

Empire State Realty Trust, Inc.

Form S-11/A

November 02, 2012

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As filed with the Securities and Exchange Commission on November 2, 2012

Registration Statement No. 333-179485

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 3**

**to**

**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**

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**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.**

**One Grand Central Place**

**60 East 42nd Street**

**New York, New York 10165**

**(212) 953-0888**

*(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)*

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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. "

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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

Smaller Reporting Company "

(Do not check if a smaller reporting company)

**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 November 2, 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 9.8% ownership limit for all stockholders. See Description of Securities Restrictions on Ownership and Transfer beginning on page 260 of this prospectus.

**Investing in our Class A common stock involves risks. See Risk Factors beginning on page 29 of this prospectus for a discussion of certain risk factors that you should consider before investing in our Class A common stock.**

	<b>Per Share</b>	<b>Total</b>
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 State 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 236 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 Series PR operating partnership units, the Series ES operating partnership units, the Series 60 operating partnership units and the Series 250 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 June 30, 2012.

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*Market Data*

We use market data and industry forecasts and projections throughout this prospectus, and in particular in the sections entitled "Economic and Market Overview" and "Business and Properties." We have obtained 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 August 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." We believe the data prepared by RCG is 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. There is no assurance that any of the forecasts will be achieved.

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 the sponsors (Anthony E. Malkin and Peter L. Malkin) own interests in and control, 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

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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, our company will have two classes of common stock, Class A common stock and Class B common stock. Operating partnership units have economic rights similar to the Class A common stock but do not have the right to vote on matters presented to holders of Class A common stock and Class B common stock. The continuing investors that had an option to elect operating partnership units at the time they made their election of consideration in the formation transactions had an option to elect to receive one share of Class B common stock instead of one operating partnership unit for every 50 operating partnership units such continuing investor would otherwise receive in the consolidation. The Class B common stock provides its holder with a voting right that is no greater than if such holder had received solely Class A common stock in the consolidation. Each outstanding share of Class B common stock entitles the holder thereof to 50 votes on all matters on which Class A common stockholders are entitled to vote, including the election of directors, and holders of shares of Class A common stock and Class B common stock will vote together as a single class. Each share of Class B common stock has the same economic interest as a share of Class A common stock, and one share of Class B common stock and 49 operating partnership units together represent a similar economic value as 50 shares of Class A common stock. One share of Class B common stock may be converted into one share of Class A common stock at any time, and one share of Class B common stock is subject to automatic conversion into one share of Class A common stock upon a direct or indirect transfer of such share of Class B common stock or certain transfers of the operating partnership units held by the holder of Class B common stock (or a permitted transferee thereof) to a person other than a permitted transferee. We intend to apply to have our Class A common stock listed on the New York Stock Exchange under the symbol ESB. Unless the context otherwise requires or indicates, the term common stock as used herein means both our Class A and Class B common stock. 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 interest. Following this offering and the consolidation, our operating partnership will have two classes of limited partnership interest operating partnership units and LTIP units. The operating partnership units will have four series Series PR operating partnership units, Series ES operating partnership units, Series 60 operating partnership units and Series 250 operating partnership units, which we refer either collectively, or with respect to one or more series, as the operating partnership units, as the context requires or indicates. Operating partnership units are redeemable for cash, or at our election, exchangeable for 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. We will hold only Series PR operating partnership units. When we refer to operating partnership units to be held by the Malkin Group and continuing investors in the private existing entities, we mean Series PR operating partnership units, which will not be listed on a national securities exchange. When we refer to operating partnership units to be held by continuing investors in the public existing entities, we mean Series ES operating partnership units, Series 60 operating partnership units and Series 250 operating partnership units, which we intend to apply to have listed on the New York Stock Exchange under the symbols ESBA, OGCP, and FISK, respectively.

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.

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*IPO Grants Under our Equity Incentive Plan*

Upon completion of this offering, we expect to grant LTIP units and/or restricted shares of our Class A common stock (at the grantee's discretion) to our independent directors, executive officers (other than Anthony E. Malkin) and certain other employees, which will be subject to time-based and/or performance-based vesting over a three to four year period. The aggregate number of LTIP units/shares we intend to grant to such individuals, including a total of \_\_\_\_\_ LTIP units and/or restricted shares of our Class A common stock which we intend to grant to our independent directors, will be in an amount equal to 1.8% of the gross proceeds raised in this offering (excluding proceeds from any exercise of the underwriters' option to purchase additional shares of our Class A common stock) divided by the initial public offering price. Assuming we receive gross proceeds from this offering of \$ \_\_\_\_\_ (excluding proceeds from any exercise of the underwriters' option to purchase additional shares of our Class A common stock), which is based on an initial public offering price of \$ \_\_\_\_\_ per share (the mid-point of the price range set forth on the front cover of this prospectus), the aggregate number of LTIP units and/or restricted shares of our Class A common stock we intend to grant to our independent directors, executive officers (other than Anthony E. Malkin) and certain other employees will be \_\_\_\_\_ units/shares and will have an aggregate dollar value of \$ \_\_\_\_\_.

*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 or any permitted successor in such entity for the benefit of any of the foregoing; provided, however that solely with respect to tax protection rights and parties who entered into 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 Chief of Property Operations and Leasing, and Thomas N. Keltner, Jr., our Executive Vice President, 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).

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**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 June 30, 2012, we owned 12 office properties (including one long-term ground leasehold interest) encompassing approximately 7.7 million rentable square feet of office space, which were approximately 78.7% leased (or 82.5% 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 5.9 million rentable square feet of office space, including the Empire State Building. Our Manhattan office properties also contain an aggregate of 428,431 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 June 30, 2012, 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 June 30, 2012, our standalone retail properties were approximately 99.0% leased in the aggregate (or 100.0% 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 1.5 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 full control of the day-to-day management of our Manhattan office properties (with the Helmsley estate holding certain approval rights at some of these properties as a result of its interest in the entities owning the properties). Helmsley-Spear, Inc. had provided property management services to our Manhattan office properties during the period from 2002 through 2006 prior to its removal as property manager. See **Business and Properties History** for more information regarding how we gained full control of the 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 full control of the day-to-day management of our Manhattan office properties beginning with One



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Grand Central Place in 2002 through June 30, 2012, we have invested a total of approximately \$330.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties pursuant to this program. We currently intend to invest between \$115.0 million and \$145.0 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 \$85.0 million and \$115.0 million of capital is needed beyond 2013 to complete substantially the renovation program at the Empire State Building, which we expect to occur by the end of 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 six months ended June 30, 2012 and the year ended December 31, 2011, respectively, we generated approximately \$108.8 million and \$193.6 million of revenue from the Empire State Building. The ongoing repositioning of the Empire State Building, which comprises 2,682,458 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.; Kaltex North America, Inc.; LinkedIn; Noven Pharmaceuticals; People's Daily Online USA; Taylor Global; The Freeh Group; 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 24 years of real estate experience specifically in expanding, renovating, repositioning and managing this portfolio. Our senior management team has an average of approximately 29 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, Thomas P. Durels and Thomas N. Keltner, Jr. 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. 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. There is no assurance any of the forecasts will be achieved. We believe the data utilized by RCG that is contained in this section is 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 June 30, 2012. 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. As of June 30, 2012, RCG's outlook for Manhattan's office market as a whole is positive, marked by an expected decrease in the vacancy rate through the end of 2016. The pace of recovery in the near term is not expected to match the early bounce-back period in 2010 and 2011 and improving fundamentals are expected to be more broad-based, driven by growing demand for Class B/C space. 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 9.0% as of the second quarter of 2012 from 9.4% at mid-year 2011. RCG expects this recovery to continue with average annual rent growth of 7.9% between 2012 and 2016 and a decrease in the overall vacancy rate from 9.1% in 2011 to 7.3% in 2016.

#### ***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 \$32.5 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 June 30, 2012, we owned seven Manhattan office properties (including one long-term ground leasehold interest) encompassing approximately 5.9 million rentable square feet of office space, including the Empire State Building, our flagship property.

