

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-36105

EMPIRE STATE REALTY TRUST, INC.

(Exact name of Registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

37-1645259

(I.R.S. Employer Identification No.)

111 West 33rd Street, 12th Floor
New York, New York 10120

(Address of principal executive offices) (Zip Code)

(212) 687-8700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.01 per share	ESRT	The New York Stock Exchange
Class B Common Stock, par value \$0.01 per share	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 3, 2024, there were 165,528,348 shares of Class A Common Stock, \$0.01 par value per share, outstanding and 80,707 shares of Class B Common Stock, \$0.01 par value per share, outstanding.

EMPIRE STATE REALTY TRUST, INC.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2024

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ITEM 1. FINANCIAL STATEMENTS

Empire State Realty Trust, Inc.
Condensed Consolidated Balance Sheets
(amounts in thousands, except per share amounts)

	June 30, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Commercial real estate properties, at cost:		
Land	\$ 341,499	\$ 366,357
Development costs	8,187	8,178
Building and improvements	3,153,616	3,280,657
Less: accumulated depreciation	3,503,302	3,655,192
Commercial real estate properties, net	(1,206,039)	(1,250,062)
Contract asset	2,297,263	2,405,130
Cash and cash equivalents	166,955	—
Restricted cash	535,533	346,620
Tenant and other receivables	41,015	60,336
Deferred rent receivables	34,665	39,836
Prepaid expenses and other assets	242,940	255,628
Deferred costs, net	105,438	98,167
Acquired below-market ground leases, net	172,318	172,457
Right of use assets	317,326	321,241
Goodwill	28,318	28,439
Total assets	\$ 4,433,250	\$ 4,219,333
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$ 700,348	\$ 877,388
Senior unsecured notes, net	1,196,831	973,872
Unsecured term loan facilities, net	268,580	389,286
Unsecured revolving credit facility	120,000	—
Debt associated with property in receivership	177,667	—
Accrued interest associated with property in receivership	1,589	—
Accounts payable and accrued expenses	90,908	99,756
Acquired below-market leases, net	11,872	13,750
Ground lease liabilities	28,318	28,439
Deferred revenue and other liabilities	61,890	70,298
Tenants' security deposits	24,031	35,499
Total liabilities	2,682,034	2,488,288
Commitments and contingencies		
Equity:		
Empire State Realty Trust, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000 shares authorized, none issued or outstanding	—	—
Class A common stock, \$0.01 par value, 400,000 shares authorized, 164,483 and 162,062 shares issued and outstanding in 2024 and 2023, respectively	1,645	1,621
Class B common stock, \$0.01 par value, 50,000 shares authorized, 982 and 984 shares issued and outstanding in 2024 and 2023, respectively	10	10
Additional paid-in capital	1,068,516	1,060,969
Accumulated other comprehensive income	13,036	6,026
Retained deficit	(71,928)	(83,108)
Total Empire State Realty Trust, Inc. stockholders' equity	1,011,279	985,518
Non-controlling interests in the Operating Partnership	709,997	700,180
Non-controlling interests in other partnerships	—	15,407
Private perpetual preferred units:		
Private perpetual preferred units, \$13.52 liquidation preference, 4,664 issued and outstanding in 2024 and 2023	21,936	21,936
Private perpetual preferred units, \$16.62 liquidation preference, 1,560 issued and outstanding in 2024 and 2023	8,004	8,004
Total equity	1,751,216	1,731,045
Total liabilities and equity	\$ 4,433,250	\$ 4,219,333

The accompanying notes are an integral part of these consolidated financial statements

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Operations
(b unaudited)
(amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Rental revenue	\$ 152,470	\$ 154,603	\$ 306,352	\$ 294,694
Observatory revenue	34,124	33,433	58,720	55,587
Third-party management and other fees	376	381	641	808
Other revenue and fees	2,573	2,125	5,009	4,075
Total revenues	189,543	190,542	370,722	355,164
Operating expenses:				
Property operating expenses	41,516	39,519	86,576	81,563
Ground rent expenses	2,332	2,332	4,663	4,663
General and administrative expenses	18,020	16,075	33,992	31,783
Observatory expenses	8,958	8,657	17,389	16,512
Real estate taxes	31,883	31,490	64,124	63,278
Depreciation and amortization	47,473	46,280	93,554	93,688
Total operating expenses	150,182	144,353	300,298	291,487
Total operating income	39,361	46,189	70,424	63,677
Other income (expense):				
Interest income	5,092	3,339	9,270	5,934
Interest expense	(25,323)	(25,405)	(50,451)	(50,709)
Interest expense associated with property in receivership	(628)	—	(628)	—
Loss on early extinguishment of debt	—	—	(553)	—
Gain on disposition of property	10,803	13,565	10,803	29,261
Income before income taxes	29,305	37,688	38,865	48,163
Income tax (expense) benefit	(750)	(733)	(95)	486
Net income	28,555	36,955	38,770	48,649
Net (income) loss attributable to non-controlling interests:				
Non-controlling interest in the Operating Partnership	(10,433)	(14,049)	(13,933)	(18,217)
Non-controlling interests in other partnerships	—	(1)	(4)	42
Private perpetual preferred unit distributions	(1,051)	(1,051)	(2,101)	(2,101)
Net income attributable to common stockholders	\$ 17,071	\$ 21,854	\$ 22,732	\$ 28,373
Total weighted average shares:				
Basic	164,277	160,028	163,988	160,669
Diluted	268,716	264,196	268,105	264,736
Earnings per share attributable to common stockholders:				
Basic	\$ 0.10	\$ 0.14	\$ 0.14	\$ 0.18
Diluted	\$ 0.10	\$ 0.14	\$ 0.14	\$ 0.18
Dividends per share	\$ 0.035	\$ 0.035	\$ 0.070	\$ 0.070

