

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

RECKSON ASSOCIATES REALTY CORP
Form 8-K
May 24, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: May 23, 2002

RECKSON ASSOCIATES REALTY CORP.
and
RECKSON OPERATING PARTNERSHIP, L.P.
(Exact name of each Registrant as specified in its Charter)

Reckson Associates Realty Corp. - Maryland
Reckson Operating Partnership, L.P. - Delaware
(State or other jurisdiction of incorporation or organization)

225 Broadhollow Road
Melville, New York
(Address of principal executive offices)

Reckson Associates Real
11-3233650
Reckson Operating Partner
11-3233647
(IRS Employer ID Nu
11747
(Zip Code)

1-13762
(Commission File Number)

(631) 694-6900
(Registrant's telephone number, including area code)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99.1 Reckson Associates Realty Corp. Annual Shareholders' Meeting
Presentation

ITEM 9. REGULATION FD DISCLOSURE

The Registrants are attaching this Annual Shareholders' Meeting
Presentation as Exhibit 99.1 to this Current Report on Form 8-K.

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Note: the information in this report (including the exhibit) is furnished pursuant to Item 9 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Michael Maturo

Michael Maturo
Executive Vice President
and Chief Financial Officer

RECKSON OPERATING PARTNERSHIP, L.P.

By: Reckson Associates Realty Corp.,
its General Partner

By: /s/ Michael Maturo

Michael Maturo
Executive Vice President
and Chief Financial Officer

Date: May 23, 2002

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THE NEW YORK TRI-STATE AREA'S LEADING REAL ESTATE COMPANY

Annual Meeting of Shareholders
May 23, 2002

RECKSON ASSOCIATES REALTY CORP

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COMPANY OVERVIEW

- o Vision - "Reckson will be the 'Landlord of Choice' in the New York Tri-State area"
- o 44 years of experience, innovation and value creation
- o \$3.3 billion total market capitalization
- o Premier portfolio located within one-hour proximity to New York City
- o Only major real estate owner with a significant presence in all the key New York Tri-State area markets
- o Strong balance sheet and well-positioned for present economic environment

PREMIER PORTFOLIO

[Pictures Omitted]

- o 181 Properties
- o 20.5 Million Square Feet
 - Office 13.8 Million Sq. Ft.
 - Industrial 6.7 Million Sq. Ft.
- o 1,270 Tenant Relationships
- o Average Tenant Size:
 - Office 12,000 Sq. Ft.
 - Industrial 26,000 Sq. Ft.
- o 5 Integrated Operating Divisions
- o Occupancy: (a)
 - Office 96.2%
 - Industrial 92.9%

Note: Information as of March 31, 2002

(a) Excluding properties under development

PORTFOLIO COMPOSITION

[Graphics Omitted]

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Net Operating Income (a)

By Region

| | |
|-------------------------|-----|
| Long Island | 32% |
| Westchester/Connecticut | 26% |
| New Jersey | 15% |
| New York City | 27% |

By Property Type

| | |
|------------|-----|
| Office | 86% |
| Industrial | 14% |

(a) Pro forma for 919 Third Avenue free rent add back and pro rata share of consolidated and unconsolidated joint ventures.

TENANT DIVERSIFICATION

[Graphic Omitted]

100 Largest Tenants Represent 53% of Revenue

| | |
|-----------------------------|-----|
| Accounting | 2% |
| Commercial Banking | 6% |
| Consumer Products | 16% |
| Defense/Electronics | 2% |
| Financial Services | 13% |
| Healthcare | 3% |
| Insurance | 6% |
| Legal Services | 15% |
| Media/Entertainment | 6% |
| Other Professional Services | 4% |
| Pharmaceuticals | 8% |
| Real Estate | 3% |
| Technology | 5% |
| Telecom | 11% |

LOCAL EXPERTISE SUPPORTED BY CENTRAL SERVICES

Organizational Chart:

Corporate Central Services

- o Long Island Division
- o New York City Division
- o Connecticut Division

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- o Westchester Division
- o New Jersey Division

Central Services:

- o Development/Construction
- o Marketing
- o Investments
- o Finance/Accounting
- o Asset Management
- o Legal
- o Human Resources
- o Business Knowledge & Information Systems
- o Office Services

