securities traders to operate at a distance to the major exchanges on Wall Street.

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Other features of the Grand Central submarket include proximity to the top-quality, trophy office buildings along the Fifth Avenue, Madison Avenue, Park Avenue corridors at significantly lower rents, a particularly attractive trait to cost-sensitive firms with clients on the east side of Midtown. Demand for space has bounced back strongly since the recession, marked by the jump in leasing activity since 2009. Total leasing volume increased to 4.2 million square feet in 2011, 21.6% greater than the 2010 volume. In 2011, more office space was leased in Grand Central than any other Midtown submarket. Despite the sharp rise in leasing activity, the overall submarket vacancy rate, which covers all office space, dropped only 0.1 percentage point to 11.2%.

Grand Central s overall average asking rent, which is calculated from all available office space in the submarket, decreased 6.5% year-over-year to $55.03 per square foot as of the fourth quarter of 2011.

Development opportunities in the Grand Central submarket are scarce, making new office construction a rarity. The last new building to come online in the submarket was the 296,000 square-foot CIT Building in 2006, at 505 Fifth Avenue and East 42nd Street, adjacent to Bryant Park. Though the building sits on a formerly vacant plot of land, most development requires assembling multiple parcels and demolition work, which extends the build-out timelines of new construction and increases the overall complexity of the development process. As a result of the lead time associated with major new construction projects in Manhattan, RCG does not expect any new office space to come online through at least 2014.

West Side Submarket

The West Side office submarket, located to the south and west of Central Park and including the area around Columbus Circle, consists of 25.4 million square feet of office space. The diverse submarket includes Manhattan s Theater District, a portion of Times Square and the Hell Kitchen s residential/commercial district. Like the Grand Central submarket, non-prime Class B and C office spaces make up a relatively small share of the West Side submarket s total. Approximately 12% and 9% of the submarket s total office space is categorized as Class B and C, respectively. Class A spaces account for 79% of the submarket s office stock. Office-using firms are drawn to the top-quality high-rise office buildings that line the 7th Avenue corridor, while transit connectivity allows firms to recruit from all areas of the vast greater New York metropolitan region. Firms from a variety of industries cluster in the West Side submarket, including publishing, media, finance, legal, consulting, retail and lodging. Furthermore, several high-profile corporations have headquarters or a major base of operations in and around Times Square, including Viacom, Conde Nast, Ernst & Young, Thomson Reuters, Barclays, Morgan Stanley, and many others. In 2011, Nomura signed a 900,000 square-foot lease for Worldwide Plaza, the largest lease in Midtown since 2004.

Much like elsewhere in Midtown, demand for space in the submarket has rebounded since the recession. A total of 2.7 million square feet of space was leased in the submarket during 2011, an increase of 74.9% from

2010. Though the Nomura lease represents a large portion of the total volume of leased space in 2011, excluding it from the annual total would still yield a 16.8% annual increase. At 7.6% as of the fourth quarter of 2011, the West Side s vacancy rate, which covers all submarket office space, has fallen 4.5 percentage points since year-end 2010.

West Side s overall average gross asking rent, which is calculated from all available office space in the submarket, averaged $59.86 per square foot as of the fourth quarter of 2011, a 5.0% increase year-over-year. By comparison, the overall asking rent for Midtown as a whole, which includes both direct and sublease spaces, averaged $65.46 per square foot.

On the supply side, RCG expects a new office building located at 250 West 55th Street in the West Side submarket will come online by the end of 2014. Boston Properties resumed construction on the office tower in 2011 following a lease commitment by law firm Morrison & Foerster for nearly 20% of the building.

Westchester County

Westchester County contains approximately 28.4 million square feet of office space and is split into six major submarkets: White Plains CBD and non-CBD, Northern, Central, Eastern and Southern. Office-using firms are attracted to the Westchester office market for its lower costs of occupancy but still close proximity to New York City, suburban towns within Westchester County and Upstate New York, as well as Southwestern Connecticut, Northeastern New Jersey and Long Island. The availability of on-site amenities, scalability of office space usage and transportation infrastructure attract corporate tenants and a variety of other industries including financial services, insurance, professional services, technology, biotech, consumer products, fashion/apparel, healthcare and pharmaceuticals. Westchester s lower rents, a more diverse tenant base compared with Manhattan and a near-complete lack of new building activity during the last expansion period shielded the office market from a sharp rise in vacancy and steep rent declines during the recession. With sustained economic growth expected going forward, renewed hiring in key sectors should boost office demand through the near- to medium term.

Demand-Supply Analysis

While heavy dependence on the financial sector proved to be a drag on office markets in Manhattan and many of its surrounding suburban submarkets during the recession, Westchester s diversity and high barriers to entry are a stabilizing force. RCG believes that the Westchester office market bottomed during 2010 and 2011 and is poised for recovery. The New York metropolitan division, within which Westchester is located, registered office employment growth at a rate of approximately 1.8% and 1.3% in 2010 and 2011, respectively, implying the creation of 44,700 new office-using jobs during the two-year span. Despite this job growth, however, fresh office demand has not yet grown significantly. In Westchester, the vacancy rate fluctuated during 2011, and ended even with 2010.

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Evidence suggests large blocks of vacant space at properties formerly occupied by single tenants, often large corporate users, are contributing significantly to a high office vacancy rate in Westchester County. Reader s Digest recently vacated 200,000 at 480 Bedford Road in Pleasantville, which added to the existing block of 136,000 square feet of direct vacant space at the property. In addition, partially resulting from Starwood s relocation to neighboring Fairfield County, 350,000 square feet are now vacant at its two former buildings, along with another 100,000 square feet from Nokia leaving 102 Corporate Park Drive. Combined these blocks of space represent 18.2% of the total vacant space in the market, or 3.1% of the total office stock.

With the vacancy rate still at an elevated level, landlords lack pricing power on rent negotiations for second- and third-tier spaces. For top-tier buildings in desirable locations such as those near highways and transit nodes landlords have begun to regain some negotiating leverage. The average asking rent continued to decline through 2011. At $29.37 per square foot as of the fourth quarter of 2011, the average asking rent was 2.8% less in the fourth quarter than at year-end 2010.

New office construction in Westchester County is rare, attributable to its high barriers to entry that originate from a lack of suitable land in desirable submarkets and high costs of construction. No new buildings have come online in Westchester County since 2005 when two properties totaling 91,000 square feet were completed. Prior to that, approximately 168,000 square feet of new space come online in 2002. In total, new construction expanded Westchester s total office inventory by just 0.9% between 1998 and the fourth quarter of 2011. By comparison, total office stock grew by 4.9% in Manhattan, where building is notoriously difficult, between 1998 and 2011. High barriers to entry, which have limited new building in the past, contributed to a relatively minor increase in the vacancy rate during the recession.

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Outlook

While the recovery in office market fundamentals has been choppy since the end of the recession, RCG believes that several factors suggest an imminent recovery in the demand-supply balance for the market. Sustained job growth is expected across a range of industries, including healthcare, professional services, and technology particularly among small and medium-sized firms that prefer to operate in multi-tenant suburban office space. Among office employment, RCG expects job growth to average 1.3% annually through 2015, translating to the creation of 79,900 positions. Office employment growth will directly boost office demand in Westchester County and the region as a whole. Demand will likely rise steadily in the future, while the supply response is likely to be muted.

RCG forecasts net absorption, a proxy for fluctuations in office space demand, to turn positive in 2012. As a result, the overall vacancy rate, which covers all office space in Westchester County, is expected to stabilize at 16.4% through the year-end 2012. Through the remainder of the forecast period, the vacancy rate is likely to continue moving downward as demand grows and high barriers to entry prevent a swift supply response. By 2015, RCG s forecast calls for the vacancy rate to reach 15.0%, roughly equal with pre-recession levels from 2005.

RCG believes there is potential for rental rate expansion in Westchester County. A gradual tightening of the market going forward will likely transfer negotiating power on lease terms to the landlord from the prospective tenant, where it currently lies. As a result, rent growth is forecasted to turn positive as the vacancy rate drops down from cyclical highs through the near term. After a 2.8% drop in 2011, the average asking rent is

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forecasted to grow 1.2% to $29.72 per square foot in 2012. Rent growth should gain momentum through the medium term as the vacancy rate drops to pre-recession levels. By 2015, coinciding with a drop in the vacancy rate and an expected high demand for high-quality office space in multi-tenant properties, RCG expects the average asking rent to grow at a fourth quarter-over-fourth quarter rate of 4.6% to $33.04 per square foot, up from 2.7% and 3.5% growth in 2013 and 2014, respectively.

High-quality multi-tenant office buildings in desirable locations that cater to high-value tenants will likely outperform the market in terms of demand and rent growth going forward. Firms in the corporate sector, as well as financial services and professional services industries prefer to occupy these spaces based on proximity to transportation and executive and employee housing as well as the higher quality-of-life amenities, like parking, on-site dining, nearby commercial districts, views, and others. Although a shortage of these high-quality, trophy spaces is expected to emerge later in the forecast period, RCG does not expect any new construction to be completed by 2015.

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White Plains CBD Submarket

The White Plains CBD is situated in south central Westchester County, along the Cross-Westchester Expressway (Interstate 287) corridor between the Sprain Brook Parkway and the Hutchinson River Parkway. The submarket consists of approximately 6.3 million square feet of office space and is defined to include the area south of Barker Avenue, north of Quinby Avenue, east of the Bronx River Parkway and west of South Broadway/Post Road. Within the submarket is a thriving and densely developed central business district that has attracted office users of varying size. In 2008, an estimate from the city mayor s office placed the worker population at approximately 250,000, compared with a resident population of 60,000.

Workers commute into White Plains via a number of major roadway connections and the Metro-North Railroad, which connects to Grand Central Terminal. Its central location among Westchester County towns and villages makes White Plains an easy commute for upstate residents. Roadway access to the CBD is granted from both the Bronx River Parkway and the Cross Westchester Expressway (Interstate 287), while the White Plains Metro North Transportation Center provides a rail connection to Grand Central Terminal. With travel times as low as 31 minutes, the direct rail connection between Grand Central Terminal in Midtown Manhattan and the White Plains CBD gives local employers access to one of the deepest labor pools in the world. Furthermore, because of close proximity to transportation, office locations within walking distance of the White Plains MetroNorth station are more desirable than locations. Its accessibility and dense clustering of firms in the financial services and professional services industries are major positives for the market. Local amenities including retail, restaurants and luxury multifamily housing have also been instrumental in luring tenants to the submarket.

As of the fourth quarter of 2011, approximately 16.2% of the White Plains CBD office market was available for lease. This compares favorably with the overall Westchester office market, where the vacancy rate stood at 17.1% in the fourth quarter of 2011. While the overall vacancy rate translates to approximately 1.0 million square feet of vacant office space, large blocks of space are in short supply. Asking rent on office space in the White Plains CBD averaged $32.36 per square foot overall as of the fourth quarter of 2011, 0.7% increase year-over-year. For comparison, the overall average asking rent on all Westchester County office space decreased by 2.8% on a year-over-year basis to $29.37 per square foot through the fourth quarter of 2011.

Eastern Submarket

Westchester s Eastern office submarket consists of 6.5 million square feet of space and is located to the east of White Plains, between New Rochelle and the Connecticut state border. By definition, the submarket encompasses the towns of Harrison, Hartsdale, Larchmont, Mamaroneck, Port Chester, Purchase, Rye, Rye Brook and Scarsdale. A dense network of transportation infrastructure weaves through the various towns in the

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submarket, making accessibility a strong advantage for office properties competing for tenants. In addition to Interstate 95, the Cross-Westchester Expressway (Interstate 287) and the Hutchinson River Parkway, two lines along the Metro-North Railroad pass through the Eastern Submarket with several stops between New York City and Connecticut. While office development is less dense in these towns than in the White Plains CBD, the submarket is still an attractive location for office tenants. Based on the strength of its transportation infrastructure and the close proximity of amenities like banks, restaurants, hotels, executive conference centers and recreational resources, firms that choose to locate in the Eastern submarket are able to recruit high quality employees from nearby suburban towns, New York City and Connecticut.

The submarket s vacancy rate, which includes Class A, B and C office space, was recorded at 17.7% in the fourth quarter of 2011, up from 16.3% one year earlier.

Driving up the current vacancy rate are a collection of large office properties along the Cross-Westchester Expressway corridor in Harrison and Rye that were built in the 1950s and 1960s for large, corporate users that have since vacated the premises. Many of the properties are now functionally obsolete and are otherwise not suitable for the small and medium-sized tenants that prefer to occupy modernized multi-tenant office buildings. However, adaptive re-use of these outdated facilities, which has already begun in some cases, should correct the problem of unused and unmarketable office space in the area, which is attractive based on its access to transportation and rail lines. Fordham University opened a campus along the corridor in 2008 in a former office building. Memorial Sloan-Kettering Cancer Center has proposed and is awaiting regulatory approval to build a treatment center in the former Verizon complex, a 114,000 square-foot building. Life Time Fitness plans to demolish the former Gannett Suburban Newspapers office building and construct a new 109,000 square-foot facility. Histogenics, a biotech firm, bought the 118,000 square-foot building at 104 Corporate Park Drive, formerly occupied by Malcolm Pirnie Inc. before it relocated to White Plains, with the intention of repurposing the property.

Average rental rates calculated from all available office space in the Eastern submarket exceed Westchester County as a whole. As of the fourth quarter of 2011, the overall average asking rent was recorded at $29.96 per square foot, a 4.3% decline from one year earlier.

Fairfield County

Consisting of approximately 40 million square feet of office space, the Fairfield County office market is driven largely by the presence of major corporate tenants and key players in the financial services industries. Key submarkets in the area include: Stamford CBD, Stamford Non-CBD, South Central, Greenwich, Central, Eastern, and Greater Danbury. The Stamford CBD and Stamford Non-CBD office submarkets make up the Stamford office market, which consists of approximately 15.2 million square feet of space. The Stamford CBD office submarket is bordered by Broad St. to the north and extends south past I-95 and encompassing the Stamford Transit Center and office properties along State St., Station Place, and First Stamford Place. The South Central office submarket contains approximately 8.5 million square feet of office space, encompassing the areas of Norwalk, Darien/New Canaan, and Wilton/Weston. The Greenwich office submarket consists of 4.3 million square feet and located within the city of Greenwich. The Central Fairfield submarket includes 2.9 million square feet of office space across the cities of Westport, Southport, and Fairfield. The Eastern Fairfield submarket consists of 6.7 million square feet of office space located within in the cities of Bridgeport, Shelton, Stratford, and Trumbull. The Greater Danbury office submarket includes 3.3 million square feet of office space spread across the cities of Danbury, Bethel, Redding, Brookfield, Newtown, and Ridgefield. Having benefitted from the migration of corporate tenants from adjacent office markets during recent decades, the high concentration of financial services tenants in the market warrants the presence of professional and business services companies in the areas of law, accounting, and other technical services such as engineering, research, and consulting. Given the area s diversifying tenant base, established finance cluster, and rising prominence as a multimedia hub, the health of the Fairfield County economy is less dependent on growth in neighboring New York in comparison with previous economic cycles. The on-going diversification of the Stamford metropolitan statistical area economy should bolster job growth, as well as office demand in the area, providing greater stability through future economic cycles as it continues to evolve into a more self-sustaining, dynamic economy.

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Demand-Supply Analysis

RCG believes that the Fairfield County office market is in the midst of a recovery fueled by favorable office employment growth trends and a recent influx of high profile tenants, which is resulting in increased office absorption. Having withstood the brunt of the financial crisis on the local economy and office market conditions, office employment payrolls trended upwards through the second half of 2010 and through much of 2011, as companies slowly began to re-staff in response to stabilization in financial market conditions and an improving national economic outlook. Though office employment levels declined by 1.9% year-over-year through November 2011, office-using employment still increased by a net 500 jobs during the previous two-year span. Despite a slowdown in office employment growth through the second half of 2011, which mirrored the job trend nationally, office employment levels remain stable and companies continued to lease space at a more hurried pace. Given this improvement in leasing activity, market conditions in the Fairfield County office market have tightened in recent quarters, with the vacancy rate declining to 20.5% in the fourth quarter of 2011 from 21.0% in

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the second quarter of 2011. In 2011, leasing activity totaled more than 2.4 million square feet, which followed the 2.9 million square feet leased in 2010. As leasing activity rebounded, the overall office lease rate increased 0.7% to $33.02 per square foot in 2011.