The accompanying notes are an integral part of these consolidated financial statements

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Comprehensive Income
(b unaudited)
(amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 28,555	\$ 36,955	\$ 38,770	\$ 48,649
Other comprehensive income (loss):				
Unrealized gain on valuation of interest rate swap agreements	2,853	11,935	11,051	6,533
Amount reclassified into interest expense	(667)	(1,882)	(2,991)	(3,154)
Other comprehensive income	2,186	10,053	8,060	3,379
Comprehensive income	30,741	47,008	46,830	52,028
Net income attributable to non-controlling interests and private perpetual preferred unitholders	(11,484)	(15,101)	(16,038)	(20,276)
Other comprehensive income attributable to non-controlling interests	(820)	(4,098)	(2,972)	(1,263)
Comprehensive income attributable to common stockholders	<u>\$ 18,437</u>	<u>\$ 27,809</u>	<u>\$ 27,820</u>	<u>\$ 30,489</u>

The accompanying notes are an integral part of these consolidated financial statements

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For The Three Months Ended June 30, 2024 and 2023
(b unaudited) (amounts in thousands)

	Number of Class A Common Shares	Number of Class A Common Stock	Number of Class B Common Shares	Class B Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Stockholders' Equity	Non-controlling Interests	Private Perpetual Preferred Units	Total Equity
Balance at March 31, 2024	163,816	\$ 1,638	982	\$ 10	\$ 1,066,030	\$ 11,656	\$ (83,212)	\$ 996,122	\$ 698,672	\$ 29,940	\$ 1,724,734
Conversion of operating partnership units and Class B shares to Class A shares	697	7	—	—	1,945	14	—	1,966	(1,966)	—	—
Repurchases of common shares	—	—	—	—	—	—	—	—	—	—	—
Equity compensation:											
LTIP units	—	—	—	—	—	—	—	—	5,847	—	5,847
Restricted stock, net of forfeitures	(30)	—	—	—	541	—	—	541	—	—	541
Dividends and distributions	—	—	—	—	—	—	(5,787)	(5,787)	(3,809)	(1,051)	(10,647)
Net income	—	—	—	—	—	—	17,071	17,071	10,433	1,051	28,555
Other comprehensive income	—	—	—	—	—	1,366	—	1,366	820	—	2,186
Balance at June 30, 2024	164,483	\$ 1,645	982	\$ 10	\$ 1,068,516	\$ 13,036	\$ (71,928)	\$ 1,011,279	\$ 709,997	\$ 29,940	\$ 1,751,216

	Number of Class A Common Shares	Number of Class A Common Stock	Number of Class B Common Shares	Class B Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total Stockholders' Equity	Non-controlling Interests	Private Perpetual Preferred Units	Total Equity
Balance at March 31, 2023	160,340	\$ 1,603	989	\$ 10	\$ 1,051,926	\$ 3,336	\$ (108,624)	\$ 948,251	\$ 698,875	\$ 29,940	\$ 1,677,066
Conversion of operating partnership units and Class B shares to Class A shares	728	7	(1)	—	2,484	(16)	—	2,475	(2,475)	—	—
Repurchases of common shares	(1,218)	(12)	—	—	(7,399)	—	—	(7,411)	—	—	(7,411)
Contributions from consolidated joint ventures	—	—	—	—	—	—	—	—	94	—	94
Equity compensation:											
LTIP units	—	—	—	—	—	—	—	—	4,921	—	4,921
Restricted stock, net of forfeitures	(7)	—	—	—	448	—	—	448	—	—	448
Dividends and distributions	—	—	—	—	—	—	(5,622)	(5,622)	(3,841)	(1,051)	(10,514)
Net income	—	—	—	—	—	—	21,854	21,854	14,050	1,051	36,955
Other comprehensive income	—	—	—	—	—	5,955	—	5,955	4,098	—	10,053
Balance at June 30, 2023	159,843	\$ 1,598	988	\$ 10	\$ 1,047,459	\$ 9,275	\$ (92,392)	\$ 965,950	\$ 715,722	\$ 29,940	\$ 1,711,612

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For The Six Months Ended June 30, 2024 and 2023
(unaudited) (amounts in thousands)