***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 \$330.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties since we assumed full control of the day-to-day management of these properties beginning with One Grand Central Place in November 2002 through June 30, 2012. 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. As a result of the energy efficiency retrofits, we currently estimate that the Empire State Building will save at least 38% of its energy use, resulting in at least \$4.4 million of annual energy cost savings. Johnson Controls Inc. has guaranteed minimum energy cost savings of \$2.2 million, from 2010 through 2025, with respect to certain of the energy efficiency retrofits which Johnson Controls Inc. was responsible for installing. In 2011, the actual energy cost savings for the energy efficiency retrofits which Johnson Controls Inc. was responsible for installing was \$2.4 million. 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 are currently underway with the design and specification process to implement energy efficiency retrofitting projects in our Manhattan and greater New York metropolitan area office properties based on our work at the Empire State Building. 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 June 30, 2012, our portfolio also included six standalone retail properties and retail space at the ground floor and/or lower levels of our Manhattan office properties. 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 611,450 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 Allen Edmonds, Ann Taylor; AT&T; Bank of America; Bank Santander (Sovereign Bank); Best Buy Mobile; Charles Schwab; Chipotle; Duane Reade (a division of Walgreen Co.); Ethan Allen; Food Emporium; the GAP;

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HSBC; JP Morgan Chase; Kate Spade; Loews Theatre; Lululemon; Men's Wearhouse; Nike; Panera Bread; Payless Shoesource; Potbelly Sandwich Works; Sprint; Starbucks; 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 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 29 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 (including shares of common stock on a fully diluted basis as to which Anthony E. Malkin has the right to vote, but does not have a pecuniary interest), 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 \$1.08 billion, with a weighted average interest rate of 5.27%, a weighted average maturity of 3.6 years and 80.4% of which is fixed-rate indebtedness. Additionally, we expect to have approximately \$134.1 million of available borrowing capacity under our loans on a pro forma basis (excluding amounts under the \$800.0 million secured revolving and term credit facility which we expect to obtain upon the closing of this offering from lenders that will include certain of the underwriters of this offering or their respective affiliates). Upon completion of this offering and on a pro forma basis for the year ended December 31, 2011, we had a debt-to-earnings before interest, income tax, depreciation and amortization, or EBITDA, ratio of approximately 5.61x. For the year ended December 31, 2011, our pro forma EBITDA and pro forma net income were approximately \$187.3 million and \$57.9 million, respectively. We have no debt maturing in the remainder of 2012 and approximately \$57.3 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 June 30, 2012, our Manhattan office properties were approximately 75.7% 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 90.2% leased in midtown Manhattan according to RCG as of June 30, 2012. We believe our renovation and repositioning program for our Manhattan office properties is a catalyst for additional lease-up. 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 1,397,250 rentable square feet that represent additional annualized base rent of \$56,424,227 as of June 30, 2012.

***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 18.8%, or approximately 1.1 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 \$37.50 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

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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. 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. For more information regarding the option properties, please see *Business and Properties Description of 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. 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.

**Table of Contents****Our Portfolio Summary**

As of June 30, 2012, our portfolio consisted of 12 office properties and six standalone retail properties totaling approximately 8.4 million rentable square feet and was approximately 79.3% leased (or 82.9% 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 June 30, 2012. The table below presents an overview of our portfolio and our option properties as of June 30, 2012:

Property Name	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Base Rent Per Leased Square Foot <sup>(5)</sup>	Net Effective Rent Per Leased Square Foot <sup>(6)</sup>	Number of Leases <sup>(7)</sup>
<b>Manhattan Office Properties</b>								
The Empire State Building	Penn Station-Times Sq. South	1931/ In process					\$ 42.07	
Office <sup>(8)</sup>			2,682,458	64.6%	\$ 64,326,741	\$ 37.12		261
Retail <sup>(9)</sup>			163,655	89.7%	\$ 14,700,784	\$ 100.18		24
One Grand Central Place	Grand Central	1930/ In process					\$ 46.98	
Office			1,180,095	78.7%	\$ 41,528,075	\$ 44.72		297
Retail			68,451	87.7%	\$ 5,557,878	\$ 92.54		18
250 West 57th Street	Columbus Circle-West Side	1921/ In process					\$ 45.29	
Office			476,574	85.3%	\$ 16,728,425	\$ 41.13		165
Retail			52,247	100.0%	\$ 4,566,250	\$ 87.40		7
501 Seventh Avenue	Penn Station-Times Sq. South	1923/ In process					\$ 35.71	
Office			441,203	89.3%	\$ 13,777,270	\$ 34.97		33
Retail			35,502	100.0%	\$ 1,771,501	\$ 49.90		10
1359 Broadway	Penn Station-Times Sq. South	1924/ In process					\$ 38.54	
Office			440,099	93.5%	\$ 15,462,766	\$ 37.57		32
Retail			27,618	78.9%	\$ 1,665,115	\$ 76.37		6
1350 Broadway <sup>(10)</sup>	Penn Station-Times Sq. South	1929/ In process					\$ 56.07	
Office			367,819	79.5%	\$ 11,792,127	\$ 40.32		75
Retail			30,895	100.0%	\$ 5,730,477	\$ 185.48		6
1333 Broadway	Penn Station-Times Sq. South	1915/ In process					\$ 43.96	
Office			302,277	96.6%	\$ 11,996,983	\$ 41.09		11
Retail			50,063	6.4%	\$ 745,713	\$ 233.11		3
<b>Sub-Total / Weighted Average Manhattan Office Properties</b>			<b>6,318,956</b>	<b>76.1%</b>	<b>\$ 210,350,106</b>	<b>\$ 43.74</b>	<b>\$ 43.56</b>	<b>948</b>
<b>Office</b>			<b>5,890,525</b>	<b>75.7%</b>	<b>\$ 175,612,388</b>	<b>\$ 39.39</b>		<b>874</b>
<b>Retail</b>			<b>428,431</b>	<b>81.8%</b>	<b>\$ 34,737,719</b>	<b>\$ 99.13</b>		<b>74</b>
<b>Greater New York Metropolitan Area Office Properties</b>								
First Stamford Place <sup>(11)</sup>	Stamford, Connecticut <sup>(12)</sup>	1986/2003	782,916	87.6%	\$ 26,516,502	\$ 38.68	\$ 39.59	35
Metro Center	Stamford, Connecticut <sup>(12)</sup>	1987/1999	275,758	98.6%	\$ 12,841,161	\$ 47.22	\$ 46.89	26
383 Main Avenue	Norwalk, Connecticut <sup>(13)</sup>	1985/1996	259,856	80.2%	\$ 5,752,129	\$ 27.61	\$ 28.03	18
500 Mamaroneck Avenue	Harrison, New York <sup>(14)</sup>	1986/2004	289,805	88.4%	\$ 6,939,329	\$ 27.07	\$ 26.76	29
10 Bank Street	White Plains, New York <sup>(15)</sup>	1989/2001	228,994	86.8%	\$ 6,651,991	\$ 33.47	\$ 33.88	28
<b>Sub-Total / Weighted Average Greater New York Metropolitan Area Office Properties</b>			<b>1,837,329</b>	<b>88.2%</b>	<b>\$ 58,701,111</b>	<b>\$ 36.21</b>	<b>\$ 36.60</b>	<b>136</b>
<b>Total / Weighted Average Office Properties</b>			<b>7,727,854</b>	<b>78.7%</b>	<b>\$ 234,313,499</b>	<b>\$ 38.54</b>		<b>1,010</b>