Though vacancy rates edged downward through the second half of 2011 a trend we expect to continue through much of the forecast period, vacancy rates remain elevated in comparison to recent history. The continued flight-to-quality trend in the market has led to a reduction in sublease inventory, particularly for Class A sublease space. Available Class A sublease space in the market contracted to 845,000 square feet from 928,000 square feet in 2010. The rising demand for high-quality space placed upward pressure on Class A rates during this time, as the overall Class A lease rate increased by 3.9% in 2011 to $35.65 per square foot. Given our expectations for more robust office employment growth through the forecast period, and with minimal supply-side pressure in the market, market conditions are expected to tighten more significantly as companies begin leasing office space in earnest to accommodate this growth.

An indication of the area s diversifying economy, a number of high profile companies announced plans to relocate operations to Fairfield County. In late 2010, NBC Sports Group announced plans to build a number of studios in the Stamford, bringing 450 new jobs to the area and $100 million in capital improvements and consolidating much of the its northeast operations beginning in 2012. Starwood Hotels has begun to relocate its operations in the Westchester submarket to Stamford, occupying 250,000 square feet at 333 Ludlow St. in the Harbor Point area. The completion of both of these blockbuster deals was facilitated by attractive tax incentives, loans, and sales tax exemptions afforded by both state and local development authorities.

As companies in the office employment sector begin to re-staff, RCG expects the rebound in the financial activities and professional services employment sectors to lead the market s recovery. Also, job growth in a number of other key industries is expected to drive the economy s resurgence: information services, re-insurance, shipping, media, as well as health and education. With the pace of employment growth expected to increase in 2012 and through the remainder of the forecast period, office absorption should continue to trend upwards during this time, placing downward pressure on the office vacancy rate through 2015.

During the 10-year period between 2000 and 2010, approximately 2.3 million square feet of new office space were added to the market an increase of 6.1% in total office stock. Practically all new office construction during this period took place in the suburban office market with much of the new office construction in recent years concentrated in the South Central, Stamford non-CBD, and Eastern submarkets. In 2011, 445,000 square feet were added to the market with the delivery of several office projects, the largest of which was the completion of Harbor Point I and II in the Stamford non-CBD submarket. Although the Harbor Point area is technically located within the non-CBD office submarket, the project area s proximity to downtown and the Stamford Transit Center allow it to compete for tenants against office properties within the CBD. With a lower-cost

environment, high-quality buildings and proximity to New York City, Fairfield County is a highly desirable location for large corporate headquarters. The professional and business services sector provides ancillary support to these headquarters operations that come from a wide variety of industries. The anticipated rebound in the professional and business services employment sector should be the primary driver of improvements in the office demand fundamentals through the forecast period. With no office construction projects in the development pipeline, there will be limited supply-side pressure in the market, which should facilitate the office market s return to equilibrium. The limited supply of developable land in the Stamford area minimizes supply-side pressure on the market, restricting new construction to redevelopment in existing commercial areas.

Outlook

RCG s outlook for the Fairfield County office market is positive. RCG believes continued hiring among office-using industries should drive new leasing activity and erode much of the sublease space weighing on the market. RCG expects Stamford to benefit from the influx of companies in growing industries such as multimedia and the recovery in financial services employment to drive the new office demand going forward. Rising investor confidence and business creation in the coming period should support job creation in office employment sectors and a tightening in office market conditions. RCG anticipates more broad-based leasing activity going forward, resulting in the absorption of commodity space and improving fundamentals in this segment of the office market.

As job growth in the market accelerates into the coming year, RCG expects the vacancy rate to decline to 19.8% in 2012 and 19.4% in 2013. By 2013, the overall office rental rate should increase at a rate of 2.5% to $34.92 per square foot. Into the latter part of the forecast period, as office employment payroll growth accelerates, RCG expects this trend to push the vacancy rate to 18.7% in 2014 followed by a 17.9% vacancy rate in 2015. By 2015, the average office lease rate should reach $37.17 per square foot, surpassing pre-recession rent levels. During the five-year period ending in 2015, forecasted office employment levels in the metropolitan statistical area are expected to increase by close to 7,000 jobs, replenishing close to 60% of all office employment jobs lost during the two-year period following the onset of the national recession in December 2007.

Stamford CBD Submarket

Encompassing the commercial areas surrounding the Stamford Transit Center and the area north of the I-95 to Broad St., the Stamford CBD office submarket consists of approximately 6.8 million square feet of space tenanted by a number of major corporations and investment companies including UBS, Royal Bank of Scotland, Thomson-Reuters, and Jefferies. Approximately 93% of all office space in the CBD market is Class A space. The market s proximity to Manhattan and location along the region s transportation network help to incent the location of companies to the area. The City of Stamford is less than one hour from midtown Manhattan by commuter rail or interstate highway and is located directly on the major rail lines and is intersected by highway I-95, which connects New York and Boston. For Metro-North express trains to New York City, the average express trip is approximately 45 minutes. The area is also within easy driving distance of the major New York area airports and approximately 20 minutes from the Westchester County Airport. Technological advancement will likely drive the decentralization of financial market activities going forward, strengthening the demand for office space in suburban office markets. And, though the Stamford office market will continue to benefit from its relatively lower costs and proximity to New York and Boston as office hiring accelerates, the growing concentration of housing and companies in other office-using industries that facilitate the area s development into a 24/7 live-work environment should support the market s recovery going forward. In particular, properties located in close proximity to major transit nodes are better positioned to benefit from the local economy s on-going recovery in comparison to properties in adjacent submarkets.

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As of the fourth quarter of 2011, the overall CBD vacancy rate rose to 26.6% from 23.1% in 2010 and remains elevated in comparison with market conditions four years prior, at which point the vacancy rate stood at 14.2%.

Tenant interest in parts of the submarket is also heightened by incentives provided through the Stamford enterprise zone, which encompasses the portion of the City of Stamford that is south of the I-95. Under the enterprise zone incentive program, qualified companies may receive benefits such as an 80%, five-year local property tax abatement on eligible real and personal property, as well as a 25% or 50% credit on the state corporate business tax, depending upon the program type and location of the certified project. The additional savings to tenants provided by these incentive programs should continue to draw new companies to this developing portion of the city.

South Central Submarket

Located along the southern edge of Fairfield County, the South Central office submarket consists of approximately 8.5 million square feet of office space, encompassing the areas of Norwalk, Darien/New Canaan, and Wilton/Weston. Close to two-thirds of the office submarket s inventory is located in the Norwalk submarket. The office market is home to many large corporations, which include Virgin Atlantic Airways, SoBe, Priceline.com, Siemens IT Solutions and Services, Xerox, Kayak.com, Pepperidge Farm, Emcor Group, and Arch Chemicals. With an average lease rate of less than $30 per square foot and its proximity to major highways and transit nodes, the South Central submarket s relative affordability and location continues to attract companies to the area.

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As of the fourth quarter of 2011, the submarket vacancy rate reached 20.7%, an increase from the 20.0% in 2010, 17.1% vacancy rate in 2009 and 14.2% vacancy rate in 2008. Lingering uncertainty and the availability of more centralized, high-quality space at deep discounts from previous highs placed upward pressure on the vacancy rate for office space located in tertiary submarkets. Despite the still softened market conditions, the overall average lease rate rose 1.4% to $28.73 per square foot in 2011, following a 5.9% decline in 2010.

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Retail Markets

New York

New York s retail market benefits from positive long-term fundamentals, including favorable demographics, a very high income population, significant barriers to entry and a strong local demand base, as well as a high volume of domestic and international visitors. In addition to the 11.8 million residents living within the New York-White Plains-Wayne, NY-NJ Metropolitan Division, approximately 8.3 million residents live in the surrounding region, including Newark, Central New Jersey, Long Island and Connecticut s Fairfield County. With this combined population greater than 20 million, the Greater New York City region is by far the most populous in the country and second only to Mexico City in North America.

New York s long-term economic base is supported by the region s talented workforce, its dense base of customers and clients for businesses, and its highly integrated network of potential partners and investors that convene on the city from all parts of the world. High-paying, knowledge-based industry clusters such as finance, legal services, consulting, media and publishing and others fuel growth in other sectors of the economy. Furthermore, residents come from a highly diverse background: 33.5% of the New York metropolitan division s population was born outside the United States as of 2009, compared with 12.5% for the country as a whole. All types of retailers from discount, family-oriented outlets all the way to high-end, exclusive luxury are required to serve the heterogeneous population.

Domestic and international leisure travelers are drawn to New York City for its theaters, historical sites, museums, shopping and other cultural opportunities. As heightened focus on public safety and sanitation has helped to transform New York City, and Manhattan specifically, into a family-friendly tourist destination through the last two decades, tourism has come to account for a large share of the local economy. A record high of 50.2 million travelers visited New York City in 2011, according to NYC & Company, reaching Mayor Bloomberg s goal of 50 million visitors by 2012 one year early. Direct visitor spending in New York City reached $32 billion in 2011, up from $14.7 billion in 1998. According to the latest available data from 2009 when visitor volume totaled 45.6 million, or 9.2% less than the 2011 total, visitor spending supported nearly 304,000 jobs, $16.6 billion in total wages and generated $7.5 billion in taxes for the area.

Other measures indicate rising volumes of tourism and business-related travel, which bodes well for retail demand in the region. Total passenger traffic at New York-area airports grew to 105.5 million in the 12 months through October 2011, an increase of 1.7% over the previous 12-month period. An estimated 364,000 people passed through Times Square on a daily basis in 2009, an increase of 8% compared with the year prior, according to the Times Square Alliance. As of the summer of 2010, Saturday pedestrian traffic volume in Times Square increased 89% over the same period a year earlier.

On the supply side, New York s retail market has high barriers to entry, including limited available land to develop, long lead times on new construction, ambiguous zoning regulations, a difficult planning approval process, and high costs of construction. Major new construction projects are rare, particularly within Manhattan s main corridors, and are generally limited to the outer boroughs and the suburbs of Northern New Jersey and Upstate New York.

Although job growth in New York slowed during second half of 2011, RCG s outlook for New York s retail market is positive. With job growth expected to remain positive, decreasing unemployment and stabilizing home values should encourage local residents to loosen spending habits, bolstering demand from local residents, the primary driver of retail demand in the New York area. Siena Research Institute s Current Consumer Confidence Index for New York City registered 62.2 as of the fourth quarter of 2011, a decrease of 9.6 points from the first quarter of 2011, likely due to the ongoing European economic troubles and political gridlock in the federal government. The forward-looking Future Economic Expectations Index increased slightly to 68.6 during the fourth quarter, suggesting increased economic optimism about the near future.

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While barriers to entry in New York City s retail market are significant, select major projects are likely to continue construction through the foreseeable future. The number of projects in the planning and proposal stage has increased through the 2011 calendar year. One of the largest projects under development is the retail component of the World Trade Center complex, which totals 500,000 square feet of space. A public plaza that includes retail space is planned along 42nd Street between Sixth Avenue and Broadway. Several large projects planned in the Bronx include a 780,000 square-foot shopping mall at Bay Plaza in Co-op City, an 80,000 square-foot parcel on Broadway and 230th Street, and the 162,000 square-foot retail complex at the former Stella D Oro factory anchored by BJ s Wholesale Club.

Manhattan

The borough of Manhattan contains approximately 110 million square feet of retail space, according to the Real Estate Board of New York, and is split into six major submarkets: East Side, West Side, Midtown, Midtown South, Downtown and North Manhattan. The majority (78%) of the space is located within Midtown South, Midtown and Downtown. Spaces in prime corridors, which are spread out among the major submarkets, are among the most highly sought-after real estate in the world and also among the most expensive in terms of rental rates per square foot. Retail demand in the borough is driven by an affluent local population, commuters from outside the borough and a high concentration of business and leisure travelers.

On various measures of income, Manhattan exceeds surrounding geographies and the nation as a whole by wide margins according to the 2009 Census American Community Survey. Manhattan s median household income was recorded at $68,706 in 2009, compared with $50,033 for all of New York City, $54,967 for the New York

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metropolitan division and $50,221 at the national level. Manhattan s per capita income was recorded at $61,992 as of 2009, much greater than $30,885 for all of New York City, $32,696 throughout the New York metropolitan division and $26,409 for the United States as a whole.

Midtown, the area loosely defined to span between 31st and 59th streets, is among the premier commercial districts in the world and is home to a diverse base of office tenants, retail stores, entertainment venues, theaters, hotels, and residences, along with some light manufacturing, warehouse and storage. Midtown accounts for more than 61% of Manhattan s office space. Retail sales in Midtown totaled an estimated $23.7 billion in 2010, or 48% of Manhattan s total. Given the primacy of its commercial activities, Midtown accounts for a relatively small percentage of Manhattan s residential population. In fact, approximately 197,200 residents live within the area, equating to roughly 12% of Manhattan s total. Indicated by several income statistics, however, Midtown s residential population is more affluent than Manhattan as a whole, which helps to support retail demand in the area. The median household income within Midtown Manhattan was estimated at $86,902 in 2010, compared with $66,851 for all of Manhattan.

Demand is recovering, driven by job growth and tourism activity in 2010. According to the latest available data, the average vacancy rate among major retail corridors decreased to 7.2% in the second quarter of 2011 from 8.2% one year earlier. In terms of rents, prime retail corridors command very high rents, though a very small sample size leads to volatile average measures. According to Cushman & Wakefield, average rents in the Upper Fifth Avenue corridor averaged $2,075 per square foot in the third quarter of 2010, a 10.4% year-over-year decrease. Rents on Times Square retail space averaged $842 per square foot, 29.3% greater than one year earlier. In total, rents grew by an average of 1.9% year-over-year in Manhattan s five most-expensive retail submarkets. Overall Manhattan average asking rents declined slightly between Fall 2009 and Fall 2010 to $112 per square foot from $118, according to the Real Estate Board of New York.

As with the New York metropolitan division as a whole, RCG s outlook for Manhattan s retail market is positive. The main retail corridors have improved during the early stages of economic recovery as consumer spending stabilized and tourism activity rebounded. While rents are rising in the majority of the prime submarkets, rents are still relatively low in Manhattan s second-tier submarkets, like the Flatiron District, Meatpacking District and Columbus Avenue, among others. Discounted lease rates present opportunities for small-scale and somewhat cost-sensitive retailers to enter the market where they have been previously priced out in the past. On the supply side, major new construction projects in Manhattan will likely be limited to the area north of Central Park, with the exception of the World Trade Center complex. One example is the conversion of a former manufacturing facility in Harlem into a Target- and Costco-anchored retail center. Smaller-scale deliveries, like conversion of old building stock into retail boutiques, will likely account for the dominant share of new supply in high-traffic, desirable submarkets.

Driving retail demand near Penn Station is a critical mass of pedestrian traffic in the neighborhood, comprised of office workers, tourists and inhabitants of the surrounding area. Office development, retail shops and Pennsylvania Station all drive pedestrian traffic in the area. The 34th Street Partnership estimated that 185,000 people work in offices in the area surrounding Penn Plaza and Herald Square in 2009. Approximately 27,000 people were counted leaving Penn Station in one hour on an average weekday in December 2009, also according to the 34th Street Partnership, while nearly 11,000 pedestrians per hour were counted at the corner of Seventh Avenue and 34th Street. Madison Square Garden is regularly ranked number one in North America for total ticket sales across the wide variety of events housed in the arena, including professional and collegiate basketball, professional hockey, live music events, one-time events like professional wrestling, and many others. Approximately 4 million tourists visit the Empire State Building observation decks each year, where tickets cost between $16 and $55 each. Approximately 30,600 residents occupy 17,300 households within one-half mile of the intersection Broadway and West 36th Street, around which 1333 Broadway, 1350 Broadway and 1359 Broadway are clustered. The median household income within the same area was estimated at $79,847, greater than $66,851 for all of Manhattan.