	Number of Class A Common Shares	Number of Class A Common Stock	Number of Class B Common Shares	Number of Class B Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Stockholders' Equity	Non-controlling Interests	Private Perpetual Preferred Units	Total Equity
Balance at December 31, 2023	162,062	\$ 1,621	984	\$ 10	\$ 1,060,969	\$ 6,026	\$ (83,108)	\$ 985,518	\$ 715,587	\$ 29,940	\$ 1,731,045
Conversion of operating partnership units and Class B shares to Class A shares	2,265	22	(2)	—	9,073	3	—	9,098	(9,098)	—	—
Repurchases of common shares	—	—	—	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests in other partnerships	—	—	—	—	(1,805)	1,919	—	114	(15,411)	—	(15,297)
Equity compensation:											
LTIP units	—	—	—	—	—	—	—	—	9,556	—	9,556
Restricted stock, net of forfeitures	156	2	—	—	279	—	—	281	—	—	281
Dividends and distributions	—	—	—	—	—	—	(11,552)	(11,552)	(7,546)	(2,101)	(21,199)
Net income	—	—	—	—	—	—	22,732	22,732	13,937	2,101	38,770
Other comprehensive income	—	—	—	—	—	5,088	—	5,088	2,972	—	8,060
Balance at June 30, 2024	164,483	\$ 1,645	982	\$ 10	\$ 1,068,516	\$ 13,036	\$ (71,928)	\$ 1,011,279	\$ 709,997	\$ 29,940	\$ 1,751,216
Balance at December 31, 2022	160,139	\$ 1,601	990	\$ 10	\$ 1,055,184	\$ 7,048	\$ (109,468)	\$ 954,375	\$ 698,776	\$ 29,940	\$ 1,683,091
Conversion of operating partnership units and Class B shares to Class A shares	1,535	15	(2)	—	4,893	111	—	5,019	(5,019)	—	—
Repurchases of common shares	(2,151)	(21)	—	—	(13,084)	—	—	(13,105)	—	—	(13,105)
Contributions from consolidated joint ventures	—	—	—	—	—	—	—	—	112	—	112
Equity compensation:											
LTIP units	—	—	—	—	—	—	—	—	9,274	—	9,274
Restricted stock, net of forfeitures	320	3	—	—	466	—	—	469	—	—	469
Dividends and distributions	—	—	—	—	—	—	(11,297)	(11,297)	(6,859)	(2,101)	(20,257)
Net income	—	—	—	—	—	—	28,373	28,373	18,175	2,101	48,649
Other comprehensive income	—	—	—	—	—	2,116	—	2,116	1,263	—	3,379
Balance at June 30, 2023	159,843	\$ 1,598	988	\$ 10	\$ 1,047,459	\$ 9,275	\$ (92,392)	\$ 965,950	\$ 715,722	\$ 29,940	\$ 1,711,612

The accompanying notes are an integral part of these consolidated financial statements

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Cash Flows
(b unaudited)
(amounts in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash Flows From Operating Activities		
Net income	\$ 38,770	\$ 48,649
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,554	93,688
Gain on disposition of property	(10,803)	(29,261)
Amortization of non-cash items within interest expense	4,289	4,521
Amortization of acquired above- and below-market leases, net	(1,027)	(1,378)
Amortization of acquired below-market ground leases	3,916	3,916
Straight-lining of rental revenue	(4,961)	(12,415)
Equity based compensation	9,837	9,743
Loss on early extinguishment of debt	553	—
Increase (decrease) in cash flows due to changes in operating assets and liabilities:		
Security deposits	(9,639)	15,326
Tenant and other receivables	3,648	(8,708)
Deferred leasing costs	(14,377)	(9,316)
Prepaid expenses and other assets	(7,163)	957
Accounts payable and accrued expenses	4,328	(9,324)
Deferred revenue and other liabilities	(2,875)	(492)
Net cash provided by operating activities	108,050	105,906
Cash Flows From Investing Activities		
Acquisition of non-controlling interests in other partnerships	(14,226)	—
Reduction of cash from derecognition of assets	(12,876)	—
Net proceeds from disposition of property	—	88,910
Post-closing costs from a prior period sale of property	(4,034)	—
Development costs	(9)	—
Additions to building and improvements	(96,517)	(76,166)
Net cash (used in) provided by investing activities	(127,662)	12,744

The accompanying notes are an integral part of these consolidated financial statements

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(unaudited)
(amounts in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash Flows From Financing Activities		
Repayment of mortgage notes payable	(2,961)	(4,270)
Proceeds from unsecured senior notes	225,000	—
Proceeds from unsecured term loan	95,000	—
Repayment of unsecured term loan	(215,000)	—
Proceeds from unsecured revolving credit facility	120,000	—
Deferred financing costs	(11,636)	—
Contributions from consolidated joint ventures	—	112
Repurchases of common shares	—	(13,105)
Private perpetual preferred unit distributions	(2,101)	(2,101)
Dividends paid to common stockholders	(11,552)	(11,297)
Distributions paid to non-controlling interests in the operating partnership	(7,546)	(6,859)
Net cash provided by (used in) financing activities	189,204	(37,520)
Net increase (decrease) in cash and cash equivalents and restricted cash	169,592	81,130
Cash and cash equivalents and restricted cash—beginning of period	406,956	314,678
Cash and cash equivalents and restricted cash—end of period	<u><u>\$ 576,548</u></u>	<u><u>\$ 395,808</u></u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents at beginning of period	\$ 346,620	\$ 264,434
Restricted cash at beginning of period	60,336	50,244
Cash and cash equivalents and restricted cash at beginning of period	<u><u>\$ 406,956</u></u>	<u><u>\$ 314,678</u></u>
Cash and cash equivalents at end of period	\$ 535,533	\$ 315,357
Restricted cash at end of period	41,015	80,451
Cash and cash equivalents and restricted cash at end of period	<u><u>\$ 576,548</u></u>	<u><u>\$ 395,808</u></u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 43,392	\$ 46,116
Cash paid for income taxes	<u><u>\$ 1,260</u></u>	<u><u>\$ 405</u></u>
Non-cash investing and financing activities:		
Building and improvements included in accounts payable and accrued expenses	\$ 48,510	\$ 38,677
Write-off of fully depreciated assets	5,359	21,182
Derivative instruments at fair values included in prepaid expenses and other assets	16,239	19,329
Contract asset	166,955	—
Debt associated with property in receivership	177,667	—
Accrued interest associated with property in receivership	1,589	—
Conversion of operating partnership units and Class B shares to Class A shares	9,098	5,019

The accompanying notes are an integral part of these consolidated financial statements

Empire State Realty Trust, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Description of Business and Organization

As used in these condensed consolidated financial statements, unless the context otherwise requires, "we," "us," "our," the "Company," and "ESRT" mean Empire State Realty Trust, Inc. and its consolidated subsidiaries.