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Property Name	Submarket	Year Built / Renovated <sup>(1)</sup>	Rentable Square Feet <sup>(2)</sup>	Percent Leased <sup>(3)</sup>	Annualized Base Rent <sup>(4)</sup>	Annualized Net Effective		Number of Leases <sup>(7)</sup>
						Leased Square Foot <sup>(5)</sup>	Rent Per Leased Square Foot <sup>(6)</sup>	
<b>Standalone Retail Properties</b>								
10 Union Square	Union Square	1988/1997	58,005	100.0%	\$ 4,688,292	\$ 80.83	\$ 81.95	13
1542 Third Avenue	Upper East Side	1993 <sup>(16)</sup>	56,250	100.0%	\$ 2,754,471	\$ 48.97	\$ 47.71	3
1010 Third Avenue	Upper East Side	1963/2007 <sup>(17)</sup>	44,662	100.0%	\$ 2,812,709	\$ 62.98	\$ 65.88	2
77 West 55th Street	Midtown	1962 <sup>(16)</sup>	24,102	100.0%	\$ 2,104,651	\$ 87.32	\$ 79.62	3
69-97 Main Street	Westport, Connecticut	1922/2005	17,103	88.3% <sup>(18)</sup>	\$ 1,303,459	\$ 86.33	\$ 88.24	4
103-107 Main Street	Westport, Connecticut	1900 <sup>(16)</sup>	4,330	100.0%	\$ 423,696	\$ 97.85	\$ 94.69	3
<b>Sub-Total / Weighted Average Standalone Retail Properties</b>			<b>204,452</b>	<b>99.0%</b>	<b>\$ 14,087,278</b>	<b>\$ 69.59</b>	<b>\$ 69.36</b>	<b>28</b>
<b>Total / Weighted Average Retail Properties<sup>(19)</sup></b>			<b>632,883</b>	<b>87.4%</b>	<b>\$ 48,824,997</b>	<b>\$ 88.31</b>		<b>102</b>
<b>Portfolio Total</b>			<b>8,360,737</b>	<b>79.3%</b>	<b>\$ 283,138,496</b>	<b>\$ 42.69</b>	<b>\$ 42.65</b>	<b>1,112</b>
<b>Option Properties</b>								
112-122 West 34th Street <sup>(20)</sup>	Penn Station-Times Sq. South	1954/ In process					\$ 35.52	
Office			608,050	86.8%				58
Retail			133,437	100.0%				3
1400 Broadway	Penn Station-Times Sq. South	1930/ In process					\$ 35.49	
Office			859,102	79.8%				78
Retail			19,861	36.8%				6
<b>Option Properties Total</b>			<b>1,620,450</b>					<b>145</b>

- (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) 131,173 square feet of space across our portfolio attributable to building management use and tenant amenities and (ii) 71,054 square feet of space attributable to our observatory.
- (3) Based on leases signed and commenced as of June 30, 2012 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 June 30, 2012 for leases commenced as of June 30, 2012, by (ii) 12. Total abatements and free rent with respect to the office properties for leases in effect as of June 30, 2012 for the 12 months ending June 30, 2013 are \$5,177,263. Total annualized base rent, net of abatements and free rent, for our office properties is \$229,136,236. 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 June 30, 2012 for leases commenced as of June 30, 2012, 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 June 30, 2012 for the 12 months ending June 30, 2013 are \$128,803. Total annualized base rent, net of abatements, tenant reimbursements and free rent, for our retail properties is \$48,696,194. Annualized base rent data for our office and retail properties is as of June 30, 2012 and does not reflect scheduled lease expirations for the 12 months ending June 30, 2013.
- (5) Represents Annualized Base Rent under leases commenced as of June 30, 2012 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 June 30, 2012, 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 June 30, 2012.
- (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 88,078 rentable square feet of space leased by our broadcasting tenants.
- (9) Includes 6,180 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.



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- (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) 100% leased, including leases signed but not yet commenced.
- (19) Includes 428,431 rentable square feet of retail space in our Manhattan office properties.
- (20) 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

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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.

**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 24 of the 76 office 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 at the Empire State Building 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 <sup>(1)</sup>	Percent Leased <sup>(2)</sup>	Average Rentable Square Feet per Leased Space	Weighted Average Lease Term (years)	Annualized Gross Rent <sup>(3)</sup>	Weighted Average Annualized Gross Rent per Leased Square Foot <sup>(4)</sup>
<b>Empire State Building (completed floors)</b>							
Pre	188	886,346	70.9%	3,343	8.4	\$ 22,833,906	\$ 36.33
Post	18	1,169,136	99.1%	64,340	15.1	\$ 48,344,303 <sup>(5)</sup>	\$ 41.74
<b>Change</b>	<b>(170)</b>	<b>282,790</b>	<b>28.2%</b>	<b>60,997</b>	<b>6.7</b>	<b>111.7%</b>	<b>14.9%</b>
<b>1333 Broadway (completed floors)</b>							
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
<b>Change</b>	<b>(53)</b>	<b>18,715</b>	<b>48.0%</b>	<b>37,314</b>	<b>8.7</b>	<b>184.1%</b>	<b>36.0%</b>

(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.



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- (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.
- (5) 47.5% of post-renovation and repositioning annualized gross rent relates to one tenant at the Empire State Building where a portion of such tenant's leases have commenced, with the remainder of the leases to commence through 2014.

### **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, Coty, Inc., Legg Mason, Warnaco and Thomson Reuters, which together represented approximately 19.2% of our total portfolio's annualized base rent as of June 30, 2012.

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.

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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.

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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.

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:

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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, 2013;

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.

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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.

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 (f/k/a ESB Observatory 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





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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 \$(104.6) million as of June 30, 2012. 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 \$1.08 billion of total debt (based on June 30, 2012 pro forma outstanding balances), and we expect to have approximately \$134.1 million of additional borrowing capacity under our loans on a pro forma basis (excluding amounts under the \$800.0 million secured revolving and term credit facility which we expect to obtain upon the closing of this offering from lenders that will include certain of the underwriters of this offering or their respective affiliates).

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 (other than Anthony E. Malkin) a total of \_\_\_\_\_ LTIP units and/or restricted shares of our Class A common stock, and we intend to grant a total of \_\_\_\_\_ LTIP units and/or 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. See Management IPO Grants Under our Equity Incentive Plan.

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

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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 1.6% of the total consideration to be issued in the consolidation) 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 who are 78 and 75 years old, respectively, 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. Our operating partnership estimates that if all of its assets subject to the tax protection agreement were sold in a taxable transaction immediately after this offering, the amount of our operating partnership's indemnification obligations (based on tax rates applicable for the taxable year ending December 31, 2012, and the preliminary valuations of our assets as determined by an independent valuation firm, or the independent valuer, and including additional payments to compensate the indemnified partners for additional tax liabilities resulting from the indemnification payments) would be approximately \$97.7 million. We do not presently intend to sell or take any other action which would result in a tax protection payment with respect to the properties covered by the tax protection agreement.

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 \$1.2 million of such loan was made by Anthony E. Malkin and Peter L. Malkin.

We expect to obtain an \$800.0 million secured revolving and term credit facility upon the closing of this offering from lenders that will include certain of the underwriters of this offering or their respective affiliates. We have obtained a commitment for \$400.0 million of availability under the secured revolving and term credit facility, subject to satisfaction of certain conditions precedent, from the representatives of the underwriters or their respective affiliates and they have also agreed to use commercially reasonable efforts to syndicate the remainder of the facility. We expect to use this secured revolving and term credit facility to, among other things, fund capital expenditures, potential acquisitions, general corporate matters and working capital. We expect that the secured revolving and term credit facility will include an accordion feature that would allow us to increase availability thereunder to \$1.25 billion, under specified circumstances. See Management's Discussion and Analysis of Financial Condition and Results of Operations Consolidated Indebtedness to be Outstanding After This Offering Description of Certain Debt Secured revolving and term credit facility. There is no assurance that we will be able to enter into a definitive agreement relating to this facility on acceptable terms, or at all.

We intend to enter into management agreements with the entities that own interests in the excluded properties and services agreements with certain of the excluded businesses or the managers thereof (other than with respect to the registered broker dealer). 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.

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**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 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 management agreements and services agreements with the entities that own interests in and/or manage the excluded properties and the excluded businesses (other than with respect to the registered broker dealer).

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

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We expect to have pro forma total consolidated indebtedness of approximately \$1.08 billion, and we expect to have approximately \$134.1 million of additional borrowing capacity under our loans on a pro forma basis (excluding amounts under the \$800.0 million secured revolving and term credit facility which we expect to obtain upon the closing of this offering from lenders that will include certain of the underwriters of this offering or their respective affiliates).

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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.<sup>(1)</sup>

- (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 group, will own %, % and %, respectively, of our outstanding common stock, and we, certain members of our senior management team, their affiliates

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and related persons and our directors, and our other continuing investors will own %, % and %, respectively, of the outstanding operating partnership units. The Helmsley estate is expected to own % of our outstanding Class A common stock (or % if the underwriters exercise their option in full) and % of the outstanding operating partnership units (or % if the underwriters exercise their option in full). Anthony E. Malkin, together with the Malkin Group, is expected to own % of our outstanding Class B common stock.