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The East/West Manhattan Retail Portfolio consists of two properties located in Midtown Manhattan: 1010 Third Avenue and 77 West 55th Street. Located at the intersection of Third Avenue and East 60th Street, the retail space at 1010 Third Avenue is located within the Decorative Arts District: four blocks west of the Fifth Avenue entrance to Central Park, adjacent to 59th Street-Lexington multi-line subway stop and one block from the Queensboro Bridge off ramp. Other retail outlets cluster in this high-pedestrian traffic neighborhood, most prominently including Bloomingdales, along with luxury hotels, highly desirable residential buildings and major office tenants. The median household income within a half-mile radius of 1010 Third Avenue was an estimated $105,076 in 2010, higher than Manhattan s overall median household income of $66,851. Retail activity in the immediate area is extraordinarily high: 2010 total retail sales reached an estimated $4.5 billion within a half-mile radius of the property. Other major retail locations in the area include Savoy Plaza with 33,800 square feet and the Shops at Citicorp Center with 70,000 square feet.

Also in Midtown, 77 West 55th Street is located at the intersection of West 55th Street and Sixth Avenue. While Sixth Avenue is not known as a high-end retail corridor, pedestrian foot traffic is high, attributable to major office tenants and dense residential development in the area. High costs of living in the area surrounding the property have further concentrated an affluent population. The median household income within a half-mile radius of 77 West 55th Street was $106,031 in 2010. Retail sales in 2010 were at estimated at $1.9 billion. Only one other major retail center is located within a half-mile of the property, the 70,000 square-foot Shops at Citicorp Center.

The ground-level retail at 10 Union Square East is located on the eastern edge of Union Square where Park Avenue South meets 14th Street. With high-quality open spaces, a wide variety of pop-up markets, excellent transit accessibility, and active clusters of retail, education, healthcare, office tenants and other residential and commercial development, Union Square is one of the most heavily-trafficked pedestrian areas in Manhattan. Measured over a 14-hour period in July of 2011, weekday pedestrian traffic totaled 176,000 and 159,000 on the weekend. Overall, pedestrian traffic has increased 28% over the most recent five-year period, according to Union Square Partnership. Furthermore, three major subway lines (L, N/Q/R, 4/5/6) converge on Union Square, connecting the neighborhood to New York s outer boroughs as well as Long Island, Connecticut, New Jersey and suburban Upstate New York. The 14th Street-Union Square subway station served 34.7 million riders during 2010, a 1.4% increase over 2009 and 39.4% greater than 2000, making it the fourth-largest station in New York City. While area retailers benefit from customers that live at considerable distances to Union Square, affluent local residents also provide a stable demand base. The median household income within a half-mile radius was estimated at $98,642 in 2010, compared with $66,851 for all of Manhattan. Retail sales volume within a half-mile radius of 10 Union Square East totaled $3.8 billion in 2010. Though Union Square is a major retail submarket within Manhattan, large shopping centers are still in short supply in the surrounding area. Union Square South is the only shopping center within a half-mile radius of 10 Union Square East. Demand for space in Union Square South has been strong by national retail chains. Following the closure of Circuit City and Virgin Megastores, both of which occupied the property at a point in time, retail space at Union Square South was subsequently re-leased to Best Buy and Nordstrom Rack. Also at the property is Regal Cinemas. Other major retailers are in the neighborhood as well, including Whole Foods, Forever 21, Diesel, Barnes & Noble and many others. Within a one-mile radius of 10 Union Square East are two other major shopping centers: the 170,000 square-foot Manhattan Mall at Broadway and West 33rd Street and the 92,200 square-foot Kip s Bay Shopping Center.

The Gotham retail property is located on the Upper East Side at the intersection of East 86th Street and Third Avenue, among a cluster of residential buildings, retail stores and entertainment spaces. One block from the 86th Street-Lexington subway stop, the area is easily accessible from other areas around New York City. Major landmarks in the surrounding area include the Metropolitan Museum of Art and the Guggenheim Museum. The neighborhood population is more affluent than Manhattan as a whole. The median household income within a half-mile radius was estimated at $97,865 in 2010, compared with $66,851 for all of Manhattan. Retail sales volume within a half-mile radius of the Gotham totaled $1.5 billion in 2010. According to Claritas, not a single major shopping center exists within a one-mile radius of the Gotham.

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Fairfield County

Fairfield County s favorable demographics and high concentration of high-paying professionals and wealthy households drives high-end retail sales in the area. The region is studded with luxury retail establishments consisting of high-end boutiques and department stores. High-end retail stores cluster in affluent Fairfield County neighborhoods where residents live and work, particularly in Greenwich, New Canaan, and Westport retail submarkets which command the highest retail rents in the area. In the second quarter of 2011, the retail vacancy rate increased by 30 basis points from 2010 to 4.5%, while the average asking retail lease rate in Fairfield County slipped 0.8% through the first half of 2011 to $27.68 per square foot, according to Cassidy Turley Research. Historic average annual rent growth in the market is 1.7%. In 2010, total consumer expenditures in Fairfield County retail establishments totaled $15.2 billion, according to Claritas. Because of the area s concentration of middle-aged, high net worth professionals, Fairfield County is one of the most affluent counties in the country, representing a concentrated market for high-end and luxury retail goods, and services like restaurants, spas, and golf courses/clubs.

Driven by the recent resurgence in job growth and increasingly positive economic outlook, retail sales in the area quickly rebounded from recent lows a trend RCG expects to continue through the forecast period. An indication of improving retail demand fundamentals, state sales and use tax collections, a proxy for retail sales volume in Connecticut, increased by 2.3% in 2010 and 13.6% in 2011 to $1.5 billion, following the 7.4% drop in sales tax revenue in 2009.

Going forward, the continued stabilization of home values and acceleration in job growth should fuel retail sales activity, supported higher levels of retail space absorption in the coming years. As employment levels rebound from recent lows, the improvements to the local economy should also drive an increase in population and household growth through the forecast period, supplying the market with consumers to support local retail sales. Through the forecast period, RCG expects both total population and total household levels to increase at an annual average rate of 0.6% through 2015, resulting in the addition of approximately 28,000 new residents and the formation of more than 10,000 new households during this time. The area s favorable demographic trends suggest that its retail market will be healthy through the forecast period.

Located in the Town of Westport, 69-97 Main St. is situated in one of the town s most affluent shopping districts located along the main thoroughfare. The high concentration of major national and regional retail tenants in the area include retailers such as Coach, Tiffany & Co., Restoration Hardware, and Williams Sonoma. Not surprisingly, the surrounding neighborhood population is more affluent in comparison to other submarkets in Fairfield County. The median household income within a one-mile radius was estimated at $141,945 in 2010, with households making more than $200,000 accounting for 35% of all households in the area. Retail sales volume within a one-mile radius of the retail property totaled approximately $129 million in 2010.

Also located along Westport s main thoroughfare, 103-107 Main St. is located in the main shopping district. Given the property s central location within the area s most affluent shopping districts, the median household income is high relative to surrounding submarket. Within a one-mile radius the median household income was $142,587 and $118,523 within a two-mile radius of the property in 2010. Retail sales volume within a one-mile radius of the retail property totaled approximately $127 million in 2010.

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BUSINESS AND PROPERTIES

Overview

We are a self-administered and self-managed real estate investment trust, or REIT, that owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area. We were formed to continue and expand the commercial real estate business of our predecessor Malkin Holdings LLC and its affiliates. Our primary focus will be to continue to own, manage and operate our current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

As of September 30, 2011, we owned 12 office properties encompassing approximately 7.7 million rentable square feet of office space, which were approximately 79.9% leased (or 83.0% giving effect to leases signed but not yet commenced as of that date). Seven of these properties are located in the midtown Manhattan market and encompass in the aggregate approximately 5.8 million rentable square feet of office space, including the Empire State Building, the world s most famous office building. Our Manhattan office properties also contain an aggregate of 432,176 rentable square feet of premier retail space on their ground floor and/or lower levels. Our remaining five office properties are located in Fairfield County, Connecticut and Westchester County, New York, encompassing in the aggregate approximately 1.8 million rentable square feet. The majority of square footage for these five properties is located in densely populated metropolitan communities with immediate access to mass transportation. Additionally, we have entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties, that will support the development of an approximately 340,000 rentable square foot office building and garage, which we refer to herein as Metro Tower. As of September 30, 2011, our portfolio also included four standalone retail properties located in Manhattan and two standalone retail properties located in the city center of Westport, Connecticut, encompassing 204,452 rentable square feet in the aggregate. As of September 30, 2011, our standalone retail properties were approximately 96.8% leased in the aggregate (or 96.8% giving effect to leases signed but not yet commenced as of that date). Our portfolio represents all of our predecessor s Manhattan and greater New York metropolitan area office and retail assets in which it holds a controlling interest.

In addition, we have an option to acquire from affiliates of our predecessor two additional Manhattan office properties encompassing approximately 1.4 million rentable square feet of office space and 153,298 rentable square feet of ground floor retail space. These option properties currently are subject to ongoing litigation and we have an option to acquire fee, long-term leasehold, sub-leasehold and/or sub-subleasehold interests, as applicable, in these two properties after such litigation is resolved. We refer to these properties as our option properties. For more information, please see Description of Option Properties.

We have a comprehensive knowledge of our markets that has been developed through our senior management team s substantial experience, and we believe we are a recognized owner and operator of office properties. All of our properties are located in Manhattan and the greater New York metropolitan area, which, according to RCG, is one of the most prized office markets in the world and a world-renowned retail market due to a combination of supply constraints, high barriers to entry, near-term and long-term prospects for job creation, vacancy absorption and rental rate growth. From 2002 through 2006, we gradually gained day-to-day management of our Manhattan office properties. Since then, we have been undertaking a comprehensive renovation and repositioning strategy of our Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. Since we assumed day-to-day management of our Manhattan office properties beginning with One Grand Central Place in 2002 and through September 30, 2011, we have invested a total of approximately $296.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties pursuant to this program. We currently intend to invest between $175.0 million and $215.0 million of additional capital through the end of 2013. We expect to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation

program. In addition, we currently estimate that between $55.0 million and $65.0 million of capital is needed beyond 2013 to complete the renovation program at the Empire State Building, which we expect to complete substantially in 2016, due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. These estimates are based on our current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change. We intend to fund these capital improvements through a combination of operating cash flow and borrowings.

These improvements, within our renovation and repositioning program, include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of our properties and have contributed significantly to our tenant repositioning efforts, which seek to increase our occupancy; raise our rental rates; increase our rentable square feet; increase our aggregate rental revenue; lengthen our average lease term; increase our average lease size; and improve our tenant credit quality. We have also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown attractive results to date, as illustrated by the case studies which are described in Renovation and Repositioning Case Studies, and we believe has the potential to improve our operating margins and cash flows in the future. We believe we will continue to enhance our tenant base and improve rents as our pre-renovation leases continue to expire and be re-leased.

The Empire State Building is our flagship property. The 102-story building comprises 2,675,779 rentable square feet of office space and 163,655 rentable square feet of retail space. The building also includes our observatory and broadcasting operations. The building occupies the entire blockfront from 33rd Street to 34th Street on Fifth Avenue, anchoring the east side of the 34th Street corridor in midtown Manhattan. The ongoing repositioning of the Empire State Building is representative of our strategic vision for our Manhattan office properties. After we gained day-to-day management of the Empire State Building in August 2006, we developed and began implementing a restoration and renovation plan for the property and, as of September 30, 2011, we had invested a total of approximately $123.0 million. We currently estimate that between $190.0 million and $230.0 million of additional capital is needed to complete this renovation plan, which we expect to complete substantially in 2016, due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. These estimates are based on our current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change. We intend to fund these capital improvements through a combination of operating cash flow and borrowings. These improvements include restored and upgraded the landmark art deco lobby, renovated public areas and bathrooms, refurbished 6,514 windows, renovated the observatories and broadcasting facilities and modernized building-wide systems. In addition, we pioneered a process for a replicable, world-leading energy efficiency retrofit program. Future planned renovation expenditures include additional improvements to the building lobby; restroom renovations; elevator modernization; corridor upgrades; and enhanced ventilation and security systems. Plans are also in place for the development of a tenants-only fitness center and a conference center in the building. The few remaining details of the comprehensive renovation program for the observatory are expected to be completed substantially by 2013. As part of our effort to increase the quality of our tenants, we have embarked on a renovation and repositioning program over time to aggregate smaller office spaces to facilitate re-leasing of larger blocks of space to higher credit-quality tenants for longer lease terms and at higher rents. To date we believe these efforts have accelerated our ability to lease space to new higher credit-quality tenants, including: LF USA; Skanska; Coty, Inc.; the Federal Deposit Insurance Corporation; Funaro & Co.; LinkedIn; Noven Pharmaceuticals; People s Daily Online USA; Taylor Global; Turkish Airlines; and World Monuments Fund. We believe completing the repositioning program for the Empire State Building, as well as our other Manhattan office properties, represents a significant growth opportunity for our company.

The Empire State Building provides us with a significant and diversified source of revenue through its office and retail leases, observatory operations and broadcasting licenses and related leased space. For the years ended

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December 31, 2007 through December 31, 2010 and for the nine months ended September 30, 2011, the number of visitors to the observatory was approximately 3.67 million, 4.03 million, 3.75 million, 4.03 million and 3.06 million, respectively. The average ticket revenue per admission for each of the 11 years from 2000 through 2010 increased at a compound annual growth rate of 9.9% and the growth rate during each of those years, on a year-over-year basis, has never been negative. For the years ended December 31, 2007 through December 31, 2010, we increased the average ticket revenue per admission from $15.47 to $17.37 and, for the nine months ended September 30, 2011, the average ticket revenue per admission was $18.61. In addition, we have 74 broadcasting licenses with an average remaining term of 7.5 years as of September 30, 2011. On a pro forma basis, during the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively, we generated approximately $156.7 million and $197.4 million of revenue from the Empire State Building, which included approximately $62.9 million and $78.9 million of revenue, respectively, from our observatory operations and approximately $11.8 million and $16.1 million of revenue, respectively, from our broadcasting licenses and related leased space.

We are led by Anthony E. Malkin, our Chairman, Chief Executive Officer and President, who has a strong reputation in the industry for quality management, repositioning and marketing expertise. Mr. Malkin, together with our senior management team, has developed our strategy with a focus on tenant and broker relationships and the cultivation of our brand to attract higher credit-quality tenants to our improved buildings and negotiate attractive rental terms. Mr. Malkin has over 23 years of real estate experience specifically in expanding, renovating, repositioning and managing this portfolio. Our senior management team has an average of approximately 28 years of experience covering all aspects of real estate, including asset and property management, leasing, marketing, acquisitions, construction, development, legal and finance, and Messrs. Malkin, Durels and Keltner have worked together for our predecessor for over 22 years, and have supervised the design and implementation of our renovation and repositioning program.

History

The Manhattan office properties that will be included in our initial portfolio were acquired between 1950 and 1979 through the business ventures of Lawrence A. Wien in partnership with Harry B. Helmsley, and later with his son-in-law and our Chairman Emeritus Peter L. Malkin. Three properties, the Empire State Building, One Grand Central Place and 250 West 57th Street, were acquired through public partnerships from 1953 to 1961, following earlier transactions on structures developed by Lawrence A. Wien, which are credited as the first flow-through tax treatment real estate syndications ever conducted, including other Manhattan office properties, 1333 Broadway, 1350 Broadway, 1359 Broadway and 501 Seventh Avenue, which were acquired through private partnerships from 1950 to 1979. With respect to the Manhattan office properties, Lawrence A. Wien and Peter L. Malkin were responsible for the syndication of the transactions, and Harry B. Helmsley was responsible for the identification of opportunities and the management and leasing of the properties once purchased. The principals of our predecessor during this period consisted of Lawrence A. Wien, until his death in 1988 and, beginning in 1958, Peter L. Malkin. Anthony E. Malkin joined Peter L. Malkin as a principal in 1989. All of the standalone retail assets and most of the Fairfield County and Westchester County office properties that will be included in our initial portfolio were acquired from 1989 to 2006 under the direction of Anthony E. Malkin.

Our predecessor historically provided asset management services for most of our properties. Our Manhattan office properties were managed, subject to the supervision of our predecessor, by Helmsley-Spear until 2002, in the case of One Grand Central Place, 250 West 57th Street and 501 Seventh Avenue; 2003, in the case of 1359 Broadway; and 2006, in the case of the Empire State Building, 1350 Broadway, 1333 Broadway and the option properties.