Empire State Realty Trust, Inc. (NYSE: ESRT) is a NYC-focused real estate investment trust ("REIT") that owns and operates a portfolio of modernized, amenitized, and well-located office, retail, and multifamily assets. ESRT's flagship Empire State Building, the "World's Most Famous Building," features its iconic Observatory that was declared the #1 Attraction in the World - and the #1 Attraction in the U.S. for the third consecutive year – in TripAdvisor's 2024 Travelers' Choice Awards: Best of the Best Things to Do. The Company is a recognized leader in energy efficiency and indoor environmental quality.

As of June 30, 2024, our portfolio was comprised of approximately 7.9 million rentable square feet of office space, 0.7 million rentable square feet of retail space and 727 residential units. Our office portfolio included 10 properties (including three long-term ground leasehold interests). Nine of these office properties are located in midtown Manhattan and encompass approximately 7.6 million rentable square feet of office space and 0.5 million rentable square feet of retail space, including the Empire State Building. The remaining office property encompasses approximately 0.3 million rentable square feet and is located in Stamford, Connecticut, with immediate access to mass transportation. Additionally, we have entitled land adjacent to the Stamford office property that can support the development of either office or residential per local zoning. Our multifamily portfolio included 727 residential units in New York City.

We were organized as a Maryland corporation on July 29, 2011 and commenced operations upon completion of our initial public offering and related formation transactions on October 7, 2013 (the "IPO"). Our operating partnership, Empire State Realty OP, L.P. (the "Operating Partnership"), holds substantially all of our assets and conducts substantially all of our business. As of June 30, 2024, we owned approximately 60.3% of the aggregate operating partnership units in the Operating Partnership. We, as the sole general partner in the Operating Partnership, have responsibility and discretion in the management and control of the Operating Partnership, and the limited partners in the Operating Partnership, in such capacity, have no authority to transact business for, or participate in the management activities of, the Operating Partnership. Accordingly, the Operating Partnership has been consolidated by us. We elected to be subject to tax as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013.

2. Summary of Significant Accounting Policies

There have been no material changes to the summary of significant accounting policies included in the "Summary of Significant Accounting Policies" section in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report").

Basis of Quarterly Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), for interim financial information, and with the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, all adjustments and eliminations (including intercompany balances and transactions), consisting of normal recurring adjustments, considered necessary for the fair presentation of the financial statements have been included.

The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the corresponding full years. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the financial statements for the year ended December 31, 2023 contained in our Annual Report. Our Observatory business is subject to tourism trends and the weather, and therefore does experience some seasonality. For the year ended December 31, 2023, approximately 17% of our annual Observatory revenue was realized in the first quarter, 26% was realized in the second quarter, 29% was realized in the third quarter, and 28% was realized in the fourth quarter. Our multifamily business experiences some seasonality based on general market trends in New York City – the winter months (November through January) are slower in terms of lease activity. We seek to mitigate this by staggering lease terms such that

lease expirations are matched with seasonal demand. We do not consider the balance of our business to be subject to material seasonal fluctuations.

We consolidate entities in which we have a controlling financial interest. In determining whether we have a controlling financial interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members. For variable interest entities ("VIE"), we consolidate the entity if we are deemed to have a variable interest in the entity and through that interest we are deemed the primary beneficiary. The primary beneficiary of a VIE is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. The primary beneficiary is required to consolidate the VIE. The Operating Partnership is a VIE of ESRT. As the Operating Partnership is already consolidated in the financial statements of ESRT, the identification of this entity as a VIE has no impact on our consolidated financial statements.

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

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are required to be presented as a separate component of equity in the condensed consolidated balance sheets and in the condensed consolidated statements of operations by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests.

Accounting Estimates

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to use estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant items subject to such estimates and assumptions include allocation of the purchase price of acquired real estate properties among tangible and intangible assets, determination of the useful life of real estate properties and other long-lived assets, valuation and impairment analysis of commercial real estate properties, goodwill, right-of-use assets and other long-lived and indefinite-lived assets, estimate of tenant expense reimbursements, valuation of the allowance for doubtful accounts, and valuation of derivative instruments, ground lease liabilities, senior unsecured notes, mortgage notes payable, unsecured revolving credit and term loan facilities, and equity-based compensation. These estimates are prepared using management's best judgment, after considering past, current, and expected events and economic conditions. Actual results could differ from those estimates.

3. Acquisitions and Dispositions

Property Acquisitions

In September 2023, we closed on the acquisition of a retail property in Williamsburg, Brooklyn, located on the corner of North 6th Street and Wythe Avenue for a purchase price of \$ 26.4 million. The purchase price is the fair value at the date of acquisition.