- (3) We, the Malkin Group and the continuing investors in the private existing entities will hold only Series PR operating partnership units. Continuing investors in the public existing entities will hold Series ES operating partnership units, Series 60 operating partnership units and Series 250 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 and operating partnership units.

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 and operating partnership units.

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 and Chief of Property Operations and Leasing, 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 Executive Vice President, 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 (i) 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 and (ii) change in control severance agreements with David A. Karp, Thomas P. Durels and Thomas N. Keltner, Jr. as described under Management Change in Control Severance Agreements.





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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 1.6% of the total consideration to be issued in the consolidation) 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 who are 78 and 75 years old, respectively, 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. Our operating partnership estimates that if all of its assets subject to the tax protection agreement were sold in a taxable transaction immediately after this offering, the amount of our operating partnership's indemnification obligations (based on tax rates applicable for the taxable year ending December 31, 2012, and the preliminary valuations of our assets as determined by the independent valuer, and including additional payments to compensate the indemnified partners for additional tax liabilities resulting from the indemnification payments) would be approximately \$97.7 million. We do not presently intend to sell or take any other action which would result in a tax protection payment with respect to the properties covered by the tax protection agreement.

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 services agreements with the managers of certain of 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 guarantees and indemnities with respect to approximately \$1.11 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. The guarantees and indemnities with respect to mortgage loans of many of the existing entities, including

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the public existing entities, were undertaken by Messrs. Malkin and Malkin to meet a conventional lender requirement which became standard only long after such entities were formed. The guarantees and indemnities with respect to all of the indebtedness are, in most instances, limited to losses incurred by the applicable lender arising from acts such as fraud, misappropriation of funds, intentional breach, bankruptcy and certain environmental matters. In connection with our assumption of these mortgage loans, we will seek to have the guarantors and/or indemnitors released from these guarantees and indemnities and to have our operating partnership assume any such guarantee and indemnity obligations as replacement guarantor and/or indemnitor. To the extent lenders do not consent to the release of these guarantors and/or indemnitors, and they remain guarantors and/or indemnitors on assumed indebtedness following this offering, our operating partnership will enter into indemnification agreements with the guarantors and/or indemnitors pursuant to which our operating partnership will be obligated to indemnify such guarantors and/or indemnitors for any amounts paid by them under guarantees and/or indemnities with respect to the assumed indebtedness. We believe that since the mortgage loans relating to these guarantees and indemnities will be assumed by us upon closing of the formation transactions, and we will have greater financial resources than the individual property owning entities which are subject to the mortgage loans, it is appropriate, and consistent with market practice, for Messrs. Malkin and Malkin to be indemnified by our operating partnership if the lenders do not consent to the release of these guarantors and/or indemnitors. Under the organizational documents of the existing entities, Messrs. Malkin and Malkin are already generally entitled to indemnification from investors in the existing entities for liabilities incurred by them in good faith and not arising out of their own willful misconduct or gross negligence, including any such liabilities under these guarantees and indemnities. In addition, in connection with future mortgage loans that we would enter into in connection with future property acquisitions or refinancing of our properties, we intend to enter into any necessary guarantees directly and neither Messrs. Malkin and Malkin nor any of our other directors, executive officers or stockholders would be expected to enter into such guarantees.

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 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 an aggregate of \_\_\_\_\_ LTIP units and/or restricted shares of our Class A common stock, subject to certain vesting requirements, to our executive officers (other than Anthony E. Malkin).

We intend to grant an aggregate of \_\_\_\_\_ LTIP units and/or restricted shares of our Class A common stock, subject to certain vesting requirements, 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 \$1.2 million of such loan was made by Anthony E. Malkin and Peter L. Malkin.

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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. However, 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, each continuing investor that receives Series ES operating partnership units may, immediately following this offering, sell his or her pro rata portion of the greater of 1,100,000 Series ES operating partnership units and \$40.0 million in value of Series ES operating partnership units (based on the initial public offering price of our Class A common stock) and each continuing investor that receives Series 60 operating partnership units and Series 250 operating partnership units may, immediately following this offering, sell up to the same percentage as the percentage of each continuing investor's Series ES operating partnership units that can be sold immediately following this offering. 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 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our capital stock. Our board of directors may, in its sole discretion, waive (prospectively or retroactively) the 9.8% 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.

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### **Option Properties**

Our option properties consist of 112-122 West 34th Street, an office property in midtown Manhattan that was 89.2% leased as of June 30, 2012 (or 89.2% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 741,487 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 78.8% leased as of June 30, 2012 (or 80.5% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 878,963 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 will have the right to elect to receive all cash. The Helmsley estate is estimated to receive 28.1% and 23.7% of the aggregate consideration for 112-122 West 34th Street and 1400 Broadway, respectively. The Malkin Group is estimated to receive 14.6% and 10.3% of the aggregate consideration for 112-122 West 34th Street and 1400 Broadway, respectively, if all of the options are exercised pursuant to override interests held by it. These estimated percentages are based on preliminary valuations of the option properties that were conducted by the independent valuer and are subject to change. 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) in 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 interest, 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.

### **Excluded Properties and Businesses**

The Malkin Group, including Anthony E. Malkin, our Chairman, Chief Executive Officer and President, owns non-controlling interests in, and Anthony E. Malkin and Peter L. Malkin control the general partners or managers of, the entities that own 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 non-controlling interests described above collectively as the excluded properties. In addition, the Malkin

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Group owns interests in six mezzanine and senior equity funds, two industrial funds, five residential property managers 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 services agreements with the five residential property managers and the managers of certain other excluded businesses which historically were managed by affiliates of our predecessor, we will be designated as the manager of the excluded properties and will provide services to the five residential property managers and the existing managers of the other excluded businesses (other than with respect to the registered broker dealer). As the manager or service provider, we will be paid a management or other fee with respect to those excluded properties and excluded businesses (other than with respect to the registered broker dealer) 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 and other services to those excluded properties and businesses where our predecessor had not previously received a management fee. Our management of the excluded properties and provision of services to the five residential property managers and the existing managers of the other excluded businesses will represent a minimal portion of our overall business. There is no established time period in which we will manage such properties or provide services to the five residential property managers and the existing managers of the other excluded 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](#).

## **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

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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 June 30, 2013. 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, 2013. 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, 2013 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 June 30, 2012, we had approximately 595 employees, 98 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 six 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.empirestaterealtytrust.com](http://www.empirestaterealtytrust.com). The information on, or otherwise accessible through, our website does not constitute a part of this prospectus.



## Edgar Filing: Empire State Realty Trust, Inc. - Form S-11/A

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 29 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, executive officers (other than Anthony E. Malkin) and certain other employees 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.

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- (2) Includes (i) Series PR operating partnership units owned by us and Series ES operating partnership units, Series 60 operating partnership units and Series 250 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-34 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, 2011, 2010 and 2009 of our predecessor and summary combined statements of operations information for the years ended December 31, 2011, 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 June 30, 2012 and combined statements of operations for the six months ended June 30, 2012 and 2011 have been derived from the unaudited combined financial statements of our predecessor. The summary historical combined balance sheet information as of December 31, 2008 and 2007 and summary combined statements of operations information for the year ended December 31, 2007 have been derived from the unaudited combined financial statements of our predecessor. Our results of operations for the interim period ended June 30, 2012 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 six months ended June 30, 2012 and for the year ended December 31, 2011 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, 2011 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.