Over time, our predecessor observed and objected to a deterioration in the property management and leasing services provided by Helmsley-Spear to the Manhattan office properties, resulting in deferred maintenance, reduced occupancy and/or rents and reduced tenant quality. Our predecessor brought legal action to remove Helmsley-Spear as manager (after it was sold by entities controlled by Leona M. Helmsley) of these properties both for cause and based on contractual removal rights. The resolutions of the ensuing arbitrations and litigations

resulted in a gradual transfer of day-to-day management away from Helmsley-Spear beginning in 2002 and were fully settled in 2006. Upon such transfer, Mr. Malkin and our senior management team conceived and designed our renovation and repositioning program for our Manhattan office properties, and a majority of the work on such program has taken place since 2008. Our predecessor oversaw the engagement of third-party property management and leasing agents for these properties, and eventually the transformation of the Empire State Building to a self-managed structure, retaining a third party agent only for leasing.

Separately, our predecessor acquired certain office, city-center retail and multi-family residential properties outside of Manhattan, which other than our greater New York metropolitan area properties, will not be part of our portfolio upon completion of this offering. It developed and implemented a branding strategy for brokers and tenants for this portfolio. The branded portfolio provides tenants with a consistently high quality level of services, installations, maintenance and amenities and has built strong relationships with the broker community.

As the Helmsley-Spear management disputes progressed and were resolved, our predecessor conceived, planned and executed a comprehensive program to renovate and improve the Manhattan office properties in our portfolio with a combination of operating cash flow and debt financing. The improvements included restored and improved or new lobbies; elevator modernization; common hallway upgrades; bathroom renovations; roof and façade restorations; new windows; and building-wide systems upgrades. As each property renovation was put in place, our predecessor established its brand by deploying the same branding strategy with tenants and brokers as had succeeded with the office and retail properties in Fairfield County, Connecticut and Westchester County, New York.

Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of office and retail properties as a result of the following competitive strengths:

Irreplaceable Portfolio of Office Properties in Midtown Manhattan. Our Manhattan office properties are located in one of the most prized office markets in the world due to a combination of supply constraints, high barriers to entry, near-term and long-term prospects for job creation, vacancy absorption and rental rate growth. Management believes these properties could not be replaced today on a cost-competitive basis, if at all. As of September 30, 2011, we owned seven Manhattan office properties encompassing approximately 5.8 million rentable square feet of office space including the Empire State Building, our flagship property and the world s most famous office building. Unlike traditional office buildings, the Empire State Building provides us with a significant source of income from its observatory and broadcasting operations. All of these properties include premier retail space on their ground floor and/or lower levels, which comprise 432,176 rentable square feet in the aggregate and all of which have recently undergone significant renovations. We believe the high quality of our buildings, services and amenities, their desirable locations and commuter access to mass transportation should allow us to increase rents and occupancy to generate positive cash flow and growth.

Expertise in Repositioning and Renovating Manhattan Office Properties. We have substantial expertise in renovating and repositioning Manhattan office properties, having invested a total of approximately $296.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties since we assumed day-to-day management of these properties beginning with One Grand Central Place in November 2002. We have gained substantial experience in upgrading, renovating and modernizing (or are in the process thereof) all building lobbies, corridors, bathrooms and elevator cabs and old, antiquated spaces to include new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning, as well as enhanced tenant amenities). We have successfully aggregated and are continuing to aggregate smaller spaces to offer larger blocks of space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. As part of this program, we converted

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some or all of the ground office floors of certain of our Manhattan office properties to higher rent retail space. We believe that the post-renovation high quality of our buildings and the service we provide also attract higher credit-quality tenants and allow us to grow cash flow. In addition, we believe that, based on the results of our energy retrofitting efforts at the Empire State Building, we can derive cost savings through innovative energy efficiency retrofitting and sustainability initiatives, reducing direct and indirect energy costs paid both by tenants and by us throughout our other Manhattan office properties.

Leader in Energy Efficiency Retrofitting. We have pioneered certain practices in energy efficiency at the Empire State Building where we have partnered with the Clinton Climate Initiative, Johnson Controls Inc., Jones Lang LaSalle and the Rocky Mountain Institute to create and implement a groundbreaking, replicable process for integrating energy efficiency retrofits in the existing built environment. The reduced energy consumption reduces costs for us and our tenants, and we believe creates a competitive advantage for our properties. We believe that higher quality tenants in general place a higher priority on sustainability, controlling costs, and minimizing contributions to greenhouse gases. We believe our expertise in this area gives us the opportunity to attract higher quality tenants at higher rental rates and to reduce our expenses. As a result of our efforts, the Empire State Building is now an Energy Star building and has been awarded LEED EBOM-Gold certification. We plan on implementing energy efficiency retrofitting projects in our Manhattan office properties based on our work at the Empire State Building. Finally, we maintain a series of management practices utilizing recycling of tenant and construction waste, recycled content carpets, low off-gassing paints and adhesives, green pest control and cleaning solutions, and recycled paper products throughout our office portfolio. We believe that our portfolio s attractiveness is enhanced by these practices and that this should result in higher rental rates, longer lease terms and higher quality tenants.

Attractive Retail Locations in Densely Populated Metropolitan Communities. As of September 30, 2011, our portfolio also included six standalone retail properties and retail space at the ground floor and/or lower levels of our Manhattan office properties, encompassing 636,628 rentable square feet in the aggregate, which were approximately 86.2% leased in the aggregate (or 87.0% giving effect to leases signed but not yet commenced as of that date). All of these properties are located in premier retail corridors with convenient access to mass transportation, a diverse tenant base and high pedestrian traffic and/or main destination locations. Our retail portfolio includes 615,195 rentable square feet that located in Manhattan and 21,433 rentable square feet located in Westport, Connecticut. Our retail tenants cover a number of industries, including financial services, and include AT&T; Ann Taylor; Bank of America; Bank Santander (Sovereign Bank); Best Buy; Billabong; Charles Schwab; Chipotle; Duane Reade; Ethan Allen; the GAP; HSBC; JP Morgan Chase; Loews Theatre; Lululemon; Men s Wearhouse; Nike; Panera Bread; Sprint; Starbuck s; Theory; TJ Maxx; and Walgreens. Our Westport, Connecticut retail properties are located on Main Street, the main pedestrian thoroughfare in Westport, Connecticut, and have the advantage of being adjacent to one of the few available large-scale parking lots in town.

Experienced and Committed Management Team with Proven Track Record. Our senior management team is highly regarded in the real estate community and has extensive relationships with a broad range of brokers, owners, tenants and lenders. We have developed relationships we believe enable us to both secure high credit-quality tenants on attractive terms, as well as provide us with potential acquisition opportunities. We have substantial in-house expertise and resources in asset and property management, leasing, marketing, acquisitions, construction, development and financing and a platform that is highly scalable. Members of our senior management team have worked in the real estate industry for an average of approximately 28 years, and Messrs. Malkin, Durels and Keltner have worked together for our predecessor for over 22 years. We take an intensive, hands-on approach to the management of our portfolio and quality brand building. Upon completion of this offering, our senior management team is expected to own % of our common stock on a fully diluted basis, and therefore their interests are expected to be aligned with those of our stockholders, and they are incentivized to maximize returns for our stockholders.

Strong Balance Sheet Well Positioned For Future Growth. Upon completion of this offering, we expect to have pro forma total debt outstanding of approximately $1.04 billion, with a weighted average interest rate of 5.29%, a weighted average maturity of 4.5 years and 84.0% of which is fixed-rate indebtedness. Additionally, we expect to have approximately $179.1 million of available borrowing capacity under our loans on a pro forma basis. Upon completion of this offering and on a pro forma basis for the year ended December 31, 2010, we had a debt-to-earnings before interest, income tax, depreciation and amortization, or EBITDA, ratio of approximately 5.18x. For the year ended December 31, 2010, our pro forma EBITDA and pro forma net income were approximately $201.6 million and $84.6 million, respectively. We have no debt maturing in 2012 and approximately $58.3 million maturing in 2013. Our fiscal strength and disciplined ownership and operation of our business has enabled us to weather multiple market downturns and challenging financing environments. We operate our business to preserve capital through conservative debt levels and to provide adequate capital for maintenance and improvements.

Business and Growth Strategies

Our primary business objectives are to maximize cash flow and total returns to our stockholders and to increase the value of our properties through the pursuit of the following business and growth strategies:

Lease-up Available Space at Manhattan Office Properties. As of September 30, 2011, our Manhattan office properties were approximately 76.9% leased (or 80.6% giving effect to leases signed but not yet commenced as of that date) and had approximately 1.1 million rentable square feet of available space (excluding leases signed but not yet commenced). This compares to an average of 90.4% leased in midtown Manhattan according to RCG as of December 31, 2011. We believe our renovation and repositioning program for our Manhattan office properties is a catalyst for additional lease-up. We have created large blocks of available space and intend to continue to create such blocks over the next several years as part of our comprehensive repositioning strategy to attract larger, higher credit-quality tenants at higher rents for longer lease terms with higher average retention rates and greater prospects for growth. Individual and multiple floors have been assembled and are being assembled for larger users. To date we believe these efforts have accelerated our ability to lease space to new higher credit-quality tenants, many of which have expanded the office space they lease from us over time. Examples of this include LF USA, Coty. Inc., the Federal Deposit Insurance Corporation, and Actimize which collectively have leases signed with us for over 1,275,265 rentable square feet that represent additional annualized base rent of $51,117,013 as of September 30, 2011. LF USA, our largest tenant based on both total leased square feet and annualized base rent, signed a lease for 482,399 square feet of office space in the Empire State Building in January 2011 that represents an additional $18,813,561 of annualized base rent and, in November 2011, signed another lease for an additional 106,545 square feet that represents an additional $4,155,255 of an annualized base rent. In order to accommodate the initial lease, we relocated two other tenants to other available space in the building in order to provide LF USA with space on two consecutive floors. As of September 30, 2011, LF USA leased an aggregate of 630,615 rentable square feet of office space at three of our office properties, representing approximately 7.6% of the total rentable square feet and approximately 8.6% of the annualized base rent in our portfolio. We also employ a pre-built suite strategy in selected portions of some of our properties to appeal to many credit-worthy smaller tenants by fitting out some available space with new ceilings, lighting, pantries and base building systems (including electric distribution and air conditioning) for immediate occupancy. These pre-built suites deploy energy efficiency strategies developed in our work at the Empire State Building and are designed with efficient layouts sought by a wide array of users which we believe will require only minor painting and carpeting for future re-leasing thus reducing our future costs.

Increase Existing Below-Market Rents. We believe we can capitalize on the successful repositioning of our Manhattan office portfolio and improving market fundamentals to increase rents. For example, we expect to benefit from the re-leasing of 26.1%, or approximately 1.5 million rentable square feet

(including month-to-month leases), of our Manhattan office leases expiring through December 31, 2014, which we generally believe are currently at below market rates. These expiring leases represent a weighted average base rent of $35.72 per square foot based on current measurements. As older leases expire, we expect to continue to upgrade certain space to further increase rents and we expect to increase the total rentable square footage of such space as a result of remeasurement and application of market loss factors to our space which we expect will generate additional rental revenue. Our concentration in Manhattan and the greater New York metropolitan area should also enable us to benefit from increased rents associated with current and anticipated near-term improvements in the financial and economic environment in these areas. We also expect to benefit from the lack of development of office and retail space in midtown Manhattan for the foreseeable future due to the recent economic downturn, scarcity of available development sites, and long lead time for new construction.

Complete the Redevelopment and Repositioning of Our Current Portfolio. We intend to continue to increase occupancy, improve tenant quality and enhance cash flow and value by completing the renovation and repositioning of our Manhattan office properties. We intend selectively to continue to allow leases for smaller spaces to expire or relocate smaller tenants in order to aggregate, demolish and re-demise existing office space into larger blocks of vacant space, which we believe will attract higher credit-quality tenants at higher rental rates. We apply rigorous underwriting analysis to determine if aggregation of vacant space for future leasing to larger tenants will improve our cash flows over the long term. In addition, we are a leader in developing economically justified energy efficiency retrofitting and sustainability and have made it a portfolio-wide initiative. We believe this makes our properties desirable to high credit-quality tenants at higher rental rates and longer lease terms.

Pursue Attractive Acquisition and Development Opportunities. We will opportunistically pursue attractive opportunities to acquire office and retail properties, including the option properties. We intend to focus our acquisition strategy primarily on Manhattan office properties and, to a lesser extent, office and multi-tenanted retail properties in densely populated communities in the greater New York metropolitan area and other markets we may identify in the future. We believe we can utilize our industry relationships (including well-known real estate owners in Manhattan), brand recognition, and our expertise in redeveloping and repositioning office properties to identify acquisition opportunities where we believe we can increase occupancy and rental rates. Our strong balance sheet, access to capital, and ability to offer operating partnership units in tax deferred acquisition transactions should give us significant flexibility in structuring and consummating acquisitions. Further, we have a development site, Metro Tower at the Stamford Transportation Center, which is adjacent to our Metro Center property, which we believe to be one of the premier office buildings in Connecticut. All required zoning approvals have been obtained to allow development of an approximately 340,000 rentable square foot office tower and garage. We intend to develop this site when we deem the appropriate combination of market and other conditions are in place.

Proactively Manage Our Portfolio. We believe our proactive, service-intensive approach to asset and property management helps increase occupancy and rental rates. We utilize our comprehensive building management services and our strong commitment to tenant and broker relationships and satisfaction to negotiate attractive leasing deals and to attract high credit-quality tenants. We proactively manage our rent roll and maintain continuous communication with our tenants. We foster strong tenant relationships by being responsive to tenant needs. We do this through the amenities we provide, the quality of our buildings and services, our employee screening and training, energy efficiency initiatives, and preventative maintenance and prompt repairs. Our attention to detail is integral to serving our clients and building our brand. Our properties have received numerous industry awards for their operational efficiency. We believe long-term tenant relationships will improve our operating results over time by reducing leasing, marketing and tenant improvement costs and reducing tenant turnover.

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Renovation and Repositioning Case Studies

From 2002 through 2006, we gradually gained day-to-day management of our Manhattan office properties. Since then, we have been undertaking a comprehensive renovation and repositioning strategy of our Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. We expect to complete substantially this program by the end of 2013, except with respect to the Empire State Building, which is the last Manhattan office property that began its renovation program, which we expect to complete substantially in 2016, due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. The improvements undertaken in connection with the renovation and repositioning program include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities. These improvements are designed to improve the overall value and attractiveness of our properties and have contributed significantly to our tenant repositioning efforts, which seek to increase our occupancy; raise our rental rates; increase our rentable square feet; increase our aggregate rental revenue; lengthen our average lease term; increase our average lease size; and improve our tenant credit quality. This strategy has shown attractive results to date as illustrated by the case studies which are set forth below. There can be no assurance that our renovation and repositioning program will be completed in its entirety in accordance with the anticipated timing or at the anticipated cost or that the results we expect to achieve will be accomplished. Accordingly, the information presented in the case studies should not be considered as indicative of our possible results and you should not rely on this information as an indication of our future performance.

The pre-renovation and repositioning statistics in the tables below represent the leases existing on the applicable floor of the applicable building at a date within a three-year period prior to the commencement of tenant repositioning efforts which were implemented on such floor and which generally represented the highest occupancy for such floor during such period. The tenant repositioning efforts include the exercise of our rights to relocate tenants, negotiated relocations of tenants, the strategic expiration of existing leases to aggregate large blocks of space, including whole floors, as well as the implementation of marketing efforts in such space including the signing of significant tenants prior to the onset of the renovation work. Post-renovation and repositioning statistics in the table below represent full floors where we have concluded our renovation and repositioning efforts and reflect leases signed for such space. In certain circumstances, certain tenants have signed leases where only a portion of their lease has commenced with the remainder of the lease to commence through 2012, except with respect to one tenant where such tenant s leases will commence through 2014. The information in the tables below presents statistics as if all such space under such leases have commenced.