The following table summarizes properties acquired during the six and twelve months ended June 30, 2024 and December 31, 2023, respectively (amounts in thousands):

Property	Date Acquired	Land	Building and Improvements		Assets		Liabilities		Total*
Williamsburg Retail, Brooklyn	9/14/2023	\$ 4,851	\$ 20,936		\$ 1,573		\$ (300)		\$ 27,060

*Includes total capitalized transaction costs of \$0.7 million.

In March 2024, we executed a buyout of our partner's 10% interest in two of our multifamily properties located at 561 10th Avenue and 345 East 94th Street in Manhattan for \$14.2 million in cash and the assumption of \$18.0 million of in-place debt. As of June 30, 2024, we own 100% of the interests in these assets. As there was no change in control, we accounted for this acquisition as an equity transaction in accordance with Accounting Standards Codification 810-10 and no gain or loss was recognized.

Subsequent to quarter-end, in July 2024, we entered into two purchase agreements, each relating to the acquisition of separate prime retail portfolios located on North 6th Street in the Williamsburg neighborhood of Brooklyn, New York for \$103 million and \$92 million, respectively. These acquisitions are subject to customary closing conditions and are anticipated to close in the third quarter of 2024.

Property Dispositions

The following table summarizes properties disposed of during the six and twelve months ended June 30, 2024 and December 31, 2023, respectively (amounts in thousands):

Property	Date of Disposal	Sales Price	Gain on Disposition
First Stamford Place, Stamford, Connecticut	5/22/2024	N/A \$	10,803
500 Mamaroneck Avenue, Harrison, New York*	4/5/2023	\$ 53,000	\$ 11,075
69-97 and 103-107 Main Street, Westport, Connecticut	2/1/2023	\$ 40,000	\$ 15,689

*The gain is net of approximately \$4.5 million of post-closing costs we accrued related to our commitment to reimburse the buyer for a lease that did not occur. We funded the buyer for these costs and we have no further obligations or contingencies related to this property.

In April 2024, we worked with the First Stamford Place mortgage lender to structure a consensual foreclosure. On May 22, 2024, a receiver was appointed and we ended our management of the property. In connection with this, we removed the related assets and liabilities from our condensed consolidated balance sheet as of June 30, 2024 and recognized a gain of \$10.8 million that is reflected in the condensed consolidated statements of operations for the three and six months ended June 30, 2024. We also recorded a contract asset of \$167.0 million and the related debt associated with property under receivership and accrued interest associated with property under receivership of \$177.7 million and \$1.6 million, respectively, are included in our condensed consolidated balance sheet as of June 30, 2024. This contract asset represents our right to debt extinguishment once the foreclosure process on the First Stamford Place property is completed.

4. Deferred Costs, Acquired Lease Intangibles and Goodwill

Deferred costs, net, consisted of the following as of June 30, 2024 and December 31, 2023 (amounts in thousands):

	June 30, 2024	December 31, 2023
Leasing costs	\$ 220,917	\$ 224,295
Acquired in-place lease value and deferred leasing costs	145,627	158,267
Acquired above-market leases	21,565	23,918
Total deferred costs, excluding net deferred financing costs	388,109	406,480
Less: accumulated amortization	(225,683)	(236,900)
Total deferred costs, net, excluding net deferred financing costs	\$ 162,426	\$ 169,580

At June 30, 2024 and December 31, 2023, \$9.9 million and \$2.9 million, respectively, of net deferred financing costs associated with the unsecured revolving credit facility was included in deferred costs, net on the condensed consolidated balance sheets.

Amortization expense related to deferred leasing costs and acquired deferred leasing costs was \$ 5.2 million and \$11.0 million for the three and six months ended June 30, 2024, respectively, and \$6.1 million and \$11.9 million for the three and six months ended June 30, 2023, respectively. Amortization expense related to acquired lease intangibles was \$ 1.2 million and \$2.5 million for the three and six months ended June 30, 2024, respectively, and \$2.3 million and \$4.6 million for the three and six months ended June 30, 2023, respectively.

Amortizing acquired intangible assets and liabilities consisted of the following as of June 30, 2024 and December 31, 2023 (amounts in thousands):

	June 30, 2024	December 31, 2023
Acquired below-market ground leases	\$ 396,916	\$ 396,916
Less: accumulated amortization	(79,590)	(75,675)
Acquired below-market ground leases, net	<u><u>\$ 317,326</u></u>	<u><u>\$ 321,241</u></u>

	June 30, 2024	December 31, 2023
Acquired below-market leases	\$ (51,883)	\$ (55,155)
Less: accumulated amortization	40,011	41,405
Acquired below-market leases, net	<u><u>\$ (11,872)</u></u>	<u><u>\$ (13,750)</u></u>

Rental revenue related to the amortization of below-market leases, net of above-market leases, was \$ 0.5 million and \$1.0 million for the three and six months ended June 30, 2024, respectively, and \$0.7 million and \$1.4 million for the three and six months ended June 30, 2023, respectively.

As of June 30, 2024 and December 31, 2023, we had goodwill of \$ 491.5 million. Goodwill was allocated \$227.5 million to the Observatory reportable segment and \$ 264.0 million to the real estate reportable segment.