**Table of Contents****Empire State Realty Trust, Inc.****Summary Financial Data***(amounts in thousands except for shares and per share data)*

	Six Months Ended June 30,			Pro Forma Consolidated 2011 (Unaudited)	Year Ended December 31,				
	Pro Forma Consolidated 2012 (Unaudited)	Historical (Predecessor) 2012 (Unaudited)	Combined 2011 (Unaudited)		Historical (Predecessor) 2009	2010	2008	2007 (Unaudited)	
<b>Statement of Operations Data:</b>									
<b>Revenue:</b>									
Rental revenue	\$ 143,725	\$ 86,268	\$ 85,102	\$ 276,731	\$ 198,494	\$ 166,159	\$ 167,556	\$ 162,194	\$ 166,524
Tenant expense reimbursement	29,499	14,681	15,268	62,932	31,063	32,721	36,309	35,684	35,789
Third-party management and other fees	1,679	3,170	2,797	3,672	5,626	3,750	4,296	5,916	4,220
Construction revenue	8,144	8,144	19,603	47,560	47,560	27,139	15,997	56,561	42,373
Observatory income <sup>(1)(2)</sup>	39,906			80,562					
Other income and fees	17,136	4,983	8,001	16,485	12,045	16,776	8,157	8,442	13,601
<b>Total Revenues</b>	<b>240,089</b>	<b>117,246</b>	<b>130,771</b>	<b>487,942</b>	<b>294,788</b>	<b>246,545</b>	<b>232,315</b>	<b>268,797</b>	<b>262,507</b>
<b>Expenses</b>									
Operating expenses	71,443	28,185	27,192	141,381	57,102	60,356	58,850	55,291	51,180
Marketing, general, and administrative expenses	17,799	7,575	7,249	29,560	15,688	13,924	16,145	17,763	17,173
Observatory expenses <sup>(2)</sup>	9,611			20,009					
Construction expenses	8,700	8,700	19,255	46,230	46,230	27,581	17,281	56,080	42,217
Formation transaction expenses		723	1,337		2,845	807			
Real estate taxes	34,121	14,699	14,373	67,439	29,160	27,585	28,937	24,863	22,063
Depreciation and amortization	37,115	20,877	16,220	68,844	35,513	34,041	29,327	26,838	25,802
<b>Total Operating Expenses</b>	<b>178,789</b>	<b>80,759</b>	<b>85,626</b>	<b>373,463</b>	<b>186,538</b>	<b>164,294</b>	<b>150,540</b>	<b>180,835</b>	<b>158,435</b>
<b>Income from Operations before Interest Expense and Equity in Net income of Non-controlled Entities</b>									
	61,300	36,487	45,145	114,479	108,250	82,251	81,775	87,962	104,072
Interest expense, net	28,763	26,488	25,879	56,608	54,746	52,264	50,738	48,664	50,758
<b>Income from Operations before Equity in Net Income of Non-controlled Entities</b>									
	32,537	9,999	19,266	57,871	53,504	29,987	31,037	39,298	53,314
Equity in net income of non-controlled entities <sup>(2)</sup>		7,586	7,888		3,893	15,324	10,800	13,422	15,947
<b>Net Income</b>	<b>\$ 32,537</b>	<b>\$ 17,585</b>	<b>\$ 27,154</b>	<b>\$ 57,871</b>	<b>\$ 57,397</b>	<b>\$ 45,311</b>	<b>\$ 41,837</b>	<b>\$ 52,720</b>	<b>\$ 69,261</b>
<b>Other Data</b>									
Funds from operations <sup>(3)</sup>	\$ 69,294	\$ 41,752	\$ 46,505	\$ 125,975	\$ 99,761	\$ 85,020	\$ 75,458	\$ 83,513	
EBITDA <sup>(4)</sup>	\$ 104,526	\$ 70,428	\$ 74,523	\$ 187,292	\$ 158,647	\$ 141,283	\$ 129,591	\$ 134,269	
Cash flows from:									
Operating activities		\$ 66,746	\$ 30,439		\$ 47,682	\$ 73,574	\$ 58,509	\$ 75,410	
Investing activities		\$ (63,109)	\$ (15,614)		\$ (60,527)	\$ (34,837)	\$ (38,617)	\$ (13,768)	
Financing activities		\$ (26,077)	\$ (16,197)		\$ 11,130	\$ (44,793)	\$ (5,035)	\$ (65,824)	

(footnotes on next page)



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	Six Months Ended June 30, Historical		Year Ended December 31,				
	Pro Forma Consolidated 2012 (Unaudited)	Combined (Predecessor) 2012 (Unaudited)	2011	2010	Historical Combined (Predecessor) 2009	2008 (Unaudited)	2007 (Unaudited)
<b>Balance Sheet Data (at period end):</b>							
Net real estate	\$ 1,224,200	\$ 663,729	\$ 632,132	\$ 590,466	\$ 582,904	\$ 567,404	\$ 575,348
Total assets	2,666,296	998,388	1,004,971	910,743	890,598	857,796	870,537
Notes and loans payable	1,082,620	964,449	939,705	869,063	871,636	828,150	828,812
Total liabilities	1,317,871	1,021,774	1,003,677	922,308	908,856	872,736	873,036
Stockholders /owners equity (deficit)	1,348,425	(23,386)	1,294	(11,565)	(18,258)	(14,940)	(2,499)
Total liabilities and stockholders /owners equity (deficit)	2,666,296	998,388	1,004,971	910,743	890,598	857,796	870,537

- (1) Observatory income includes \$2,471 and \$4,870 for the six months ended June 30, 2012 and for the year ended December 31, 2011, 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. According to RCG, the Manhattan vacancy rate was 9.0% as of June 30, 2012. 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;

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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 full control of the 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 \$115.0 million and \$145.0 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 \$85.0 million and \$115.0 million of capital is needed beyond 2013 to complete substantially the renovation program at the Empire State Building, which we expect to occur by the end of 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 June 30, 2012, four of our properties, the Empire State Building, One Grand Central Place, First Stamford Place and 250 West 57th Street, together accounted for approximately 61.3% 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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June 30, 2012, the Empire State Building individually accounted for approximately 28.0% 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 June 30, 2012, we had approximately 1.4 million rentable square feet of vacant office space and 77,991 rentable square feet of vacant retail space in our portfolio (in each case, excluding leases signed but not yet commenced). In addition, leases representing 4.3% and 7.1% of the square footage of the properties in our portfolio will expire in the remainder of 2012 (including month-to-month leases) and in 2013, 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;

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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 June 30, 2012, we had approximately 1.4 million rentable square feet of vacant office space and 77,991 rentable square feet of vacant retail space in our portfolio (in each case, excluding leases signed but not yet commenced), and leases representing 4.3% and 7.1% of the square footage of the properties in our portfolio will expire in the remainder of 2012 (including month-to-month leases) and in 2013, respectively.

***We depend on significant tenants in our office portfolio, including LF USA, Coty, Inc., Legg Mason, Warnaco and Thomson Reuters, which together represented approximately 19.2% of our total portfolio's annualized base rent as of June 30, 2012.***

As of June 30, 2012, our five largest tenants together represented 19.2% of our total portfolio's annualized base rent. Our largest tenant is LF USA. As of June 30, 2012, LF USA leased an aggregate of 634,298 rentable square feet of office space at three of our office properties, representing approximately 7.6% of the total rentable

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square feet and approximately 8.5% 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

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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 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



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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, 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 June 30, 2012 was approximately \$17.5 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;

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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 89.2% leased as of June 30, 2012 (or 89.2% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 741,487 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 78.8% leased as of June 30, 2012 (or 80.5% giving effect to leases signed but not yet commenced as of that date) and that encompasses approximately 878,963 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 112-122 West 34th Street), 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. The remaining terms of these long-term leases, including unilateral extension rights available to us, are approximately 65 years (expiring June 10, 2077) and approximately 51 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 may 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 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



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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 six months ended June 30, 2012 and year ended December 31, 2011, we derived approximately \$39.9 million and \$80.6 million of revenue, respectively, from the Empire State Building's observatory operations, representing approximately 36.9% and 40.5% 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 six months ended June 30, 2012 and the year ended December 31, 2011, we derived approximately \$10.9 million and \$20.6 million, respectively, of revenue from the Empire State Building's broadcasting licenses and related leased space, representing approximately 10.1% and 10.4% 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.

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***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 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.



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*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 and may include covenants that restrict our ability to pay dividends.*

Upon completion of this offering, we anticipate our pro forma total consolidated indebtedness will be approximately \$1.08 billion, and we may incur significant additional debt to finance future acquisition and redevelopment activities. We expect to obtain an \$800.0 million secured revolving and term credit facility upon the closing of this offering from lenders that will include certain of the underwriters of this offering or their respective affiliates. We have obtained a commitment for \$400.0 million of availability under the secured revolving and term credit facility, subject to satisfaction of certain conditions precedent, from the representatives of the underwriters or their respective affiliates and they have also agreed to use commercially reasonable efforts to syndicate the remainder of the facility. See Management's Discussion and Analysis of Financial Condition and Results of Operations Consolidated Indebtedness to be Outstanding After This Offering Description of Certain Debt Secured revolving and term credit facility.