OFFICE MARKET OVERVIEW

[Graphics Omitted]

| SOUTHERN CONNECTICUT | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
|----------------------|-------|-------|-------|-------|-------|----------|
| RA Portfolio Vacancy | 8.8% | 7.1% | 4.6% | 4.2% | 4.6% | 6.1% |
| Overall Vacancy | 3.2% | 5.1% | 2.5% | 10.9% | 11.8% | 13.7% |
| Direct Vacancy | 3.1% | 4.3% | 2.1% | 8.6% | 7.8% | 8.2% |
| ----- | | | | | | |
| WESTCHESTER | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
| RA Portfolio Vacancy | 14.6% | 8.8% | 5.7% | 4.7% | 6.6% | 4.0% |
| Overall Vacancy | 17.6% | 16.3% | 15.1% | 14.1% | 17.8% | 19.2% |
| Direct Vacancy | 16.5% | 14.2% | 13.9% | 12.5% | 13.8% | 15.1% |
| ----- | | | | | | |
| LONG ISLAND | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
| RA Portfolio Vacancy | 5.9% | 5.0% | 6.0% | 7.7% | 6.5% | 3.9% (a) |
| Overall Vacancy | 5.2% | 8.8% | 5.9% | 9.5% | 10.3% | 11.4% |
| Direct Vacancy | 4.1% | 7.4% | 4.4% | 7.6% | 7.2% | 7.1% |
| ----- | | | | | | |
| NORTHERN NEW JERSEY | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
| RA Portfolio Vacancy | 9.5% | 5.6% | 2.5% | 1.1% | 8.1% | 4.0% |
| Overall Vacancy | 8.4% | 9.1% | 6.5% | 11.3% | 11.6% | 13.9% |
| Direct Vacancy | 6.2% | 6.9% | 4.8% | 7.3% | 7.5% | 8.0% |

Source: Cushman & Wakefield Class A Office Statistics

(a) Excludes Reckson Executive Park, Melville, LI. Including this development property, the 1Q02 vacancy percentage for LI is 6.4%.

OFFICE MARKET OVERVIEW

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[Graphics Omitted]

| NYC FINANCIAL EAST | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
|-----------------------------------|------|-------|------|------|------|-------|
| RA Portfolio Vacancy | 3.2% | 16.0% | 0.7% | 1.3% | 1.4% | 3.8% |
| Overall Vacancy | 6.3% | 4.4% | 2.1% | 3.2% | 5.0% | 12.4% |
| Direct Vacancy | 5.7% | 3.2% | 1.4% | 2.5% | 1.4% | 8.5% |
| NYC MIDTOWN EAST SIDE | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
| RA Portfolio Vacancy | 3.4% | 3.8% | 3.4% | 2.1% | 1.9% | 0.0% |
| Overall Vacancy | 6.7% | 4.4% | 2.7% | 2.4% | 6.3% | 10.5% |
| Direct Vacancy | 4.9% | 3.4% | 2.2% | 1.5% | 3.1% | 4.3% |
| NYC MIDTOWN WEST SIDE | 3Q99 | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
| RA Portfolio Vacancy | 3.2% | 0.4% | 1.7% | 1.8% | 3.7% | 4.7% |
| Overall Vacancy | 5.8% | 5.1% | 2.3% | 1.9% | 6.0% | 6.7% |
| Direct Vacancy | 5.0% | 3.8% | 2.1% | 1.5% | 3.8% | 4.2% |
| NYC SIXTH AVE./ROCKEFELLER CENTER | | 1Q00 | 3Q00 | 1Q01 | 3Q01 | 1Q02 |
| RA Portfolio Vacancy | | 7.4% | 5.0% | 7.8% | 4.5% | 2.6% |
| Overall Vacancy | | 2.2% | 0.9% | 1.5% | 3.9% | 6.1% |
| Direct Vacancy | | 1.5% | 0.4% | 0.7% | 1.8% | 2.8% |

Source: Cushman & Wakefield Class A Office Statistics

LIMITED NEW SUPPLY IN RECKSON'S MARKETS

| Sub-Market | MARKET | | | | RECKSON | |
|--------------|------------|------------|-------------|--------------|--------------|----------|
| | Market SF | New Supply | % of Market | % Pre-leased | SF in Market | % Leased |
| Long Island | 27,692,404 | 183,355 | 0.7% | 0% | 3,952,783 | 94% (a) |
| Westchester | 30,337,854 | 0 | - | - | 3,232,474 | 96% |
| Stamford, CT | 6,241,898 | 0 | - | - | 1,123,915 | 94% |