We performed our annual goodwill testing in October 2023, where we bypassed the optional qualitative goodwill impairment assessment and proceeded directly to a quantitative assessment of the Observatory reportable segment and engaged a third-party valuation consulting firm to perform the valuation process. The quantitative analysis used a combination of the discounted cash flow method (a form of the income approach) utilizing Level 3 unobservable inputs and the guideline company method (a form of the market approach). Significant assumptions under the former included revenue and cost projections, weighted average cost of capital, long-term growth rate and income tax considerations while the latter included guideline company enterprise values, revenue multiples, EBITDA multiples and control premium rates. Our methodology to review goodwill impairment, which included a significant amount of judgment and estimates, provided a reasonable basis to determine whether impairment had occurred. The quantitative analysis performed concluded the fair value of the reporting unit exceeds its carrying value. We also perform quarterly qualitative assessments and have not identified any events which would indicate, on a more likely than not basis, that the goodwill allocated to the reporting unit was impaired. Many of the factors employed in determining whether or not goodwill is impaired are outside of our control, and it is reasonably likely that assumptions and estimates will change in future periods. We will continue to assess the impairment of the Observatory reporting unit goodwill going forward.

5. Debt

Debt consisted of the following as of June 30, 2024 and December 31, 2023 (amounts in thousands):

	Principal Balance		As of June 30, 2024		
	June 30, 2024	December 31, 2023	Stated Rate	Effective Rate ⁽¹⁾	Maturity Date ⁽²⁾
<u>Fixed rate mortgage debt</u>					
Metro Center ⁽³⁾	\$ 78,774	\$ 80,070	3.59 %	3.67 %	11/5/2024
10 Union Square	50,000	50,000	3.70 %	3.97 %	4/1/2026
1542 Third Avenue	30,000	30,000	4.29 %	4.53 %	5/1/2027
First Stamford Place ⁽⁴⁾	—	175,860	—	—	—
1010 Third Avenue and 77 West 55th Street	34,508	34,958	4.01 %	4.21 %	1/5/2028
250 West 57th Street	180,000	180,000	2.83 %	3.21 %	12/1/2030
1333 Broadway	160,000	160,000	4.21 %	4.29 %	2/5/2033
345 East 94th Street - Series A	43,600	43,600	70% of SOFR plus 0.95%	3.56 %	11/1/2030
345 East 94th Street - Series B	6,857	7,209	SOFR plus 2.24%	3.56 %	11/1/2030

561 10th Avenue - Series A	114,500	114,500	70% of SOFR plus 1.07%	3.85 %	11/1/2033
561 10th Avenue - Series B	14,938	15,801	SOFR plus 2.45%	3.85 %	11/1/2033
Total mortgage debt	713,177	891,998			
Senior unsecured notes: ⁽⁵⁾					
Series A	100,000	100,000	3.93 %	3.96 %	3/27/2025
Series B	125,000	125,000	4.09 %	4.12 %	3/27/2027
Series C	125,000	125,000	4.18 %	4.21 %	3/27/2030
Series D	115,000	115,000	4.08 %	4.11 %	1/22/2028
Series E	160,000	160,000	4.26 %	4.27 %	3/22/2030
Series F	175,000	175,000	4.44 %	4.45 %	3/22/2033
Series G	100,000	100,000	3.61 %	4.89 %	3/17/2032
Series H	75,000	75,000	3.73 %	5.00 %	3/17/2035
Series I	155,000	—	7.20 %	7.39 %	6/17/2029
Series J	45,000	—	7.32 %	7.46 %	6/17/2031
Series K	25,000	—	7.41 %	7.52 %	6/17/2034
Unsecured term loan facility ⁽⁵⁾	175,000	175,000	SOFR plus 1.50%	4.61 %	12/31/2026
Unsecured term loan facility ⁽⁵⁾	95,000	215,000	SOFR plus 1.50%	4.48 %	3/8/2029
Unsecured revolving credit facility ⁽⁵⁾	120,000	—	SOFR plus 1.30%	4.04 %	3/8/2029
Total principal	2,303,177	2,256,998			
Deferred financing costs, net	(10,844)	(9,488)			
Unamortized debt discount	(6,574)	(6,964)			
Total	\$ 2,285,759	\$ 2,240,546			

(1) The effective rate is the yield as of June 30, 2024 and includes the stated interest rate, deferred financing cost amortization and interest associated with variable to fixed interest rate swap agreements.

(2) Pre-payment is generally allowed for each loan upon payment of a customary pre-payment penalty.

(3) In July 2024, this loan was refinanced and commencing in November 2024 the new principal balance of \$ 71.6 million will be interest only at the same interest rate of 3.59%, with a maturity of November 2029, inclusive of a one-year extension option.

(4) In April 2024, we worked with the First Stamford Place mortgage lender to structure a consensual foreclosure. In May 2024, the First Stamford Place property was placed in receivership and accordingly, we reclassified the related debt to be included in debt associated with property under receivership in our condensed consolidated balance sheet as of June 30, 2024, consisting of a \$164 million mortgage loan bearing interest at 4.09% and a \$11.9 million loan bearing interest at 6.25%. See also Note 3 Acquisitions and Dispositions.

(5) At June 30, 2024, we were in compliance with all debt covenants.

Principal Payments

Aggregate required principal payments at June 30, 2024 are as follows (amounts in thousands):

Year	Amortization	Maturities	Total
2024	\$ 2,827	\$ 77,675	\$ 80,502
2025	3,664	100,000	103,664
2026	3,957	225,000	228,957
2027	4,276	155,000	159,276
2028	3,556	146,092	149,648
Thereafter	18,523	1,562,607	1,581,130
Total	\$ 36,803	\$ 2,266,374	\$ 2,303,177

Deferred Financing Costs

Deferred financing costs, net, consisted of the following at June 30, 2024 and December 31, 2023 (amounts in thousands):

	June 30, 2024	December 31, 2023
Financing costs	\$ 52,498	\$ 43,473
Less: accumulated amortization	(31,761)	(31,108)
Total deferred financing costs, net	\$ 20,737	\$ 12,365

Amortization expense related to deferred financing costs was \$ 1.0 million and \$ 2.1 million for the three and six months ended June 30, 2024, respectively, and \$ 1.1 million and \$ 2.2 million for the three and six months ended June 30, 2023, respectively.