Empire State Building Case Study

After we gained day-to-day management of the Empire State Building in August 2006, we developed and began implementing a restoration and renovation program at the property. As of September 30, 2011, we had completed substantially the renovation and repositioning of 22 of the 81 non-retail and non-observatory floors in the building where we have aggregated smaller spaces in order to seek larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. In order to maximize space utilization, we aggregated smaller spaces to offer large blocks of space, including whole floors, by employing several strategies including the exercise of our rights to relocate tenants to alternative space, negotiated relocations of tenants and the strategic expiration of existing leases. As illustrated by the table below, for these 22 floors, we have increased (i) annualized gross rent by an aggregate of approximately $23.4 million, representing a 118.5% increase, (ii) weighted average annualized gross rent per leased square foot by $6.19 in the aggregate, representing an 17.5% increase and (iii) total rentable square footage by 244,598 square feet in the aggregate, representing a 30.4% increase.

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	Number of Leases	Total Rentable Square Feet[1]	Percent Leased[2]	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent[3]	Weighted Average Annualized Gross Rent per Leased Square Foot[4]
Floors 3 - 10							
Pre	77	415,966	76.6%	4,139	9.4	$ 11,723,671	$ 36.79
Post	1	555,204	100.0%	555,204	16.3	$ 21,653,904	$ 39.00
Change	**(76)**	**139,238**	**23.4%**	**551,065**	**6.8**	**84.7%**	**6.0%**
Floor 11							
Pre	7	33,465	89.1%	4,259	5.4	$ 1,309,999	$ 43.94
Post	2	50,006	100.0%	25,003	13.4	$ 2,121,027	$ 42.42
Change	**(5)**	**16,541**	**10.9%**	**20,744**	**8.0**	**61.9%**	**(3.5%)**
Floors 12 - 13							
Pre	21	82,256	29.7%	1,164	5.3	$ 724,379	$ 29.64
Post	1	105,613	100.0%	105,613	10.1	$ 4,684,680	$ 44.36
Change	**(20)**	**23,357**	**70.3%**	**104,449**	**4.8**	**546.7%**	**49.6%**
Floors 14 - 17							
Pre	43	156,021	68.1%	2,472	8.1	$ 3,223,231	$ 30.33
Post	1	193,798	100.0%	193,798	16.8	$ 8,841,424	$ 45.62
Change	**(42)**	**37,777**	**31.9%**	**191,326**	**8.8**	**174.3%**	**50.4%**
Floors 32 - 33							
Pre	2	21,906	14.6%	1,596	4.9	$ 134,099	$ 42.01
Post	1	25,057	100.0%	25,057	15.0	$ 1,219,550	$ 48.67
Change	**(1)**	**3,151**	**85.4%**	**23,461**	**10.1**	**809.4%**	**15.9%**
Floor 37							
Pre	1	22,800	100.0%	22,800	5.5	$ 810,359	$ 35.54
Post	1	25,346	100.0%	25,346	11.0	$ 785,726	$ 31.00
Change		**2,546**	**0.0%**	**2,546**	**5.5**	**(3.0%)**	**(12.8%)**
Floor 38							
Pre	1	18,255	100.0%	18,255	15.4	$ 562,233	$ 30.80
Post	1	25,294	100.0%	25,294	10.5	$ 1,107,855	$ 43.80
Change		**7,039**	**0.0%**	**7,039**	**(4.9)**	**97.0%**	**42.2%**
Floor 41							
Pre	1	17,293	3.2%	545	2.6	$ 18,193	$ 33.38
Post	1	21,405	100.0%	21,405	12.5	$ 1,040,416	$ 48.61
Change		**4,112**	**96.8%**	**20,860**	**9.9**	**5,618.7%**	**45.6%**
Floor 53							
Pre	6	17,634	90.2%	2,652	6.4	$ 538,459	$ 33.84
Post	4	26,032	57.7%	3,753	8.7	$ 627,743	$ 41.81
Change	**(2)**	**8,398**	**(32.6%)**	**1,101**	**2.4**	**16.6%**	**23.6%**
Floor 75							
Pre	8	20,150	93.9%	2,364	4.2	$ 742,841	$ 39.27

Post	5	22,589	100.0%	4,518	6.3	$ 1,153,922	$ 51.08
Change	**(3)**	**2,439**	**6.1%**	**2,154**	**2.1**	**55.3%**	**30.1%**
Total							
Pre	**167**	**805,746**	**69.4%**	**3,346**	**8.5**	**$ 19,787,463**	**$ 35.41**
Post	**18**	**1,050,344**	**99.0%**	**57,740**	**14.8**	**$ 43,236,247**	**$ 41.60**
Change	**(149)**	**244,598**	**29.6%**	**54,394**	**6.3**	**118.5%**	**17.5%**

(1) The change in total rentable square footage results from a combination of remeasurement of, and changes in loss factor applied to, the renovated spaces. Post-renovation and repositioning property measurements are based on the Real Estate Board of New York measurement standards. Includes leases that have been signed but have not yet commenced.

(2) Percent leased is calculated as (a) rentable square feet less available square feet divided by (b) rentable square feet.

(3) Pre-renovation and repositioning annualized gross rent represents the last annualized fully escalated gross rent prior to the start of the renovation and repositioning of the floor and post-renovation and repositioning annualized gross rent represents annualized contractual first monthly base rent (after free rent periods) for leases that have been signed and assumes the lease has commenced.

(4) Represents annualized gross rent divided by leased square feet.

1333 Broadway Case Study

Since we gained day-to-day management of 1333 Broadway in August 2006, we developed and began implementing a restoration and renovation program at the property. As of September 30, 2011, we had completed substantially the renovation and repositioning of eight of the ten non-retail floors in the building where we have aggregated smaller spaces in order to offer larger blocks of office space in a similar manner to the program undertaken with respect to the Empire State Building. As illustrated by the table below, for these eight floors, we have increased (i) annualized gross rent by an aggregate of approximately $6.4 million, representing a 184.1% increase, (ii) weighted average annualized gross rent per leased square foot by $11.07 in the aggregate, representing a 36.0% increase and (iii) total rentable square footage by 18,715 square feet in the aggregate, representing an 8.6% increase.

	Number of Leases	Total Rentable Square Feet[1]	Percent Leased[2]	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent[3]	Weighted Average Annualized Gross Rent per Leased Square Foot[4]
Floor 3							
Pre	6	26,696	86.0%	3,826	8.6	$ 646,730	$ 28.17
Post	3	28,866	100.0%	9,622	5.9	$ 1,293,374	$ 44.81
Change	**(3)**	**2,170**	**14.0%**	**5,796**	**(2.7)**	**100.0%**	**59.0%**
Floor 4							
Pre	2	24,639	37.5%	4,614	1.3	$ 254,888	$ 27.62
Post	1	29,075	100.0%	29,075	10.5	$ 1,657,275	$ 57.00
Change	**(1)**	**4,436**	**62.5%**	**24,461**	**9.2**	**550.2%**	**106.4%**
Floor 6							
Pre	3	26,316	10.3%	905	3.5	$ 83,553	$ 30.77
Post	1	29,566	100.0%	29,566	15.0	$ 1,360,036	$ 46.00
Change	**(2)**	**3,250**	**89.7%**	**28,661**	**11.5**	**1,527.8%**	**49.5%**
Floors 8, 9, 10, 11, & 12							
Pre	48	138,971	55.9%	1,620	4.0	$ 2,483,572	$ 31.95
Post	1	147,830	100.0%	147,830	15.4	$ 5,543,625	$ 37.50
Change	**(47)**	**8,859**	**44.1%**	**146,211**	**11.5**	**123.2%**	**17.4%**
Total							
Pre	**59**	**216,622**	**52.0%**	**1,909**	**4.6**	**$ 3,468,743**	**$ 30.80**
Post	**6**	**235,337**	**100.0%**	**39,223**	**13.3**	**$ 9,854,310**	**$ 41.87**
Change	**(53)**	**18,715**	**48.0%**	**37,314**	**8.7**	**184.1%**	**36.0%**

(1) The change in total rentable square footage results from a combination of remeasurement of, and changes in loss factor applied to, the renovated spaces. Post-renovation and repositioning property measurements are based on the Real Estate Board of New York measurement standards. Includes leases that have been signed but have not yet commenced.
(2) Percent leased is calculated as (a) rentable square feet less available square feet divided by (b) rentable square feet.
(3) Pre-renovation and repositioning annualized gross rent represents the last annualized fully escalated gross rent prior to the start of the renovation and repositioning of the floor and post-renovation and repositioning annualized gross rent represents annualized contractual first monthly base rent (after free rent periods) for leases that have been signed and assumes the lease has commenced.
(4) Represents annualized gross rent divided by leased square feet.

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Our Portfolio Summary

As of September 30, 2011, our portfolio consisted of 12 office properties and six standalone retail properties totaling approximately 8.3 million rentable square feet and was approximately 80.4% leased (or 83.3% giving effect to leases signed but not yet commenced as of that date). In addition, we owned entitled land that will support the development of an approximately 340,000 rentable square foot office building and garage (Metro Tower) at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties, as of September 30, 2011. The table below presents an overview of our portfolio and our option properties as of September 30, 2011:

Property Name	Submarket	Year Built / Renovated[1]	Rentable Square Feet[2]	Percent Leased[3]	Annualized Base Rent[4]	Annualized Base Rent Per Leased Square Foot[5]	Net Effective Rent Per Leased Square Foot[6]	Number of Leases[7]
Manhattan Office Properties								
The Empire State Building	Penn Station-Times Sq. South	1930 / In process					$ 39.40	
Office[8]			2,675,779	67.3%	$ 62,642,545	$ 34.79		282
Retail[9]			163,655	89.7%	$ 14,382,077	$ 98.01		24
One Grand Central Place	Grand Central	1930 / In process					$ 47.43	
Office			1,157,911	79.7%	$ 41,343,400	$ 44.77		306
Retail			68,343	87.1%	$ 5,713,916	$ 96.00		19
250 West 57th Street	Columbus Circle-West Side	1921 / In process					$ 42.73	
Office			476,870	84.6%	$ 15,760,697	$ 39.05		191
Retail			53,837	100.0%	$ 4,479,500	$ 83.20		6
501 Seventh Avenue	Penn Station-Times Sq. South	1923 / In process					$ 35.12	
Office			431,971	90.8%	$ 13,596,266	$ 34.66		33
Retail			37,765	93.1%	$ 1,742,195	$ 49.55		11
1359 Broadway	Penn Station-Times Sq. South	1924 / In process					$ 37.54	
Office			437,943	96.3%	$ 15,620,373	$ 37.03		35
Retail			27,618	78.9%	$ 1,665,115	$ 76.37		6
1350 Broadway[10]	Penn Station-Times Sq. South	1929 / In process					$ 56.29	
Office			359,691	74.7%	$ 10,651,056	$ 39.65		74
Retail			30,895	100.0%	$ 5,724,987	$ 185.30		6
1333 Broadway	Penn Station-Times Sq. South	1915 / In process					$ 43.98	
Office			296,565	93.2%	$ 11,391,478	$ 41.23		10
Retail			50,063	6.4%	$ 725,713	$ 226.86		3
Sub-Total / Weighted Average Manhattan Office Properties			**6,268,906**	**77.2%**	**$ 205,439,318**	**$ 42.47**	**$ 42.11**	**1,006**
Office			**5,836,730**	**76.9%**	**$ 171,005,815**	**$ 38.12**		**931**
Retail			**432,176**	**81.3%**	**$ 34,433,503**	**$ 98.06**		**75**
Greater New York Metropolitan Area Office Properties								
First Stamford Place[11]	Stamford, Connecticut[12]	1986 / 2003	784,487	90.1%	$ 27,526,218	$ 38.95	$ 38.93	36
Metro Center	Stamford, Connecticut[12]	1987 / 1999	275,608	100.0%	$ 12,897,836	$ 46.80	$ 47.29	24
383 Main Avenue	Norwalk, Connecticut[13]	1985 / 1996	260,468	81.3%	$ 5,836,564	$ 27.55	$ 28.00	19
500 Mamaroneck Avenue	Harrison, New York[14]	1986 / 2004	289,682	91.4%	$ 7,144,466	$ 26.98	$ 27.38	30
10 Bank Street	White Plains, New York[15]	1989 / 2001	228,933	81.7%	$ 6,186,454	$ 33.08	$ 33.97	27

Sub-Total / Weighted Average Greater New York Metropolitan Area Office Properties	**1,839,178**	**89.5%**	**$ 59,591,538**	**$ 36.21**	**$ 36.50**	**136**
Total / Weighted Average Office Properties	**7,675,908**	**79.9%**	**$ 230,597,353**	**$ 37.60**		**1,067**

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Property Name	Submarket	Year Built / Renovated[1]	Rentable Square Feet[2]	Percent Leased[3]	Annualized Base Rent[4]	Annualized Base Rent Per Leased Square Foot[5]	Net Effective Rent Per Leased Square Foot[6]	Number of Leases[7]
Standalone Retail Properties								
10 Union Square	Union Square	1988 / 1997	58,005	92.1%	$ 3,668,753	$ 68.64	$ 70.01	12
1542 Third Avenue	Upper East Side	1993[16]	56,250	100.0%	$ 2,833,796	$ 50.38	$ 47.15	3
1010 Third Avenue	Upper East Side	1963 / 2007[17]	44,662	100.0%	$ 2,812,709	$ 62.98	$ 65.88	2
77 West 55th Street	Midtown	1962[16]	24,102	100.0%	$ 2,104,651	$ 87.32	$ 79.62	3
69-97 Main Street	Westport, Connecticut	1922 / 2005	17,103	88.3%	$ 1,303,460	$ 86.33	$ 89.46	4
103-107 Main Street	Westport, Connecticut	1900[16]	4,330	100.0%	$ 423,696	$ 97.85	$ 94.69	3
Sub-Total / Weighted Average Standalone Retail Properties			**204,452**	**96.8%**	**$ 13,147,065**	**$ 66.44**	**$ 65.78**	**27**
Total / Weighted Average Retail Properties[18]			**636,628**	**86.2%**	**$ 47,580,568**	**$ 86.66**		**102**
Portfolio Total			**8,312,536**	**80.4%**	**$ 278,177,921**	**$ 41.64**	**$ 41.43**	**1,169**
Option Properties								
112-122 West 34th Street[19]	Penn Station-Times Sq. South	1954 / In process					$ 34.64	
Office			562,935	86.8%				64
Retail			133,437	100.0%				3
1400 Broadway	Penn Station-Times Sq. South	1930 / In process					$ 34.09	
Office			853,690	81.0%				84
Retail			19,861	36.8%				6
Option Properties Total			**1,569,923**					**157**

(1) For more information regarding the status of ongoing renovations at certain of our properties, see Business and Properties Description of Our Properties.
(2) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across our portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to our observatory.
(3) Based on leases signed and commenced as of September 30, 2011 and calculated as (i) rentable square feet less available square feet divided by (ii) rentable square feet.
(4) Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to the office properties for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $3,659,861. Total annualized base rent, net of abatements and free rent, for our office properties is $226,937,492. Annualized base rent for retail properties (including the retail space in our Manhattan office properties) is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements, tenant reimbursements and free rent with respect to the retail properties (including the retail space in our Manhattan office properties) for leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $99,206. Total annualized base rent, net of abatements, tenant reimbursements and free rent, for our retail properties is $47,481,362. Annualized base rent data for our office and retail properties is as of September 30, 2011 and does not reflect scheduled lease expirations for the 12 months ending September 30, 2012.
(5) Represents Annualized Base Rent under leases commenced as of September 30, 2011 divided by leased square feet.
(6) Net effective rent per leased square foot represents (i) the contractual base rent for office and retail leases in place as of September 30, 2011, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of September 30, 2011.
(7) Represents the number of leases at each property or on a portfolio basis. If a tenant has more than one lease, whether or not at the same property, but with different expirations, the number of leases is calculated equal to the number of leases with different expirations.
(8) Includes 88,499 rentable square feet of space leased by our broadcasting tenants.
(9) Includes 3,457 rentable square feet of space leased by Host Services of New York, a licensee of our observatory.
(10) Denotes a ground leasehold interest in the property with a remaining term, including unilateral extension rights available to us, of approximately 39 years (expiring July 31, 2050).
(11) First Stamford Place consists of three buildings.
(12) This submarket is part of the Stamford, Connecticut central business district (CBD) submarket as defined by RCG. See Economic and Market Overview.
(13) This submarket is part of the South Central Stamford, Connecticut submarket as defined by RCG. See Economic and Market Overview.

(14) This submarket is part of the Eastern Westchester County submarket as defined by RCG. See Economic and Market Overview.
(15) This submarket is part of the White Plains, New York CBD submarket as defined by RCG. See Economic and Market Overview.
(16) No major renovation activity was undertaken at this property.