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| | | | | | | |
|-----------------|-------------|-------------|------|-----|------------|------|
| New Jersey | | | | | | |
| Northern (b) | 82,883,674 | 468,000 (c) | 0.6% | 52% | 1,832,027 | 96% |
| Central | 65,029,717 | 1,633,500 | 2.5% | 46% | 131,727 | 100% |
| New York City | 386,562,512 | 6,104,646 | 1.6% | 83% | 3,498,393 | 98% |
| Total/Wgt. Avg. | 598,748,059 | 8,389,501 | 1.4% | 72% | 13,771,319 | 96% |

Source: Merrill Lynch year end 2001 report and Cushman & Wakefield - Office Statistics

(a) Excluding Reckson Executive Park, Melville, LI, the percent leased is 96%

(b) Excludes The Hudson Waterfront

(c) Excludes 103 JFK Parkway, Short Hills, NJ for which a lease was signed for 100% of the property after the Merrill Lynch year end report

FACTORS IMPACTING SUPPLY & Demand

- o Demand Factors
 - Growth in GDP
 - Revenue growth and corporate profitability
 - Service sector job growth
 - Density of existing occupied office space
- o Supply Factors
 - Sublet space
 - Feasibility rental rates relative to market rates
 - New construction starts

2001 RECAP

- o Positioned Company for Economic Slowdown
 - Effectively managed development exposure
 - Mitigated lease expiration exposure
- o Strengthened Balance Sheet
 - Executed capital recycling program
 - Capitalized on attractive interest rate environment
- o Refocused Strategy Exclusively on Core New York Tri-State Operations

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2002 OBJECTIVES

I. Intensify Focus on Fundamentals

- Remain well occupied
- Increase same property NOI
- Stabilize development projects

II. Maximize Long-Term Net Asset Value

- Execute internal growth
- Pursue value-added investment opportunities
- Pursue strategic investments that enhance franchise
- Maximize value of development pipeline
- Dispose of targeted non-strategic assets
- Opportunistically repurchase shares

III. Maintain Financial Flexibility

By executing on our strategy we will maximize shareholder value

2002 OBJECTIVES

I. INTENSIFY FOCUS ON FUNDAMENTALS

Maintain High Occupancy Rates

[Graphics Omitted]

| | 1997 | 1998 | 1999 | 2000 | 2001 | 1Q02 |
|------------|-------|-------|-------|-------|-------|-------|
| | ---- | ----- | ----- | ----- | ----- | ----- |
| Office | 95.8% | 96.4% | 96.0% | 97.2% | 96.1% | 96.2% |
| Industrial | 95.3% | 96.8% | 98.2% | 97.5% | 91.7% | 92.9% |

Note: Excludes properties under development

Note: Decrease in industrial occupancy reflects a 206,710 square foot lease that expired in November 2001, decreasing occupancy 300 basis points.

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PORTFOLIO PERFORMANCE
Same Property NOI Growth

[Graphics Omitted]

| | THREE MONTHS (a) | |
|----------|---------------------|----------------------|
| | TOTAL PORTFOLIO (b) | OFFICE PORTFOLIO (b) |
| | ----- | ----- |
| Cash NOI | 8.0% | 10.0% |
| GAAP NOI | 1.9% | 3.0% |

TOTAL PORTFOLIO

6.4% Cash Revenue Increase
2.6% Operating Expense Increase
5.3% Real Estate Tax Increase
(2.5%) Occupancy Decrease

OFFICE PORTFOLIO

7.7% Cash Revenue Increase
3.5% Operating Expense Increase
5.2% Real Estate Tax Increase
(0.9%) Occupancy Decrease

(a) Based on comparison period for the three month period ended March 31, 2002 versus the three month period ended March 31, 2001

(b) Excludes termination fees

PORTFOLIO PERFORMANCE

[Graphics Omitted]

FIRST QUARTER 2002 SAME SPACE AVERAGE RENT GROWTH (a)

OFFICE RENT GROWTH: 22.8%

Expiring Leases - \$23.96
New Leases - \$29.42

INDUSTRIAL/R&D Rent Growth: 16.7%

Expiring Leases - \$5.80
New Leases - \$6.77

o Renewed 91.1% of Expiring Square Footage

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- o 62 Total Leases Executed Encompassing 857,000 Sq. Ft.
- o Same Space First Quarter Cash Increase of 13.3% for Office and 6.1% for Industrial/R&D