Unsecured Revolving Credit and Term Loan Facilities

On March 8, 2024, through our Operating Partnership, we entered into a second amended and restated credit agreement with Bank of America, N.A., as administrative agent and the other lenders party thereto, that amends and restates the amended and restated credit agreement, dated August 29, 2017 which governs our senior unsecured revolving credit facility and term loan facility (collectively, the "BofA Credit Facilities"). The BofA Credit Facilities are comprised of a \$620 million senior unsecured revolving credit facility (the "Revolving Credit Facility") and a \$ 95 million term loan facility (the "BofA Term Loan Facility"). We may request that the BofA Credit Facilities be increased through one or more increases in the Revolving Credit Facility or one or more increases in the BofA Term Loan Facility or the addition of new pari passu term loan tranches, for a maximum aggregate principal amount under the second amended and restated credit agreement not to exceed \$1.5 billion.

The Revolving Credit Facility matures on March 8, 2029, inclusive of two six-month extension periods and replaced the existing revolving credit facility that was due to mature in March 2025. The BofA Term Loan Facility matures on March 8, 2029, inclusive of two twelve-month extension periods and replaced the existing term loan facility that was due to mature in March 2025. Initial interest rates on the BofA Credit Facilities, which may change based on our leverage levels, are SOFR plus a benchmark adjustment of 10.0 basis points ("adjusted SOFR") plus 130 basis points for any drawn portion of the Revolving Credit Facility and adjusted SOFR plus 150 basis points for the BofA Term Loan Facility. In addition, the BofA Credit Facilities have a sustainability-linked pricing mechanism that reduces the borrowing spread if certain benchmarks are achieved each year. As of June 30, 2024, we had \$120.0 million borrowings drawn on the Revolving Credit Facility and \$95.0 million under the BofA Term Loan Facility.

On March 13, 2024, through our Operating Partnership, we entered into a third amendment to our credit agreement dated March 19, 2020 with Wells Fargo Bank, National Association, as administrative agent, and the other lenders party thereto, which governs a senior unsecured term loan facility (the "Wells Term Loan Facility"). The Wells Term Loan Facility is in the original principal amount of \$175.0 million and matures on December 31, 2026. The third amendment provides for, among other things, certain conforming changes to the BofA Credit Facilities agreement, including increases to the capitalization rate for certain of our properties. No other changes were made to the amount of the commitments, the maturity date of the outstanding loans or the covenants. We may request the Wells Term Loan Facility be increased through one or more increases or the addition of new pari passu term loan tranches, for a maximum aggregate principal amount not to exceed \$225 million. As of June 30, 2024, our borrowings amounted to \$ 175.0 million under the Wells Term Loan Facility.

The terms of both the BofA Credit Facilities and the Wells Term Loan Facility include customary covenants, including limitations on liens, investment, distributions, debt, fundamental changes, and transactions with affiliates and require certain customary financial reports. Both facilities also require compliance with financial ratios including a maximum leverage ratio, a maximum secured leverage ratio, a minimum fixed charge coverage ratio, a minimum unencumbered interest coverage ratio, and a maximum unsecured leverage ratio. The agreements governing both facilities also contain customary events of default (subject in certain cases to specified cure periods), including but not limited to non-payment, breach of covenants, representations or warranties, cross defaults, bankruptcy or other insolvency events, judgments, ERISA events, invalidity of loan documents, loss of REIT qualification, and occurrence of a change of control. As of June 30, 2024, we were in compliance with these covenants.

Senior Unsecured Notes

On April 10, 2024, we entered into a Purchase Agreement pursuant to which we issued and sold an aggregate \$225 million principal amount of notes, consisting of (a) \$ 155 million aggregate principal amount of 7.20% Series I Green Guaranteed Senior Notes due June 17, 2029, (b) \$ 45 million aggregate principal amount of 7.32% Series J Green Guaranteed Senior Notes due June 17, 2031 and (c) \$25 million aggregate principal amount of 7.41% Series K Green Guaranteed Senior Notes due June 17, 2034. The sale of the Series I-K notes closed on June 17, 2024. The issue price for the notes was 100% of

the aggregate principal amount thereof. Pursuant to the terms of the Purchase Agreement, we may prepay all or a portion of the notes upon notice to the holders at a price equal to 100% of the principal amount plus a make-whole premium as set forth in the Purchase Agreement.