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(17) This property underwent major renovations in 2007 to coincide with the signing of a significant retail lease.
(18) Includes 432,176 rentable square feet of retail space in our Manhattan office properties.
(19) 112-122 West 34th Street consists of two parcels having separate owners and ownership structures. The real property interests that we will acquire with respect to the parcel located at 112-120 West 34th Street consist of (i) a ground leasehold interest currently held by 112 West 34th Street Associates L.L.C., one of the affiliates of our predecessor with whom we have entered into an option agreement and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C., another affiliate of our predecessor with whom we have entered into an option agreement. The real property interests that we will acquire with respect to the parcel located at 122 West 34th Street consist of (i) a fee interest and a subleasehold interest currently held by 112 West 34th Street Associates L.L.C. and (ii) an operating leasehold interest currently held by 112 West 34th Street Company L.L.C.

Tenant Diversification

As of September 30, 2011, our office and retail portfolios were leased to a diverse base of approximately 1,170 tenants. The following table sets forth information regarding the ten largest tenants in our portfolio based on annualized base rent as of September 30, 2011, after giving effect to the formation transactions.

Tenant	Number of Leases	Number of Properties	Lease Expiration[1]	Weighted Average Remaining Lease Term[2]	Total Leased Square Feet[3]	Percent of Portfolio Rentable Square Feet[4]	Annualized Base Rent[5]	Percent of Portfolio Annualized Base Rent[6]
LF USA[7]	6	3	Oct. 2021-Oct. 2028	15 years, 1 month	630,615	7.6%	$ 23,961,264	8.6%
Legg Mason	2	1	Dec. 2012; Sept. 2024	10 years, 2 months	202,661	2.4%	$ 8,319,687	3.0%
Thomson Reuters	5	2	Feb. 2012- Apr. 2020	7 years, 5 months	154,514	1.9%	$ 6,620,504	2.4%
Warnaco	3	1	Sept. 2016-Feb. 2020	5 years, 4 months	187,265	2.3%	$ 6,595,012	2.4%
Federal Deposit Insurance Corporation	1	1	Jan. 2020	8 years, 3 months	121,879	1.4%	$ 5,489,847	2.0%
Host Services of New York	1	1	May 2020	8 years, 7 months	3,457	0.0%	$ 4,917,272	1.8%
Coty, Inc.[8]	1	1	Jan. 2030	18 years, 4 months	92,545	1.1%	$ 4,580,590	1.6%
Duane Reade	2	2	Feb. 2021; May 2025	11 years, 9 months	23,134	0.3%	$ 3,650,000	1.3%
Odyssey Reinsurance	2	1	Jan. 2013; Sept. 2022	10 years, 8 months	104,679	1.3%	$ 3,488,010	1.3%
Aetna Life Insurance	2	1	Jan. 2013; Jun. 2018	2 years, 3 months	51,621	0.6%	$ 2,703,747	0.9%
Total	**25**				**1,572,370**	**18.9%**	**$ 70,325,933**	**25.3%**

(1) Expiration dates are per lease and do not assume exercise of renewal or extension options. Except for the Federal Deposit Insurance Corporation lease (February 1, 2015), none of these leases contain early termination options. For tenants with more than two leases, the lease expiration is shown as a range.
(2) Represents the weighted average lease term, based on annualized base rent.
(3) Based on leases signed and commenced as of September 30, 2011.
(4) Represents the percentage of rentable square feet of our office and retail portfolios in the aggregate.
(5) Represents annualized monthly cash base rent under leases commenced as of September 30, 2011. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Annualized base rent for retail properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12.
(6) Represents the percentage of annualized base rent of our office and retail portfolios in the aggregate.
(7) LF USA is the US subsidiary of Li & Fung Ltd, a Hong Kong headquartered global consumer product design, development, sourcing and distribution company. Li & Fung Ltd has a market capitalization of approximately $13.8 billion as of September 30, 2011, is listed on the Hong Kong Stock Exchange and is a constituent member of the Hang Seng Index, MSCI Index, S&P/StanChart/Greater China Index, FTSEGood Index, Dow Jones Sustainability Asia Pacific Index and Hang Seng Corporate Sustainability Index Series. In January 2011, LF USA signed a lease that increased their total square footage at the Empire State Building to 482,399 square feet, of which 308,233 of the square footage has commenced as of September 30, 2011, and is reflected in the table

above. LF USA also signed a lease in November 2011 (which is not reflected in the above table) for an additional 106,545 square feet that increased their total square footage at the Empire State Building to 588,944 square feet.

(8) In May 2011, Coty s lease was amended such that, upon commencement (expected to be in the second quarter of 2012), Coty will increase their total square footage at the Empire State Building to 194,281 square feet, representing an additional $4,272,912 of annualized base rent as of September 30, 2011, or annualized base rent per leased square foot of $42.00 as of September 30, 2011.

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Lease Distribution

The following table sets forth information relating to the distribution of leases in our portfolio, based on net rentable square feet under lease as of September 30, 2011.

Manhattan Office Properties[1]

Square Feet Under Lease	Number of Leases[2]	Leases as Percent of Total	Rentable Square Feet[3]	Percent of Portfolio Rentable Square Feet	Annualized Base Rent[4]	Percent of Portfolio Annualized Base Rent[5]
Available			1,130,188	13.6%		
2,500 or less	537	45.4%	638,041	7.7%	$ 25,828,578	9.3%
2,501 - 10,000	316	26.7%	1,431,782	17.2%	$ 56,643,235	20.4%
10,001 - 20,000	44	3.7%	590,663	7.1%	$ 22,179,358	8.0%
20,001 - 40,000	23	2.0%	623,995	7.5%	$ 22,431,871	8.1%
40,001 - 100,000	7	0.6%	440,423	5.3%	$ 14,836,240	5.3%
Greater than 100,000	4	0.3%	761,485	9.2%	$ 29,086,533	10.4%
Signed leases not commenced	10	0.9%	220,153	2.6%		
Manhattan Office Properties Total	**941**	**79.6%**	**5,836,730**	**70.2%**	**$ 171,005,815**	**61.5%**

Greater New York Metropolitan Area Office Properties

Square Feet Under Lease	Number of Leases[2]	Leases as Percent of Total	Rentable Square Feet[3]	Percent of Portfolio Rentable Square Feet	Annualized Base Rent[4]	Percent of Portfolio Annualized Base Rent[5]
Available			174,616	2.1%		
2,500 or less	19	1.6%	26,693	0.3%	$ 1,125,164	0.4%
2,501 - 10,000	76	6.4%	383,374	4.6%	$ 12,948,190	4.6%
10,001 - 20,000	19	1.6%	264,733	3.2%	$ 9,270,625	3.3%
20,001 - 40,000	14	1.2%	371,139	4.5%	$ 14,339,621	5.2%
40,001 - 100,000	6	0.5%	348,049	4.2%	$ 12,228,792	4.4%
Greater than 100,000	2	0.2%	251,868	3.0%	$ 9,679,146	3.5%
Signed leases not commenced	2	0.2%	18,706	0.2%		
Greater New York Metropolitan Area Office Properties Total	**138**	**11.7%**	**1,839,178**	**22.1%**	**$ 59,591,538**	**21.4%**

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Retail Properties[6]

Square Feet Under Lease	Number of Leases[2]	Leases as Percent of Total	Rentable Square Feet[3]	Percent of Portfolio Rentable Square Feet	Annualized Base Rent[4]	Percent of Portfolio Annualized Base Rent[5]
Available			82,459	1.0%		
2,500 or less	50	4.2%	45,831	0.6%	$ 6,317,044	2.3%
2,501 - 10,000	36	3.0%	165,886	2.0%	$ 23,355,209	8.4%
10,001 - 20,000	10	0.9%	145,102	1.7%	$ 10,162,209	3.6%
20,001 - 40,000	5	0.4%	143,848	1.7%	$ 6,965,732	2.5%
40,001 - 100,000	1	0.1%	48,377	0.6%	$ 780,375	0.3%
Greater than 100,000						
Signed leases not commenced	1	0.1%	5,125	0.1%		
Retail Properties Total	**103**	**8.7%**	**636,628**	**7.7%**	**$ 47,580,569**	**17.1%**

(1) Excludes (i) retail space in our Manhattan office properties and (ii) the Empire State Building broadcasting licenses and observatory operations.
(2) If a lease has two different expiration dates, it is considered to be two leases (for purpose of lease count and square footage).
(3) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 square feet of space across our portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to our observatory.
(4) Represents annualized cash base rent under leases commenced as of September 30, 2011. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Annualized base rent for retail properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12.
(5) Represents the percentage of annualized base rent of our office and retail portfolios in the aggregate.
(6) Includes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties. Our Manhattan office properties include 75 retail leases representing $34,433,504 in annualized base rent. Excludes the Empire State Building broadcasting licenses and observatory operations.

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Lease Expirations

The following table sets forth a summary schedule of the lease expirations for leases in place as of September 30, 2011 plus available space, for the three months ending December 31, 2011 and for each of the ten full calendar years beginning with the year ending December 31, 2012 at the properties in our portfolio. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Manhattan Office Properties[1]

Year of Lease Expiration	Number of Leases Expiring[2]	Square Footage of Leases Expiring[3]	Percent of Portfolio Square Footage of Leases Expiring	Annualized Base Rent[4]	Percent of Portfolio Annualized Base Rent[5]	Annualized Base Rent Per Leased Square Foot
Available		1,130,188	13.6%			
Signed leases not commenced	10	220,153	2.7%			
Month-to-month leases	9	24,033	0.3%	$ 945,290	0.3%	$ 39.33
2011 (October 1, 2011 to December 31, 2011)	45	136,485	1.6%	$ 4,588,603	1.6%	$ 33.62
2012	186	502,303	6.0%	$ 17,118,543	6.2%	$ 34.08
2013	175	469,383	5.7%	$ 16,967,943	6.1%	$ 36.15
2014	149	393,698	4.7%	$ 14,881,616	5.3%	$ 37.80
2015	140	505,974	6.1%	$ 18,863,945	6.8%	$ 37.28
2016	50	389,615	4.7%	$ 13,589,766	4.9%	$ 34.88
2017	33	125,494	1.5%	$ 5,452,562	2.0%	$ 43.45
2018	51	293,934	3.5%	$ 12,998,724	4.7%	$ 44.22
2019	16	165,830	2.0%	$ 6,087,901	2.2%	$ 36.71
2020	33	382,693	4.6%	$ 15,167,411	5.5%	$ 39.63
2021	20	273,526	3.3%	$ 10,691,164	3.8%	$ 39.09
Thereafter	24	823,421	9.9%	$ 33,652,346	12.1%	$ 40.87
Total/Weighted Average	**941**	**5,836,730**	**70.2%**	**$ 171,005,814**	**61.5%**	**$ 38.12**

Greater New York Metropolitan Area Office Properties

Year of Lease Expiration	Number of Leases Expiring[2]	Square Footage of Leases Expiring[3]	Percent of Portfolio Square Footage of Leases Expiring	Annualized Base Rent[4]	Percent of Portfolio Annualized Base Rent[5]	Annualized Base Rent Per Leased Square Foot
Available		174,616	2.1%			
Signed leases not commenced	2	18,706	0.2%			
Month-to-month leases						
2011 (October 1, 2011 to December 31, 2011)	7	34,733	0.4%	$ 1,344,796	0.5%	$ 38.72
2012	15	120,627	1.4%	$ 4,715,065	1.7%	$ 39.09
2013	20	117,737	1.4%	$ 4,314,923	1.5%	$ 36.65
2014	12	39,084	0.5%	$ 1,482,888	0.5%	$ 37.94
2015	21	124,574	1.5%	$ 4,328,793	1.6%	$ 34.75
2016	14	88,647	1.1%	$ 2,809,335	1.0%	$ 31.69
2017	8	112,907	1.4%	$ 4,227,930	1.5%	$ 37.45
2018	10	155,044	1.9%	$ 5,887,477	2.1%	$ 37.97

2019	8	234,463	2.8%	$ 7,454,510	2.7%	$ 31.79
2020	7	134,894	1.6%	$ 4,908,992	1.8%	$ 36.39
2021	6	99,365	1.2%	$ 3,779,739	1.4%	$ 38.04
Thereafter	8	383,781	4.6%	$ 14,337,090	5.1%	$ 37.36
Total/Weighted Average	**138**	**1,839,178**	**22.1%**	**$ 59,591,538**	**21.4%**	**$ 36.21**

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Retail Properties[6]

Year of Lease Expiration	Number of Leases Expiring[2]	Square Footage of Leases Expiring[3]	Percent of Portfolio Square Footage of Leases Expiring	Annualized Base Rent[4]	Percent of Portfolio Annualized Base Rent[5]	Annualized Base Rent Per Leased Square Foot
Available		82,459	1.0%			
Signed leases not commenced	1	5,125	0.1%			
Month-to-month leases	3	4,025	0.1%	$ 474,960	0.2%	$ 118.00
2011 (October 1, 2011 to December 31, 2011)	1	466	0.0%	$ 32,620	0.0%	$ 70.00
2012	17	68,010	0.8%	$ 4,292,811	1.6%	$ 63.12
2013	13	41,883	0.5%	$ 4,782,147	1.7%	$ 114.18
2014	2	4,886	0.1%	$ 334,187	0.1%	$ 68.40
2015	7	27,539	0.3%	$ 2,571,104	0.9%	$ 93.36
2016	8	82,644	1.0%	$ 2,596,667	0.9%	$ 31.42
2017	6	46,449	0.6%	$ 3,849,416	1.4%	$ 82.87
2018	5	25,702	0.3%	$ 1,581,202	0.6%	$ 61.52
2019	7	27,748	0.3%	$ 2,566,126	0.9%	$ 92.48
2020	12	65,047	0.8%	$ 9,839,839	3.5%	$ 151.27
2021	7	34,898	0.4%	$ 4,728,205	1.7%	$ 135.49
Thereafter	14	119,747	1.4%	$ 9,931,285	3.6%	$ 82.94
Total/Weighted Average	**103**	**636,628**	**7.7%**	**$ 47,580,569**	**17.1%**	**$ 86.66**

(1) Excludes (i) retail space in our Manhattan office properties and (ii) the Empire State Building broadcasting licenses and observatory operations.
(2) If a lease has two different expiration dates, it is considered to be two leases (for the purposes of lease count and square footage).
(3) Office property measurements are based on Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 133,299 rentable square feet across our portfolio attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to our observatory.
(4) Represents annualized cash base rent under leases commenced as of September 30, 2011. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Annualized base rent for retail properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements, tenant reimbursements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12.
(5) Represents the percentage of annualized base rent of our office and retail portfolios in the aggregate.
(6) Includes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties. Our Manhattan office properties include 75 retail leases representing $34,433,504 in annualized base rent. Excludes the Empire State Building broadcasting licenses and observatory operations.

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Tenant Improvement Costs and Leasing Commissions

The following table sets forth certain information regarding tenant improvement costs and leasing commissions for tenants at the office and retail properties in our portfolio for the years ended December 31, 2008, 2009 and 2010 and for the nine months ended September 30, 2011.