(a) Represents leases executed during the first quarter

LEASE EXPIRATIONS

4.7% of Portfolio Square Feet Expiring in 2002

[Graphics Omitted]

| OFFICE | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------|-------|-------|-------|-------|-------|
| ----- | ---- | ---- | ----- | ----- | ----- | ---- |
| Square Feet Expiring (in thousands) | 718 | 1,195 | 1,258 | 1,759 | 1,713 | 1,144 |
| % Square Feet Expiring | 5.5% | 9.2% | 9.7% | 13.5% | 13.1% | 8.8% |
| | | | | | | |
| INDUSTRIAL | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| ----- | ---- | ---- | ----- | ----- | ----- | ---- |
| Square Feet Expiring (in thousands) | 197 | 671 | 661 | 919 | 942 | 306 |
| % Square Feet Expiring | 3.2% | 10.8% | 10.6% | 14.8% | 15.1% | 4.9% |

Note: Expirations are for the period 4/1/02-12/31/02

LEASE EXPIRATION COMPARISON

2002 and 2003 Office Portfolio

[Graphics Omitted]

Expiring Rents vs. Reckson Forecast Rents

As of March 31, 2002

| Total Portfolio | CBD Office Portfolio | Suburban Office Portfolio |
|-------------------------|-------------------------|------------------------------|
| 1.9 Million SF Expiring | 460,000 SF Expiring | 1.4 Million SF Expiring |
| ----- | ----- | ----- |

Cash

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| | | | |
|---------------------|---------|---------|---------|
| Expiring Rent | \$26.65 | \$31.34 | \$25.12 |
| Forecasted Rent (a) | \$29.32 | \$41.71 | \$25.33 |
| Increase | 10% | 33% | 1% |
| GAAP | | | |
| Expiring Rent | \$25.88 | \$31.95 | \$23.84 |
| Forecasted Rent (a) | \$30.16 | \$42.32 | \$25.98 |
| Increase | 17% | 32% | 10% |

(a) Company's forecast rent for space to be re-leased. There can be no assurance that the Company's properties can achieve such rents.

VALUE CREATION

\$1.0 Billion of Projects put into Service in Strong Markets - Lowered Future Development Exposure

[Graphic Omitted]

(in millions)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 (E) |
|--|-------|-------|-------|---------|-------|---------|--------|----------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Cumulative Completed Pipeline Projects | \$63 | \$242 | \$336 | \$ 407 | \$525 | \$1,065 | \$1092 | \$1135 |
| Unrealized Projects | \$ 0 | \$289 | \$804 | \$1,099 | \$864 | \$ 755 | \$ 529 | \$ 449 |

VALUE CREATION ACTIVITY UPDATE

Redevelopment

[Picture Omitted]

103 JFK Parkway
Short Hills, New Jersey

Executed Lease with Dun & Bradstreet for 100% of Property

- o 123,000 Square Feet
- o 10 Year Lease Term

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- o Total Anticipated Investment - \$32.8 Million (a)
- o Anticipated Stabilized NOI Yield of 10% (a)

(a) Forward-looking statements based upon management's estimates.
Actual results may differ materially.

VALUE CREATION ACTIVITY UPDATE
Reckson Executive Park - Melville, Long Island

[Picture Omitted]
Ground-Up Development:

- o Property 61% Leased
- o Leases Signed or Under Negotiation Total 75%
- o Anticipated Return On Investment - 11% (a)
- o Projected Occupancy at End of 2002 - 220,000 s.f. (a)

Stacking Plan - 277,500 Sq. Ft.

| | Leases Signed ----- | Leases Out ----- | Proposals ----- |
|-----------|---|---------------------|--------------------|
| 4th Floor | | 38,000 s.f. | 25,000 s.f. |
| 3rd Floor | Zurich American Insurance Co. 70,000 s.f. | | |
| 2nd Floor | Hain Celestial Group, Inc 34,988 s.f. Transamerica Corp. 24,099 s.f. | | 7,500 s.f. |
| 1st Floor | OSI Pharmaceutical, Inc. 36,309 s.f. Drake Beam Morin 4,870 s.f. | | 18,000 s.f. |
| TOTALS | 170,266 S.F. | 38,000 S.F. | 50,500 S.F. |

(a) Forward-looking statements based upon management's estimates. Actual results may differ materially.

2002 OBJECTIVES

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II. MAXIMIZE LONG-TERM NET ASSET VALUE

INTERNAL GROWTH POTENTIAL

[Graphics Omitted]

| | 2002-2003 Expirations 1.9 Million SF ----- | 2004-2006 Expirations 4.8 Million SF ----- |
|---------------------|--|--|
| Cash | | |
| Expiring Rent | \$26.65 | \$27.14 |
| Forecasted Rent (a) | \$29.32 | \$33.94 |
| Increase | 10% | 25% |
| | \$0.89 per share of potential NAV appreciation | \$5.63 per share of potential NAV appreciation |

(a) Company's forecast rent for space to be re-leased. There can be no assurance that the Company's properties can achieve such rents.