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.

In addition, the secured revolving and term credit facility is expected to include covenants which may restrict our ability to pay dividends if we fail to meet certain tests.

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

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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.

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### ***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.

### ***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 \$1.08 billion, with a weighted average interest rate of 5.27%, a weighted average maturity of 3.7 years and 80.4% of which is fixed-rate indebtedness. Additionally, we expect to have approximately \$134.1 million of available borrowing capacity under our loans on a pro forma basis (excluding amounts under the \$800.0 million secured revolving and term credit facility which we expect to obtain upon the closing of this offering from lenders that will include certain of the underwriters of this offering or their respective affiliates). We have no debt maturing in the remainder of 2012 and approximately \$57.3 million maturing in 2013. As of June 30, 2012, we had 23 mortgage loans outstanding secured by 17 of our properties. As of June 30, 2012, these loans had an aggregate estimated principal balance at maturity of approximately \$1.0 billion with maturity dates ranging from May 2013 through April 2018. Some of our financing arrangements require us to make a lump-sum or balloon payment at maturity. 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 estimated principal balances at maturity, including lump-sum or balloon payments, of our indebtedness. 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.

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***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, 2011, we had a debt-to-EBITDA ratio of approximately 5.61x. For the year ended December 31, 2011, our pro forma EBITDA and pro forma net income, the most comparable GAAP measure, were approximately \$187.3 million and \$57.9 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.

***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 approximately 1.6% of the total consideration to be issued in the consolidation) 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 who are 78 and 75 years old, respectively, 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**. Our operating partnership estimates that if all of its assets subject to the tax protection agreement were sold in a taxable transaction immediately after this offering, the amount of our operating partnership's indemnification obligations (based on tax rates applicable for the taxable year ending December 31, 2012, and the preliminary valuations of our assets as determined by the independent valuer, and including additional payments to compensate the indemnified partners for additional tax liabilities resulting from the indemnification payments) would be approximately \$97.7 million.



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*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 \$700 million in losses in excess of \$800 million per occurrence suffered by the Empire State Building, providing us with aggregate terrorism coverage of \$1.5 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 \$429,000 in 2011. 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.

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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

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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. 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.

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***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.

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### ***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 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.

### ***There is currently litigation pending, and the potential for additional litigation, associated with the consolidation. We may incur costs from these litigations.***

In March 2012, five putative class actions, or the Class Actions, were filed in New York State Supreme Court, New York County by investors in certain of the existing entities (on March 1, 2012, March 7, 2012, March 12, 2012, March 14, 2012 and March 19, 2012). The plaintiffs assert claims against the predecessor's management companies, Anthony E. Malkin, Peter L. Malkin, the Helmsley estate, our operating partnership and us for breach of fiduciary duty, unjust enrichment and/or aiding and abetting breach of fiduciary duty. They allege, among other things, that the terms of the transaction and the process by which it was structured (including the valuation that was employed) are unfair to the investors in the existing entities, the consolidation provides excessive benefits to the supervisor and its affiliates and the then-draft prospectus/consent solicitation statement filed with the SEC failed to make adequate disclosure to permit a fully-informed decision about the proposed transaction. The complaints seek money damages and injunctive relief preventing the proposed transaction. The actions were consolidated and co-lead plaintiffs' counsel were appointed by the New York State Supreme Court by order dated June 26, 2012.

The parties entered into a Stipulation of Settlement dated September 28, 2012, resolving the Class Actions. The defendants in the Stipulation of Settlement denied that they committed any violation of law or breached any of their duties and did not admit that they had any liability to the plaintiffs. Members of the putative class have the right to opt out of the monetary portion of the settlement, but not the portion providing for equitable relief. Although a Stipulation of Settlement has been entered into, there can be no assurance that the New York State Supreme Court will approve the settlement. In such event, the proposed settlement as contemplated by the Stipulation of Settlement may be terminated. Accordingly, no assurances can be given that the Class Actions will be settled or that the defendants will be successful in the outcome of any of these pending or future lawsuits, and as a result, we may incur costs associated with defending or settling such litigation or paying any judgment if we lose. In addition, we may be required to pay damage awards or settlements. If the New York State Supreme

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Court does not approve the settlement, we cannot reasonably assess the timing or outcome of this litigation, estimate the amount of loss, or assess its effect, if any, on our financial statements. The payment in settlement of the Class Actions will be made by the Helmsley estate and the Malkin Group and certain investors in the private existing entities who agree to contribute. We will not bear any of the settlement payment. For a description of the terms of the settlement, see *Business and Properties* Legal Proceedings.

Additionally, there is a risk that other third parties will assert claims against us or the supervisor, including, without limitation, that the supervisor breached its fiduciary duties to investors in the existing entities or that the consolidation violates the relevant operating agreements, and third parties may commence litigation against us or the supervisor. As a result, we may incur costs associated with defending or settling such litigation or paying any judgment if we lose.

***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 \$(104.6) million as of June 30, 2012. 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.

*Holder 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.*

The continuing investors that had the option to receive 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 our Class B common stock instead of one 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 entitles the holder thereof to 50 votes on all matters on which Class A common stockholders are entitled to vote, including the election of directors. 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 approximately 1.6% of the total consideration to be issued in the consolidation) 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 who are 78 and 75 years old, respectively, 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. Our operating partnership estimates that if all of its assets subject to the tax protection agreement were sold in a taxable transaction immediately after this offering, the amount of our operating partnership's indemnification obligations (based on tax rates applicable for the taxable year ending December 31, 2012, and the preliminary valuations of our assets as determined by the independent valuer, and including additional payments to compensate the indemnified partners for additional tax liabilities resulting from the indemnification payments) would be approximately \$97.7 million. 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.



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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 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

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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 our equity incentive plan). 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.

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***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;

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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;

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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 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



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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 commencing with our taxable year ending December 31, 2013, 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 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock. 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





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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.

***The concentration of our ownership may adversely affect the ability of new investors to influence our policies.***

Upon consummation of this offering and the formation transactions, Anthony E. Malkin, our Chairman, Chief Executive Officer and President, together with the Malkin Group, will have the right to vote \_\_\_\_\_ shares of our common stock, which will represent approximately \_\_\_\_\_ % of the voting power of our outstanding common stock (assuming that each investor in the public existing entities elects to receive Class A common stock, Class B common stock and operating partnership units in the same proportion as investors (other than the Malkin Group and the Helmsley estate) in the private entities). Consequently, Mr. Malkin will have the ability to influence the outcome of matters presented to our stockholders, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers and the determination of our day-to-day corporate and management policies. Therefore, Mr. Malkin will have substantial influence over us and could exercise influence in a manner that is not in the best interests of our other stockholders. This concentration of ownership might also have the effect of delaying or preventing a change of control that our stockholders may view as beneficial.

***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

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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;

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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;

the trading and market price of the operating partnership units issued to continuing investors in the public existing entities;

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 June 30, 2012, the aggregate historical combined net tangible book value of our predecessor was a deficit of approximately \$(104.6) 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

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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.

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### ***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 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 and operating partnership units 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 operating partnership units 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 on a fully diluted basis. 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 or securities convertible or exchangeable into common stock (including the operating partnership units) held by them beginning 180 days after the date of this prospectus and 100% of the shares of common stock or securities convertible or exchangeable into common stock (including the operating partnership units) held by them beginning one year after the date of this prospectus (subject to an early release from the lock-up as described under \_\_\_\_\_ Shares Eligible for Future Sale-Lock-up Agreements and other Contractual Restrictions on Resale \_\_\_\_\_). 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) or operating partnership units 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

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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.