Office Properties[1]	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008	Total/ Weighted Average January 1, 2008 to September 30, 2011
New Leases					
Number of leases signed	54	98	87	103	342
Total Square Feet	644,230	361,081	577,373	538,088	2,120,772
Leasing commission costs[2]	$ 13,445,128	$ 4,466,974	$ 7,963,454	$ 9,957,836	$ 35,833,392
Tenant improvement costs[2]	$ 33,977,233	$ 17,071,670	$ 30,114,200	$ 19,715,503	$ 100,878,606
Total leasing commissions and tenant improvement costs[2]	$ 47,422,360	$ 21,538,644	$ 38,077,654	$ 29,673,339	$ 136,711,997
Leasing commission costs per square foot[2]	$ 20.87	$ 12.37	$ 13.79	$ 18.51	$ 16.90
Tenant improvement costs per square foot[2]	$ 52.74	$ 47.28	$ 52.16	$ 36.64	$ 47.57
Total leasing commissions and tenant improvement costs per square foot[2]	$ 73.61	$ 59.65	$ 65.95	$ 55.15	$ 64.46
Renewals					
Number of leases signed	131	214	165	126	636
Total Square Feet	532,837	750,140	459,687	273,814	2,016,478
Leasing commission costs[2]	$ 7,802,976	$ 6,945,091	$ 3,994,736	$ 1,735,972	$ 20,478,775
Tenant improvement costs[2]	$ 13,345,090	$ 18,421,887	$ 9,041,187	$ 2,997,500	$ 43,805,664
Total leasing commissions and tenant improvement costs[2]	$ 21,148,167	$ 25,366,978	$ 13,035,923	$ 4,733,471	$ 64,284,439
Leasing commission costs per square foot[2]	$ 14.64	$ 9.26	$ 8.69	$ 6.34	$ 10.16
Tenant improvement costs per square foot[2]	$ 25.05	$ 24.56	$ 19.67	$ 10.95	$ 21.72
Total leasing commissions and tenant improvement costs per square foot[2]	$ 39.69	$ 33.82	$ 28.36	$ 17.29	$ 31.88
Total New Leases and Renewals					
Number of leases signed	185	312	252	229	978
Total Square Feet	1,177,067	1,111,221	1,037,060	811,902	4,137,250
Leasing commission costs[2]	$ 21,248,104	$ 11,412,065	$ 11,958,190	$ 11,693,808	$ 56,312,167
Tenant improvement costs[2]	$ 47,322,323	$ 35,493,556	$ 39,155,388	$ 22,713,002	$ 144,684,270
Total leasing commissions and tenant improvement costs[2]	$ 68,570,427	$ 46,905,621	$ 51,113,578	$ 34,406,810	$ 200,996,436
Leasing commission costs per square foot[2]	$ 18.05	$ 10.27	$ 11.53	$ 14.40	$ 13.61
Tenant improvement costs per square foot[2]	$ 40.20	$ 31.94	$ 37.76	$ 27.98	$ 34.97
Total leasing commissions and tenant improvement costs per square foot[2]	$ 58.26	$ 42.21	$ 49.29	$ 42.38	$ 48.58
Retail Properties[3]					
New Leases					
Number of leases signed	6	5	12	4	27
Total Square Feet	17,763	33,085	34,486	9,943	95,277
Leasing commission costs[2]	$ 801,727	$ 1,028,094	$ 2,697,960	$ 1,517,611	$ 6,045,392
Tenant improvement costs[2]	$ 212,088	$ 760,650	$ 255,456	$	$ 1,228,194
Total leasing commissions and tenant improvement costs[2]	$ 1,013,815	$ 1,788,744	$ 2,953,416	$ 1,517,611	$ 7,273,586

Leasing commission costs per square foot[2]	$	45.13	$	31.07	$	78.23	$	152.63	$	63.45
Tenant improvement costs per square foot[2]	$	11.94	$	22.99	$	7.41	$	0.00	$	12.89
Total leasing commissions and tenant improvement costs per square foot[2]	$	57.07	$	54.07	$	85.64	$	152.63	$	76.34
Renewals										
Number of leases signed		8		16		11		3		38
Total Square Feet		28,206		52,864		74,494		3,516		159,080

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Retail Properties[3]	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008	Total/ Weighted Average January 1, 2008 to September 30, 2011
Leasing commission costs[2]	$ 998,370	$ 1,638,077	$ 305,467	$ 40,330	$ 2,982,234
Tenant improvement costs[2]					
Total leasing commissions and tenant improvement costs[2]	$ 998,370	$ 1,638,077	$ 305,457	$ 40,330	$ 2,982,234
Leasing commission costs per square foot[2]	$ 35.40	$ 30.99	$ 4.10	$ 11.47	$ 18.75
Tenant improvement costs per square foot[2]					
Total leasing commissions and tenant improvement costs per square foot[2]	$ 35.40	$ 30.99	$ 4.10	$ 11.47	$ 18.75
Total New Leases and Renewals					
Number of leases signed	14	21	23	7	65
Total Square Feet	45,969	85,949	108,980	13,459	254,357
Leasing commission costs[2]	$ 1,800,097	$ 2,666,171	$ 3,003,417	$ 1,557,941	$ 9,027,627
Tenant improvement costs[2]	$ 212,088	$ 760,650	$ 255,456	$	$ 1,228,194
Total leasing commissions and tenant improvement costs[2]	$ 2,012,186	$ 3,426,821	$ 3,258,873	$ 1,557,941	$ 10,255,821
Leasing commission costs per square foot[2]	$ 39.16	$ 31.02	$ 27.56	$ 115.75	$ 35.49
Tenant improvement costs per square foot[2]	$ 4.61	$ 8.85	$ 2.34	$	$ 4.83
Total leasing commissions and tenant improvement costs per square foot[2]	$ 43.77	$ 39.87	$ 29.90	$ 115.75	$ 40.32

(1) Excludes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties. Includes the Empire State Building broadcasting licenses and observatory operations.
(2) Presents all tenant improvement and leasing commission costs as if they were incurred in the period in which the lease was signed, which may be different than the period in which they were actually paid.
(3) Includes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties. Excludes the Empire State Building broadcasting licenses and observatory operations.

Historical Capital Expenditures

The following table sets forth certain information regarding historical capital expenditures at the properties in our office and retail portfolios for the years ended December 31, 2008, 2009 and 2010 and for the nine months ended September 30, 2011. Historically we have not tracked expenditures as either recurring or non-recurring and we believe a substantial amount of these capital expenditures during the periods presented would be considered to be non-recurring due to the extensive amount of capital spent on renovation, repositioning and deferred maintenance at our Manhattan office properties at the time we began our renovation and repositioning program.

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008	Weighted Average January 1, 2008 to September 30, 2011
Manhattan Office Properties[1]	$ 18,770,372	$ 44,352,027	$ 54,509,278	$ 54,925,514	$ 44,790,380
Greater New York Metropolitan Area Office Properties	1,329,888	2,149,395	2,622,885	2,975,556	2,333,273
Standalone Retail Properties	91,796	228,439	89,034	130,901	137,954
Portfolio Total[2]	$ 20,192,056	$ 46,729,861	$ 57,221,197	$ 58,031,971	$ 47,261,607

(1) Includes an aggregate of 432,176 rentable square feet of retail space in our Manhattan office properties.
(2) Includes all capital expenditures, excluding tenant improvement and leasing commission costs, primarily due to the renovation and repositioning program conducted at our Manhattan office properties.

Description of Our Properties

Each of the Empire State Building and One Grand Central Place accounts for more than 10% of our total assets based on book value, or more than 10% of our gross revenues, as of September 30, 2011 and for the year ended December 31, 2010. Our other properties described below each account for less than 10% of our total assets based on book value and less than 10% of our gross revenues as of September 30, 2011 and for the year ended December 31, 2010. See Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Indebtedness to be Outstanding After This Offering for a description of our indebtedness to be outstanding after completion of this offering.

The Empire State Building, New York, New York

Our predecessor acquired a master operating leasehold interest in the Empire State Building, the world s most famous office building, through a public partnership in 1961 and acquired the fee title to this property in 2002. Our predecessor removed the prior managing and leasing agent and gained day-to-day management of the property in August 2006. The building comprises premier office space, a concourse, lower lobby, two observatories, broadcasting facilities and ground-floor retail space. It occupies the entire blockfront from 33rd Street to 34th Street on Fifth Avenue, anchoring the east side of the 34th street corridor in midtown Manhattan, located within walking distance of multiple parking garages, world-class shopping, dining and lodging. The Empire State Building was built in 1931. The 102-story building comprises 2,675,779 rentable square feet of office space and 163,655 rentable square feet of retail space (including our observatory and broadcasting operations) and is constructed of concrete, steel, masonry and stone. Its close proximity to mass transportation includes numerous subway lines; and bus routes; Pennsylvania Station; Grand Central Terminal; the Port Authority Bus Terminal; and PATH train services. In-building services and amenities include a visitor reception desk, bank equipped with an ATM, FedEx/Kinko s, Starbucks, upscale cocktail lounge and a variety of specialty stores and eat-in or take-out dining facilities within the retail arcade. As part of our effort to increase the quality of our tenants, since 2007 we have embarked on a renovation and repositioning program over time to aggregate smaller office spaces to facilitate re-leasing of larger blocks of space to higher credit-quality tenants for longer lease terms and at higher rents. As of September 30, 2011, the building s five largest tenants based on annualized base rent were LF USA, Inc., an affiliate of Li & Fung, a global supply chain management firm; the Federal Deposit Insurance Corporation; Host Services of New York, a leader in creating dining and shopping concessions for travel venues; Coty, Inc., a leading global fragrance and beauty company; and Walgreen Eastern Co., a New York City-based pharmacy. Other tenants include Funaro & Co., an accounting services firm; LinkedIn Corporation, an online professional network; Noven Pharmaceuticals, Inc., a specialty pharmaceutical company; People s Daily Online USA, an online Chinese newspaper; Taylor Global, Inc., a public relations firm; Turkish Airlines, the national flag carrier of Turkey; and World Monuments Fund, a not-for-profit organization dedicated to preserving and protecting endangered ancient and historic sites around the world.

The Empire State Building offers panoramic views of New York and neighboring states from its world-famous 86th and 102nd floor observatories that draw millions of visitors per year. For the years ended December 31, 2007 through December 31, 2010, the number of visitors to the observatories was approximately 3.67 million, 4.03 million, 3.75 million and 4.03 million, respectively, and the number of visitors to the observatories was 3.06 million for the nine months ended September 30, 2011. For the years ended December 31, 2007 through December 31, 2010, we increased the average ticket revenue per admission from $15.47 to $17.37, and as of September 30, 2011, the average ticket revenue per admission was $18.61. The 86th floor observatory has a 360-degree outdoor deck as well as indoor viewing galleries to accommodate guests day and night, all year-round. The 102nd floor observatory is entirely indoors and offers a 360-degree view of New York City from 1,250 feet above ground. Observatory visitors enter the building via its main entrance on Fifth Avenue. Visitors proceed directly up dedicated escalators to the second floor and through security to purchase various ticket options at the cashier or to retrieve tickets purchased online at our ticket kiosks. While waiting to gain access to the elevators, guests are entertained by a multi-media exhibit on sustainability and energy efficiency, which may be accessed in eight languages and is designed to inform and inspire our visitors. Also on the second floor, guests

may purchase multilingual audio tours and viewer maps from our licensee and be photographed by our licensee. There is a separately ticketed and independently owned and operated tour simulator under lease operating under the name NY Skyride. Visitors then proceed to one of six elevators to the 80th floor, where they are entertained by an exhibit operated by the NY skyscraper museum, The Race to the Top, which chronicles the construction of the building. They then have the opportunity to take one of two elevators or to walk up the stairs to the 86th floor observatory, which offers indoor and outdoor viewing areas. From the 86th floor, guests who have purchased an additional ticket may take an elevator to our fully enclosed 102nd floor observatory. Visitors then return first to the 86th floor and then to the 80th floor where they must exit through Empire: The Store, the official Empire State Building souvenir shop operated by our licensee HMS Host. Finally, they take the elevator to the second floor where they have the opportunity to purchase their photograph and ride one of two dedicated escalators to the lobby at the main entrance on Fifth Avenue, where they exit the building; by the end of 2012, they will also have the opportunity to exit through our tenant Walgreens, which will shortly expand its ground floor retail space to the 2nd floor with direct frontage to the observatories exit path. We generated approximately $62.9 million and $78.9 million in revenue from our observatory operations for the nine months ended September 30, 2011 and the year ended December 31, 2010, respectively.

Our observatory business is subject to tourism trends and weather, and therefore does experience some seasonality. Over the past ten years, the number of visitors to the observatory, on average, has been slightly higher in the third quarter and slightly lower in the first quarter of each year. The Empire State Building s observatory has maintained stable performance levels over the past ten years, despite changing competitive dynamics and economic conditions. Total revenue and operating income from the observatory s operations have exhibited positive growth in all but two years from 2001 to 2010 (2001 and 2009), representing a compound annual growth rate for total revenue and operating income (including concessions revenue) of 11.6% and 11.5%, respectively. In addition, the average ticket revenue per admission has increased for each of the 11 years from 2000 to 2010 at a compound annual growth rate of 9.9% and the growth rate during each of those years, on a year over year basis, has never been negative. In the year ended December 31, 2010, the observatory experienced record admissions of over 4.03 million visitors and approximately $78.9 million of total revenue. The observatory has demonstrated strong performance despite competitive pressures as total revenue and operating income (including concessions revenue) increased by over 25.0% in 2005 and over 11.0% in 2006, despite the opening of the Top of the Rock observation deck at Rockefeller Center in November 2005. The Empire State Building s observatory has also fared well during the recent recession. Despite a 7.0% decrease in the number of visitors as compared to 2008, 2009 admissions were still 2.0% higher than 2007 and the average ticket revenue per admission increased by 6.9% over 2008 s record level.

In addition to being a top New York City tourist attraction, the Empire State Building is also the center of the New York Tri-State region s broadcasting operations. During the nine months ended September 30, 2011 and the year ended December 31, 2010, our broadcasting licenses and related leased space generated approximately $11.8 million and $16.1 million, respectively. Various entities transmit from our building setbacks and surfaces and our broadcasting mast which rises 230 feet from the ceiling deck of the 103rd floor. Over 150 antennae provide a variety of point-to-point radio and data communications services and support delivery of broadcasting signals to cable and satellite systems and directly to television and radio receivers. As of September 30, 2011, 16 television broadcasters and 19 radio broadcasters were licensed to use our broadcasting facilities and served the greater New York metropolitan designated market area, which includes New York, New Jersey and Connecticut. As of September 30, 2011, we leased approximately 88,499 square feet to broadcasting tenants in the aggregate. Tenants that utilize our broadcasting services receive the right to use the broadcasting facilities and also to lease transmitter space in the Empire State Building. In addition, the broadcasting licenses and related leased space are long-term and require that tenants pay substantially all maintenance expenses. The average remaining term of such license fees is approximately 7.5 years. Our broadcasting tenants, based on annualized broadcasting revenue, include, among others, FOX, CBS, ABC, NBC and WPIX, as well as many of the major radio stations in Manhattan and the greater New York metropolitan area.

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We also license the trademarked Empire State Building name and image for movies, television, promotional and advertising purposes and offer portions of the building for rent for private events. The primary benefit of such arrangements is the opportunity to build Empire State Building brand awareness through co-branding with well-respected brands and causes. We also enter into agreements through our Empire State Building Lighting Partner program, which give selected applicants the privilege of choosing a lighting scheme for our tower on a certain date in exchange for publicity and attention through their organization s networks. The Empire State Building has an extensive social media presence including a highly-visited website (on which we control ticket sales to the observatories and offer a growing range of tourist-related attraction sales), Facebook page and Twitter account.

The building and certain aspects of its interior are designated landmarks of the New York City Landmarks Preservation Committee. The building was designated as a National Historic Landmark in 1986. In a national survey conducted in 2007, it was rated number one above the White House and the Washington Monument on the List of America s Favorite Architecture according to the American Institute of Architects. The Empire State Building is an Energy Star building and has been awarded LEED EBOM-Gold certification. The Empire State Building s energy retrofit program will result in significant energy cost savings annually and significant expense savings for our tenants, which we believe has enhanced its desirability to prospective tenants. We recently entered into a two-year contract to purchase wind power to provide 100% of the Empire State Building s energy. The Empire State Building is the recipient of numerous awards. The Building Owners and Managers Association of Greater New York, Inc., or BOMA, and BOMA Mid-Atlantic Region named the Empire State Building as the 2011 Regional TOBY award Winner for Middle Atlantic Regional Outstanding Building of the Year and as the 2009-2010 Pinnacle Award winner for the Historical Building of the Year, honoring a commitment to the preservation of historical integrity while taking full advantage of the improvements of the modern era. Additionally, in 2010, the Empire State Building won the MASterworks Best Restoration award from the Municipal Arts Society for the restoration of a historically significant commercial, residential or institutional building and/or publicly accessible lobby; the National Trust for Historic Preservation National Preservation Honor Award recognizing the efforts of individuals, nonprofit organizations, public agencies and corporations whose skill and determination have given new meaning to their communities through preservation; the Preservation League of New York State Project s Excellence in Historic Preservation Award celebrating the outstanding leadership of public officials and individuals in the field of preservation; and the New York Landmarks and Conservancy s Lucy G. Moses Preservation Award for outstanding preservation efforts. Prior to 2010, the Sustainable Buildings Industry Council awarded the Empire State Building the 2009 Beyond Green High Performance Building Award recognizing the exceptional contributions its members make to sustainability across the United States.