CURRENT INVESTMENT PARAMETERS

- o Maintain New York Tri-State Area Focus
- o Pursue High Quality/Well Located Assets
- o Target ROE of 12% - 15% at a Normalized Leverage Ratio
- o Opportunistically Acquire Properties with Repositioning Potential
- o Pursue Strategic Investments that Enhance Market Presence
- o Achieve and Maintain Appropriate Portfolio Balance Throughout New York Tri-State Area

INVESTMENT OPPORTUNITIES

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- o Operating Assets in Core Sub-Markets
- o Portfolio Investments in Targeted Markets
- o Distressed Property Opportunities
- o Corporate Sale Lease-Back Opportunities
- o Preferred Equity and Mezzanine Investments

CAPITAL RECYCLING PROGRAM
 \$682 Million Slated for Program

| | (in thousands) | | | |
|---|----------------|-----------|----------|------|
| | 2000 | 2001 | 2002 | 2003 |
| Dispositions - Completed | | | | |
| ----- | | | | |
| 8 Suburban Office Assets - Sale of JV Interest | \$136,000 | | | |
| Six Non-Core Office Assets | | \$ 85,000 | | |
| Keystone Stock | | \$ 36,000 | \$ 1,500 | |
| 919 Third Avenue - Sale of JV Interest | | \$221,000 | | |
| Dispositions - Anticipated (a) | | | | |
| Remaining Non-Core Office Assets | | | \$50,000 | \$ 8 |
| RSVP | | | | \$ 6 |
| Total | \$136,000 | \$342,000 | \$51,500 | \$15 |
| | | | | |

(a) Forward-looking statements based upon management's estimates. Actual results may differ materially.

2002 OBJECTIVES

III. MAINTAIN FINANCIAL FLEXIBILITY

FINANCIAL RATIOS

| Ratios | (in millions except ratios) | |
|-----------------------------|-----------------------------|--|
| | March 31, 2002 | |
| ----- | Historical | |
| ----- | ----- | |
| Total Debt (a) | \$1,279 | |
| Total Equity | \$2,001 | |
| Total Market Cap | \$3,280 | |
| Interest Coverage Ratio | 3.60x | |
| Fixed Charge Coverage Ratio | 2.72x | |
| Debt to Total Market Cap | 39.0% | |

(a) Including pro-rata share of joint venture debt and net of minority partners' interests

DEBT SCHEDULE

| | (in millions) | | |
|---------------------------|------------------------------|--------------------------------|--------------------------|
| | Principal Amount Outstanding | Weighted Average Interest Rate | Average Term to Maturity |
| ----- | ----- | ----- | ----- |
| Debt Schedule | | | |
| Fixed Rate | | | |
| Mortgage Notes Payable | \$ 748.6 | 7.3% | 9.7 yrs. |
| Senior Unsecured Notes | \$ 450.0 | 7.5% | 5.3 yrs. |
| ----- | ----- | ----- | ----- |
| Subtotal/Weighted Average | \$1,198.6 | 7.4% | 8.0 yrs. |
| Floating Rate | | | |
| ----- | | | |

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- o Well-Positioned to Maximize Shareholder Value

FORWARD-LOOKING STATEMENTS

Estimates of future FFO per share and certain other matters discussed herein are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of results and no assurance can be given that the expected results will be delivered. Such forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those expected. Among those risks, trends and uncertainties are the general economic climate, including the conditions affecting industries in which our principal tenants compete; changes in the supply of and demand for office and industrial properties in the New York Tri-State area; changes in interest rate levels; downturns in rental rate levels in our markets and our ability to lease or re-lease space in a timely manner at current or anticipated rental rate levels; the availability of financing to us or our tenants; changes in operating costs, including utility costs; repayment of debt owed to the Company by third parties (including FrontLine Capital Group); risks associated with joint ventures; and other risks associated with the development and acquisition of properties, including risks that development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated. For further information on factors that could impact Reckson, reference is made to Reckson's filings with the Securities and Exchange Commission. Reckson is subject to the reporting requirements of the Securities and Exchange Commission and undertakes no responsibility to update or supplement information contained in this presentation that subsequently becomes untrue.

THE NEW YORK TRI-STATE AREA'S LEADING REAL ESTATE COMPANY

RA

RECKSON