***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.

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***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 \$869.0 million at June 30, 2012. These assets consist primarily of goodwill associated with our acquisition of the controlling interest in Empire State Building Company L.L.C. and 501 Seventh Avenue Associates L.L.C. We also expect to engage in additional acquisitions, which may result in our recognition of additional goodwill. Under accounting standards 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, 2013. 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



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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

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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 have not qualified for the reduced tax rates applicable to dividend income from regular corporations in taxable years beginning before January 1, 2013, which could adversely affect the value of our Class A common stock if these tax rates are extended.*

For taxable years beginning prior to January 1, 2013, 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%. 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 during this period. Absent legislative action, for taxable years beginning after December 31, 2012, all dividends payable to U.S. stockholders that are individuals, trusts and estates will be subject to a maximum U.S. federal income tax rate of 39.6%, regardless of whether the dividend is payable by a REIT. However, if legislation is passed extending the reduced tax rates in effect prior to 2013, 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 even though 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. This 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

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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;

resolution of the Class Actions;

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 and operating partnership units issued to continuing investors in the public existing entities;

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;

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availability, terms and deployment of capital;

our failure to obtain necessary outside financing, including our expected new secured revolving and term credit facility;

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;

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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 \$1.2 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 (other than the Helmsley estate) 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
\$	\$
	Payments in cash to the Helmsley estate for equity interests in certain of the existing entities
	\$
	Debt assumption fees
	\$
	Costs of expected new secured revolving and term credit facility
	\$
	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
	\$
<b>Total Sources</b>	<b>Total Uses</b>
\$	\$

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

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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.

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.

**Table of Contents****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 June 30, 2013. Our intended annual rate of initial distribution has been established based on our estimate of cash available for distribution for the 12 months ending June 30, 2013, which we have calculated based on adjustments to our pro forma income before non-controlling interests for the 12 months ended June 30, 2012. In estimating our cash available for distribution for the 12 months ending June 30, 2013, we have made certain assumptions as reflected in the table and footnotes below, including that there will be no terminations of existing leases in our portfolio after June 30, 2012 (other than scheduled lease expirations) or lease renewals or new leases (other than month-to-month leases) after June 30, 2012 unless a new or renewal lease has been entered into prior to the date of this prospectus.

Our estimate of cash available for distribution does not reflect the effect of any changes in our working capital after June 30, 2012, other than the amount of cash estimated to be used for tenant improvement and leasing commission costs related to leases that may be entered into prior to the date of this prospectus. 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 the refinancing of the loan at the Empire State Building and 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 June 30, 2012, 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

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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, 2011, and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the 12 months ending June 30, 2013 (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 or other developments or occurrences 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.

<b>Pro forma net income for the 12 months ended December 31, 2011</b>	<b>\$</b>
Less: Pro forma net income for the six months ended June 30, 2011	
Add: Pro forma net income for the six months ended June 30, 2012	
<b>Pro forma net income for the 12 months ended June 30, 2012</b>	<b>\$</b>
Add: Pro forma real estate depreciation and amortization	
Add: Net increases in contractual rent income <sup>(1)</sup>	
Less: Net decreases in contractual rent income due to lease expirations, assuming no renewals <sup>(2)</sup>	
Less: Net effects of straight-line rent adjustments to tenant leases <sup>(3)</sup>	
Add: Net effects of above- and below-market and lease in-place rent adjustments <sup>(4)</sup>	
Add: Non-cash compensation expense <sup>(5)</sup>	
Add: Non-cash interest expense <sup>(6)</sup>	
Less: Additional interest expense under our expected new secured revolving and term credit facility <sup>(7)</sup>	
Add: Non-cash charge on write-off of deferred finance charges	
Add: Non-cash ground rent expense	
<b>Estimated cash flow from operating activities for the 12 months ending June 30, 2013</b>	<b>\$</b>
Less: Estimated provision for tenant improvement and leasing commission costs not expected to be funded under our expected secured revolving and term credit facility <sup>(8)</sup>	
<b>Total estimated cash flows used in investing activities</b>	<b>\$</b>
<b>Estimated cash flow used in financing activities</b>	
Less: Scheduled mortgage loan principal repayments <sup>(9)</sup>	
<b>Estimated cash flow used in financing activities for the 12 months ending June 30, 2013</b>	<b>\$</b>
<b>Estimated cash available for distribution for the 12 months ending June 30, 2013</b>	<b>\$</b>
Less: Non-controlling interests (other) share of estimated cash available for distribution	
<b>Estimated cash available for distribution for the 12 months ending June 30, 2013 available to the operating partnership</b>	<b>\$</b>
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	<b>\$</b>
<b>Total estimated initial annual distributions to stockholders and holders of operating partnership units (other than our company)</b>	<b>\$</b>
<b>Total estimated initial annual distributions to holders of operating partnership units (other than our company)</b>	<b>\$</b>
<b>Total estimated initial annual distributions to stockholders</b>	<b>\$</b>
Estimated initial annual distributions per Class A and Class B share <sup>(10)</sup>	<b>\$</b>
<b>Payout ratio based on our share of estimated cash available for distribution<sup>(11)</sup></b>	<b>%</b>

(1) Represents the net increases in contractual rental income net of expenses from existing leases and from new leases and renewals through the date hereof that were not in effect for the entire 12-month period ended June 30, 2012 or that were signed prior to the date of this prospectus but that will go into effect during the 12 months ending June 30, 2013.

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- (2) Assumes no lease renewals or new leases (other than month-to-month leases) for leases expiring after June 30, 2012 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 June 30, 2013 from a straight-line accrual basis to a cash basis of revenue recognition.
- (4) Represents the elimination of non-cash adjustments for above-market, below-market and in-place leases for the 12 months ended June 30, 2012. This is calculated as follows:

	<b>12 months ended June 30, 2012</b>
Add: Net effects of lease in-place adjustments to tenant leases	\$ (a)
(a) Calculated as follows:	
Net effects of above- and below-market rent adjustments	\$
Net effects of lease in-place adjustments	
	\$

The in-place adjustments to tenant leases were calculated by the independent valuer based upon assumed absorption periods ranging from 1 to 10 months for the leased premises.

	<b>Empire State Building</b>	<b>1350 Broadway</b>	<b>1333 Broadway</b>	<b>501 Seventh</b>	<b>Total</b>
Total lease in place value	\$	\$	\$	\$	\$
Amortization for 12 months ended June 30, 2012	\$	\$	\$	\$	\$
Absorption (# of months)					

- (5) Pro forma non-cash compensation expense related to LTIP units/shares of restricted Class A common stock that we intend to issue to our independent directors, executives officers and certain other employees in connection with this offering.
- (6) Pro forma non-cash interest expense for the 12 months ended June 30, 2012 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) Represents estimated interest expense associated with borrowings under the expected secured revolving and term credit facility (described in footnote 8 below) to cover capital expenditures, costs of the new credit facility and refinance the existing term loan at the Empire State Building net of interest expense associated with this existing term loan for the 12 months ending June 30, 2013. These amounts are calculated on the basis that the principal and accrued interest on the existing term loan was repaid with proceeds from the new credit facility on July 1, 2012 and that additional drawdowns under the new credit facility to fund capital expenditures will occur equally over the subsequent four quarters.
- (8) We intend to fund future capital expenditures associated with our renovation program with a new \$800.0 million secured revolving and term credit facility which we expect to have in place at the closing of the offering from lenders that will include certain of the underwriters of this offering or their respective affiliates. As of the date of this prospectus, we have obtained a commitment for \$400.0 million of availability under the secured revolving and term credit facility, subject to satisfaction of certain conditions precedent, from the representatives of the underwriters or their respective affiliates and they have also agreed to use commercially reasonable efforts to syndicate the remainder of the facility. In connection with entering into the new secured revolving and term credit facility, we will be required to pay off in full the existing term loan currently secured by the Empire State Building, which had a balance of \$ million as of June 30, 2012. We currently estimate that we will incur \$ million of capital expenditures over the 12 month period ending June 30, 2013 as well as certain costs associated with the new credit facility. For purposes of calculating the distribution in the above table, we have assumed that \$ million of these capital expenditures and loan costs will be funded with the amount remaining under the credit facility after repaying in full the Empire State Building secured term loan and the remaining \$ million of capital expenditures and loan costs will be funded from operating cash flow. Our estimated \$ million of capital expenditures includes: (i) estimated provision for tenant improvement and leasing commission costs related solely to tenant improvement and leasing commission costs incurred or expected to be incurred in the 12 months ending June 30, 2013 that we are contractually obligated to provide pursuant to leases entered into prior to the date of this prospectus in the amount of \$ million; and (ii) estimated provision for recurring and non-recurring capital expenditures for the 12 months ending June 30, 2013, based on our current estimate of such expenses, of \$ million. This estimate is higher than the average of our historical annual capital expenditures incurred during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, which is \$ 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 June 30, 2013.
- (10)

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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 be issued upon completion of this offering to our independent directors, executive officers (other than Anthony E. Malkin) and certain other employees. 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).