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Since we gained day-to-day management of the Empire State Building in August 2006, we have invested a total of approximately $123.0 million through our restoration and renovation program at the property through September 30, 2011. We currently estimate that between $190.0 million and $230.0 million of additional capital is needed to complete this renovation program, which we expect to complete substantially in 2016. These estimates are based on our current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change. Our renovation program at the property has taken substantial time to design and implement due to many factors, including the overall scale of the program, the market timing of re-leasing upgraded spaces to existing and prospective tenants, our desire to minimize existing tenant disruptions, and the need to obtain consents of investors in the property to complete financings. The following table summarizes the status of major improvements we have completed, those that are currently in process, and those that we expect to complete in the future:

	Completed	**In Process**	**To Be Completed**
Lobby restoration and upgrade	x		
Renovate 2nd floor observatory ticketing area	x		
Renovate 86th floor observatory	x		
Observatory exhibits	x		
Energy efficiency retrofits including			
building automated controls	x		
chiller plant retrofit	x		
window retrofits	x		
radiator barriers	x		
Renovate 102nd floor observatory		x	
Renovate and provide cooling to public corridors		x	
Renovate public bathrooms		x	
Elevator modernization		x	
Elevator shaft wall repairs		x	
Exterior waterproofing and roofs		x	
Additional electrical power and distribution		x	
Building wide sprinklers to comply with Local Law 26		x	
Future energy efficiency retrofits including new air handling units, heat exchangers, steam turbine retrofits		x	
Temporary exterior construction hoist		x	
New tenants-only conference center			x
New tenants-only fitness center			x
Tower lighting replacement			x
Additional observatory exhibit			x
Security system enhancements			x

The observatory and broadcasting businesses at the Empire State Building are subject to competition from existing observatories and broadcasting space and others that may be constructed in the future. In addition, competition from observatory and broadcasting operations in the new property currently under construction at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center and the existing broadcasting facility at Four Times Square, could have a negative impact on revenues from our broadcasting and observatory operations. Our broadcast television and radio licensees face competition from advances in technologies and alternative methods of content delivery in their respective industries, as well as from changes in consumer behavior driven by new technologies and methods of content delivery, which may reduce the demand for over-the-air broadcast licenses in the future. New government regulations affecting broadcasters, including the implementation of the FCC s National Broadband Plan, or the Plan, might also affect our results of operations by reducing the demand for broadcast licenses.

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Empire State Building Primary Tenants

The following table summarizes information regarding the primary tenants of the Empire State Building as of September 30, 2011:

Tenant	Principle Nature of Business	Lease Expiration	Date of Earliest Termination Option	Renewal Options	Total Leased Square Feet	Percent of Property Square Feet[(1)]	Annualized Base Rent[(2)]	Percent of Property Annualized Base Rent	Annualized Base Rent Per Square Foot
LF USA[(3)].	Fashion	Oct. 2028		1 x 7 years or 2 x 5 years	308,233	10.8%	$ 12,021,087	15.6%	$ 39.00
Federal Deposit Insurance Corporation	Government	Jan. 2020	2/1/2015	1 x 5 years	121,879	4.3%	$ 5,489,847	7.1%	$ 45.04
Host Services of New York	Retail store	May 2020			3,457	0.1%	$ 4,917,272	6.4%	$ 1,422.41
Coty, Inc.[(4)]	Cosmetics	Jan. 2030		1 x 5 years	92,545	3.3%	$ 4,580,590	5.9%	$ 49.50
Walgreen Eastern Co.	Retail store	[(5)]			25,688	0.9%	$ 1,470,000	1.9%	$ 57.23
LinkedIn	Internet Networking business	May 2018	6/1/2016		31,742	1.1%	$ 1,237,938	1.6%	$ 39.00
Skanska USA Building	Engineering	Mar. 2024		1 x 5 years	25,057	0.9%	$ 1,219,550	1.6%	$ 48.67
Manhattan Professional Group	Tax professionals	Aug. 2026			25,611	0.9%	$ 1,180,264	1.5%	$ 46.08
Bank of America	Bank	Apr. 2015		1 x 5 years	14,234	0.5%	$ 1,152,577	1.5%	$ 80.97
Taylor Global	Public relations	Jul. 2018			25,744	0.9%	$ 1,119,105	1.5%	$ 43.47
Total/Weighted Average					**674,190**	**23.7%**	**$ 34,388,230**	**44.6%**	**$ 51.01**

(1) Excludes (i) 52,382 rentable square feet attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to our observatory.

(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $3,084,144. Total annualized base rent, net of abatements and free rent is $73,940,478.

(3) In January 2011, LF USA signed a lease that increased their total square footage at the Empire State Building to 482,399 square feet, representing an additional $18,813,561 of annualized based rent, or annualized base rent per square foot of $39.00. 308,233 of this square footage has commenced as of September 30, 2011. LF USA also signed a lease in November 2011 (which is not reflected in the above table) for an additional 106,545 square feet that increased their total square footage at the Empire State Building to 588,944 square feet.

(4) In May 2011, Coty s lease was amended such that, upon commencement (expected to be in the second quarter of 2012), Coty will increase their total square footage at the Empire State Building to 194,281 square feet, representing an additional $4,272,912 of annualized base rent as of September 30, 2011, or annualized base rent per leased square foot of $42.00 as of September 30, 2011.

(5) The lease will expire 15 years and four months following substantial completion of certain expansion space pursuant to the First Lease Modification and Extension Agreement, as of August 15, 2011, between Empire State Building Company L.L.C. and Walgreen Eastern Co., Inc.

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Empire State Building Lease Expirations

The following table sets forth the lease expirations for leases in place at the Empire State Building as of September 30, 2011 for the three months ending December 31, 2011 and for each of the ten full calendar years beginning with the year ending December 31, 2012 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights. As of September 30, 2011, the weighted average remaining lease term for the property was eight years and four months.

Year of Lease Expiration[1]	Number of Leases Expiring	Square Footage of Leases Expiring[2]	Percent of Property Square Feet	Annualized Base Rent[3]	Percent of Property Annualized Base Rent[4]	Annualized Base Rent Per Leased Square Foot
Available		706,018	24.9%			
Signed leases not commenced		186,182	6.5%			
Month-to-month leases	1	1,887	0.1%	$ 18,450	0.0%	$ 9.78
2011 (October 1, 2011 to December 31, 2011)	16	54,085	1.9%	$ 1,670,494	2.2%	$ 30.89
2012	60	244,220	8.6%	$ 7,234,697	9.4%	$ 29.62
2013	50	215,569	7.6%	$ 5,640,261	7.3%	$ 26.16
2014	39	143,772	5.1%	$ 4,462,817	5.8%	$ 31.04
2015	30	156,276	5.5%	$ 6,280,314	8.2%	$ 40.19
2016	16	94,174	3.3%	$ 3,025,801	3.9%	$ 32.13
2017	13	35,982	1.3%	$ 1,504,922	2.0%	$ 41.82
2018	26	142,416	5.0%	$ 5,746,967	7.5%	$ 40.35
2019	8	45,698	1.6%	$ 2,703,989	3.5%	$ 59.17
2020	20	231,162	8.1%	$ 14,441,823	18.7%	$ 62.47
2021	10	66,391	2.3%	$ 2,701,243	3.5%	$ 40.69
Thereafter	17	515,602	18.2%	$ 21,592,844	28.0%	$ 41.88
Total/Weighted Average	**306**	**2,839,434**	**100.0%**	**$ 77,024,622**	**100.0%**	**$ 39.56**

(1) Excludes broadcasting licenses and observatory operations.
(2) Office property measurements are based on the Real Estate Board of New York measurement standards; retail property measurements are based on useable square feet. Excludes (i) 52,382 rentable square feet attributable to building management use and tenant amenities and (ii) 71,934 square feet of space attributable to our observatory.
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2011, by (ii) 12. Total abatements and free rent with respect to leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $3,084,144. Total annualized base rent, net of abatements and free rent is $73,940,478.
(4) Represents the percentage of annualized base rent of office and ground-floor retail leases at the Empire State Building.

Empire State Building Percent Leased and Base Rent

The following table sets forth the percent leased, annualized base rent per leased square foot and net effective base rent per leased square foot for the Empire State Building as of the dates indicated below:

Date	Percentage Leased[1],[2]	Annualized Base Rent per Leased Square Foot[3]	Net Effective Annual Base Rent per Leased Square Foot[4]
September 30, 2011	68.6%	$ 39.56	$ 39.40
December 31, 2010	66.2%	$ 35.68	$ 35.04
December 31, 2009	68.5%	$ 34.95	$ 34.10

December 31, 2008	69.0%	$ 32.41	$ 31.82
December 31, 2007	70.2%	$ 27.96	$ 27.29
December 31, 2006	75.6%	$ 27.10	$ 26.60

(1) Based on leases commenced as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) As part of our effort to increase the credit quality of our tenants, we have been aggregating smaller office spaces to facilitate re-leasing of larger blocks of space to higher credit-quality tenants for longer lease terms and at higher rents. As a result, percent leased has decreased from December 31, 2006 through September 30, 2011.

(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements and free rent)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

(4) Net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The Empire State Building and improvements to the property are being depreciated on a straight-line basis over their estimated useful lives of 39 years. The current real estate tax rate for the Empire State Building is $101.52 per $1,000 of assessed value. Real estate taxes for the years ended December 31, 2010 and 2009 were $27,664,886 and $24,785,578, respectively. In the opinion of our management, the Empire State Building is adequately covered by insurance.

One Grand Central Place, New York, New York

Our predecessor made a convertible mortgage on One Grand Central Place in 1954 through a public partnership and subsequently acquired fee title to the property in 1958. Our predecessor removed the prior managing and leasing agent and gained day-to-day management of the property in November 2002. The building comprises premier office space and lower-level and ground-floor retail space. It is located on 42nd Street, between Park and Madison Avenues, directly across the street from Grand Central Terminal, located within walking distance of multiple parking garages, world-class shopping, dining and lodging. One Grand Central Place was built in 1930. The 55-story building comprises 1,157,911 rentable square feet of office space and 68,343 rentable square feet of retail space and is constructed of concrete, steel and masonry. Its close proximity to mass transportation includes numerous subway lines and bus routes; Grand Central Terminal; and the Times Square Shuttle. In-building services and amenities include on-site building management office; 24/7 attended lobby; a multi-media conference center; messenger center for the exclusive use of building tenants; a visitor center for convenient and efficient access for building visitors; bank, newsstand and dining facilities; and additional conveniences in the building s retail arcade. As part of our effort to increase the quality of our tenants, we have embarked on a renovation and repositioning program over time to aggregate smaller office spaces to facilitate re-leasing of larger blocks of space to higher credit-quality tenants for longer lease terms and at higher rents. We have implemented a program to pre-build modern office suites with efficient layouts which are leased to higher credit-quality tenants for longer lease terms. As of September 30, 2011, the building s five largest third-party tenants based on annualized base rent were JP Morgan Chase Bank, a global financial services firm; Pipeline Financial Group, Inc., an operator of institutional electronic brokerages in the United States and Europe; Bank of America, N.A., a global financial services firm; Charles Schwab & Co., Inc., a retail brokerage service provider; and Schoeman, Updike & Kaufman LLP, a New York and Chicago-based law firm.

One Grand Central Place was the recipient of the BOMA 2010 Pinnacle Award for the Operating Building of the Year, in recognition of outstanding operations including energy management, emergency preparedness, environmental compliance, community impact, tenant relations, operational standards, training excellence and overall attractiveness, and in 2007, BOMA named One Grand Central Place as the Pinnacle Award winner for the Historical Building of the Year award, honoring a commitment to the preservation of historical integrity while taking full advantage of the improvements of the modern era.

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Since we gained day-to-day management of One Grand Central Place in November 2002, we have invested approximately $27.0 million through our restoration and renovation program at the property through September 30, 2011. We expect to complete our renovation program by 2013. Our renovation program at the property has taken substantial time to design and implement due to many factors, including the overall scale of the program, the market timing of re-leasing upgraded spaces to existing and prospective tenants, our desire to minimize existing tenant disruptions, and the need to obtain consents of investors in the property to complete financings. The following table summarizes the status of major improvements we have completed, those that are currently in process, and those that we expect to complete in the future:

	Completed	In Process	To Be Completed
Lobby restoration and upgrade	x		
Renovate and provide cooling to public corridors	x		
Renovate public bathrooms	x		
New windows	x		
Elevator modernization	x		
New tenants only conference center	x		
Visitors center	x		
Roof replacements	x		
Restore façade	x		
Replace fire alarm system	x		
Additional roof replacements		x	
Building wide sprinklers to comply with Local Law 26		x	
Upgrade finishes in public corridors			x
Additional bathrooms to be upgraded			x
Cooling tower			x
Energy efficiency retrofits			x

One Grand Central Place is subject to competition from a large number of other existing office properties and new office properties that may be constructed in the future.

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One Grand Central Place Primary Tenants

The following table summarizes information regarding the primary tenants of One Grand Central Place as of September 30, 2011:

Tenant	Principle Nature of Business	Lease Expiration	Date of Earliest Termination Option	Renewal Options	Total Leased Square Feet	Percent of Property Square Feet(1)	Annualized Base Rent(2)	Percent of Property Annual-ized Rent	Annual-ized Base Rent per Leased Square Foot
JP Morgan Chase Bank	Bank	Sept. 2013			18,683	1.5%	$ 1,465,315	3.1%	$ 78.43
Pipeline Financial Group, Inc.	Network solutions for block trading	Oct. 2018			24,965	2.0%	$ 1,348,110	2.9%	$ 54.00
Bank of America, N.A.	Bank	Apr. 2017		1 x 5 years	14,127	1.1%	$ 1,325,000	2.8%	$ 93.79
Charles Schwab & Co., Inc.	Retail broker	May 2021		1 x 5 years	10,702	0.9%	$ 1,287,300	2.7%	$ 120.29
Schoeman, Updike & Kaufman, LLP	Law firm	Oct. 2012			24,493	2.0%	$ 1,071,417	2.3%	$ 43.74
Pine Brook Road Partners, LLC	Private equity firm	Sept. 2021	1/1/2015	1 x 5 years	17,825	1.5%	$ 937,376	2.0%	$ 52.59
Sunbelt Beverage Co., LLC	Wine & spirits wholesaler	Aug. 2023			21,498	1.8%	$ 924,414	2.0%	$ 43.00
Haver Analytics, Inc.	Economic & financial database	Apr. 2018			12,041	1.0%	$ 818,788	1.7%	$ 68.00
Special Funds Conservation	Defends special disability fund & workers comp cases	Apr. 2021		1 x 5 years	17,614	1.4%	$ 704,560	1.5%	$ 40.00
Gibbs & Soell, Inc.	Public relations	Nov. 2019		1 x 5 years	12,724	1.0%	$ 699,820	1.5%	$ 55.00
Total/Weighted Average					**174,672**	**14.2%**	**$ 10,582,099**	**22.5%**	**$ 60.58**

(1) Excludes 31,295 rentable square feet attributable to building management use and tenant amenities.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements and free rent)) for the month ended September 30, 2011 for leases commenced as of September 30, 2010, by (ii) 12. Total abatements and free rent with respect to leases in effect as of September 30, 2011 for the 12 months ending September 30, 2012 are $267,059. Total annualized base rent, net of abatements and free rent is $46,790,257.

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One Grand Central Place Lease Expirations

The following table sets forth the lease expirations for leases in place at One Grand Central Place as of September 30, 2011 for the three months ending December 31, 2011 and for each of the ten full calendar years beginning with the year ending December 31, 2012 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights. As of September 30, 2011, the weighted average remaining lease term for the property was four years, seven months.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring(1)	Percent of Property Square Feet	Annualized Base Rent(2)	Percent of Property Annualized Rent(3)	Annualized Base Rent per Leased Square Foot
Available		219,118	17.9%			
Signed leases not commenced	6	24,212	2.0%			
Month-to-month leases	9	22,381	1.8%	$ 1,252,412	2.6%	