(11) 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 June 30, 2013.



**Table of Contents****CAPITALIZATION**

The following table sets forth (i) the historical combined capitalization of our predecessor entities as of June 30, 2012, (ii) the historical combined capitalization of our non-controlled entities as of June 30, 2012, (iii) our unaudited pro forma capitalization as of June 30, 2012, adjusted to give effect to the formation transactions but before this offering and (iv) our unaudited pro forma capitalization as of June 30, 2012, 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 June 30, 2012			
	Predecessor Historical Combined (unaudited)	Non- Controlled Entities Historical Combined (unaudited)	Pro Forma Consolidated Before this Offering (unaudited)	Pro Forma Consolidated (unaudited)
<i>(in thousands, except share and per share amounts)</i>				
<b>Debt:</b>				
Mortgage notes payable and unsecured loan and notes payable-related parties	\$ 964,449	\$ 121,627	\$ 1,082,620	\$ 1,082,620
<b>Stockholders' equity (deficit):</b>				
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 <sup>(1)</sup>				
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				
<b>Owners' equity (deficit)</b>	(23,386)	286,220		
<b>Non-controlling interests in our operating partnership</b>				
<b>Total equity (deficit)</b>	(23,386)	286,220		
<b>Total capitalization</b>	\$ 941,063	\$ 407,847	\$	\$

- (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 independent directors, executive officers (other than Anthony E. Malkin) and certain other employees 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 June 30, 2012, our predecessor had a combined net tangible book value of approximately \$(104.6) 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 June 30, 2012 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 independent directors, executive officers (other than Anthony E. Malkin), and certain other employees 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 <sup>(1)</sup>	\$
(Decrease) in pro forma net tangible book value per share attributable to the formation transactions, but before this offering <sup>(2)</sup>	\$
Increase in pro forma net tangible book value per share attributable to this offering <sup>(3)</sup>	\$
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 <sup>(4)</sup>	\$
Dilution in pro forma net tangible book value per share to new investors <sup>(5)</sup>	\$

- (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 June 30, 2012 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 independent directors, executive officers (other than Anthony E. Malkin), and certain other employees 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 June 30, 2012 pro forma net tangible book value, excluding net offering proceeds, and the June 30, 2012 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, executive officers (other than Anthony E. Malkin), and certain other employees, 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 independent directors, executive officers (other than Anthony E. Malkin), and certain other employees 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 June 30, 2012 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 <sup>(1)</sup>	
	Number	Percent	Amount	Percent
Operating partnership units issued in connection with the formation transactions		% <sup>(1)</sup>	\$ <sup>(2)</sup>	%
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				
<b>Total</b>		%	\$	%

- (1) Based on the June 30, 2012 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 June 30, 2012 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-34 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, 2011, 2010 and 2009 of our predecessor and selected combined statements of operations information for the years ended December 31, 2011, 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 June 30, 2012 and combined statements of operations for the six months ended June 30, 2012 and 2011 have been derived from the unaudited combined financial statements of our predecessor. The selected historical combined balance sheet information as of December 31, 2008 and 2007 and selected combined statements of operations information for the year ended December 31, 2007 have been derived from the unaudited combined financial statements of our predecessor. Our results of operations for the interim period ended June 30, 2012 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 six months ended June 30, 2012 and for the year ended December 31, 2011 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, 2011 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.

**Table of Contents****Empire State Realty Trust, Inc.****Selected Financial and Other Data***(amounts in thousands except for shares and per share data)*

	Six Months Ended June 30,			Pro Forma Consolidated 2011 (Unaudited)	Year Ended December 31,				
	Pro Forma Consolidated 2012 (Unaudited)	Historical (Predecessor) 2012 (Unaudited)	Combined 2011 (Unaudited)		Historical Combined (Predecessor)			2008	2007 (Unaudited)
	2012	2012	2011	2011	2011	2010	2009	2008	2007
<b>Statement of Operations Data:</b>									
<b>Revenue:</b>									
Rental revenue	\$ 143,725	\$ 86,268	\$ 85,102	\$ 276,731	\$ 198,494	\$ 166,159	\$ 167,556	\$ 162,194	\$ 166,524
Tenant expense reimbursement	29,499	14,681	15,268	62,932	31,063	32,721	36,309	35,684	35,789
Third-party management and other fees	1,679	3,170	2,797	3,672	5,626	3,750	4,296	5,916	4,220
Construction revenue	8,144	8,144	19,603	47,560	47,560	27,139	15,997	56,561	42,373
Observatory income <sup>(1)(2)</sup>	39,906			80,562					
Other income and fees	17,136	4,983	8,001	16,485	12,045	16,776	8,157	8,442	13,601
<b>Total Revenues</b>	<b>240,089</b>	<b>117,246</b>	<b>130,771</b>	<b>487,942</b>	<b>294,788</b>	<b>246,545</b>	<b>232,315</b>	<b>268,797</b>	<b>262,507</b>
<b>Expenses</b>									
Operating expenses	71,443	28,185	27,192	141,381	57,102	60,356	58,850	55,291	51,180
Marketing, general, and administrative expenses	17,799	7,575	7,249	29,560	15,688	13,924	16,145	17,763	17,173
Observatory expenses <sup>(2)</sup>	9,611			20,009					
Construction expenses	8,700	8,700	19,255	46,230	46,230	27,581	17,281	56,080	42,217
Formation transaction expenses		723	1,337		2,845	807			
Real estate taxes	34,121	14,699	14,373	67,439	29,160	27,585	28,937	24,863	22,063
Depreciation and amortization	37,115	20,877	16,220	68,844	35,513	34,041	29,327	26,838	25,802
<b>Total Operating Expenses</b>	<b>178,789</b>	<b>80,759</b>	<b>85,626</b>	<b>373,463</b>	<b>186,538</b>	<b>164,294</b>	<b>150,540</b>	<b>180,835</b>	<b>158,435</b>
<b>Income from Operations before Interest Expense and Equity in Net income of Non-controlled Entities</b>									
	61,300	36,487	45,145	114,479	108,250	82,251	81,775	87,962	104,072
Interest expense, net	28,763	26,488	25,879	56,608	54,746	52,264	50,738	48,664	50,758
<b>Income from Operations before Equity in Net Income of Non-controlled Entities</b>									
	32,537	9,999	19,266	57,871	53,504	29,987	31,037	39,298	53,314
Equity in net income of non-controlled entities <sup>(2)</sup>		7,586	7,888		3,893	15,324	10,800	13,422	15,947
<b>Net Income</b>	<b>\$ 32,537</b>	<b>\$ 17,585</b>	<b>\$ 27,154</b>	<b>\$ 57,871</b>	<b>\$ 57,397</b>	<b>\$ 45,311</b>	<b>\$ 41,837</b>	<b>\$ 52,720</b>	<b>\$ 69,261</b>
<b>Other Data</b>									
Funds from operations <sup>(3)</sup>	\$ 69,294	\$ 41,752	\$ 46,505	\$ 125,975	\$ 99,761	\$ 85,020	\$ 75,458	\$ 83,513	
EBITDA <sup>(4)</sup>	\$ 104,526	\$ 70,428	\$ 74,523	\$ 187,292	\$ 158,647	\$ 141,283	\$ 129,591	\$ 134,269	
Cash flows from:									
Operating activities		\$ 66,746	\$ 30,439		\$ 47,682	\$ 73,574	\$ 58,509	\$ 75,410	
Investing activities		\$ (63,109)	\$ (15,614)		\$ (60,527)	\$ (34,837)	\$ (38,617)	\$ (13,768)	
Financing activities		\$ (26,077)	\$ (16,197)		\$ 11,130	\$ (44,793)	\$ (5,035)	\$ (65,824)	

(footnotes on next page)



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