The terms of our senior unsecured notes, including the Series I-K notes, include customary covenants, including limitations on liens, investment, distributions, debt, fundamental changes, and transactions with affiliates and require certain customary financial reports. The terms also require compliance with financial ratios including a maximum leverage ratio, a maximum secured leverage ratio, a minimum fixed charge coverage ratio, a minimum unencumbered interest coverage ratio, and a maximum unsecured leverage ratio. The agreements also contain customary events of default (subject in certain cases to specified cure periods), including but not limited to non-payment, breach of covenants, representations or warranties, cross defaults, bankruptcy or other insolvency events, judgments, ERISA events, the occurrence of certain change of control transactions and loss of REIT qualification. As of June 30, 2024, we were in compliance with these covenants.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of June 30, 2024 and December 31, 2023 (amounts in thousands):

	June 30, 2024	December 31, 2023
Capital expenditures included in accounts payable and accrued expenses	\$ 48,510	\$ 51,815
Accounts payable and accrued expenses	38,050	44,169
Interest rate swap agreements liability	—	85
Accrued interest payable	4,348	3,687
Total accounts payable and accrued expenses	\$ 90,908	\$ 99,756

7. Financial Instruments and Fair Values

Derivative Financial Instruments

We use derivative financial instruments primarily to manage interest rate risk and such derivatives are not considered speculative. These derivative instruments are typically in the form of interest rate swap and forward agreements, and the primary objective is to minimize interest rate risks associated with investing and financing activities. The counterparties of these arrangements are major financial institutions with which we may also have other financial relationships. We are exposed to credit risk in the event of non-performance by these counterparties; however, we currently do not anticipate that any of the counterparties will fail to meet their obligations.

We have agreements with our derivative counterparties that contain a provision where if we either default or are capable of being declared in default on any of our indebtedness, then we could also be declared in default on our derivative obligations. As of June 30, 2024, we did not have derivatives in a net liability position.

As of June 30, 2024 and December 31, 2023, we had interest rate swaps and caps with an aggregate notional value of \$ 585.8 million and \$573.2 million, respectively. The notional value does not represent exposure to credit, interest rate or market risks. As of June 30, 2024, the fair value of our derivative instruments in an asset position amounted to \$16.2 million, which is included in prepaid expenses and other assets on the condensed consolidated balance sheet. As of December 31, 2023, the fair value of our derivative instruments amounted to \$11.8 million which is included in prepaid expenses and other assets, and (\$0.1 million) which is included in accounts payable and accrued expenses on the condensed consolidated balance sheet. These interest rate swaps have been designated as cash flow hedges and hedge the variability in future cash flows associated with our existing variable-rate term loan facilities. Interest rate caps not designated as hedges are not speculative and are used to manage our exposure to interest rate movements, but do not meet the strict hedge accounting requirements.

As of June 30, 2024 and 2023, our cash flow hedges are deemed highly effective and a net unrealized gain (loss) of \$ 2.2 million and \$8.1 million for the three and six months ended June 30, 2024, respectively, and a net unrealized gain of \$10.1 million and \$3.4 million for the three and six months ended June 30, 2023, respectively, relating to both active and terminated hedges of interest rate risk, are reflected in the condensed consolidated statements of comprehensive income. Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the debt. We estimate that \$6.3 million net gain of the current balance held in accumulated other comprehensive income (loss) will be reclassified into interest expense within the next 12 months.

The table below summarizes the terms of agreements and the fair values of our derivative financial instruments as of June 30, 2024 and December 31, 2023 (amounts in thousands):

Derivative	Notional Amount	Receive Rate	Pay Rate	Effective Date	Expiration Date	June 30, 2024		December 31, 2023	
						Asset	Liability	Asset	Liability
Interest rate swap	\$ 36,820	70% of 1 Month SOFR	2.5000% 1, 2021	December 1, 2030	November	\$ 785	\$ —	\$ 64	\$ —
Interest rate swap	103,790	70% of 1 Month SOFR	2.5000% 1, 2021	December 1, 2033	November	2,480	—	—	(85)
Interest rate swap	10,710	70% of 1 Month SOFR	1.7570% 1, 2021	December 1, 2033	November	751	—	546	—
Interest rate swap	15,085	1 Month SOFR	2.2540% 1, 2021	December 1, 2030	November	932	—	782	—
Interest rate cap	6,780	70% of 1 Month SOFR	4.5000% 1, 2021	December 2024	October 1,	—	—	—	—
Interest rate cap	9,188	1 Month SOFR	5.5000% 1, 2021	December 2024	October 1,	1	—	4	—
Interest rate swap	175,000	SOFR	2.5620% 31, 2022	August 31, 2026	December	7,437	—	5,637	—
Interest rate swap	107,500	Compound	2.6260% 19, 2022	August 2025	March 19,	1,863	—	2,384	—
Interest rate swap	107,500	SOFR	2.6280% 19, 2022	August 2025	March 19,	1,861	—	2,383	—
Interest rate cap	6,780	70% of 1 Month SOFR	4.5000% 2024	October 1, 2030	November	40	—	—	—
Interest rate cap	6,676	1 Month SOFR	5.5000% 2024	October 1, 2030	November	89	—	—	—
						\$ 16,239	\$ —	\$ 11,800	\$ (85)

The table below shows the effect of our derivative financial instruments designated as cash flow hedges on accumulated other comprehensive income (loss) for the three and six months ended June 30, 2024 and 2023 (amounts in thousands):

Effects of Cash Flow Hedges	Three Months Ended			Six Months Ended		
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Amount of gain recognized in other comprehensive income (loss)	\$ 2,853	\$ 11,935	\$ 11,051	\$ 6,533		
Amount of loss reclassified from accumulated other comprehensive income (loss) into interest expense	667	1,882	2,991	3,154		

The table below shows the effect of our derivative financial instruments designated as cash flow hedges on the condensed consolidated statements of operations for the three and six months ended June 30, 2024 and 2023 (amounts in thousands):

Effects of Cash Flow Hedges	Three Months Ended			Six Months Ended		
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Total interest expense presented in the condensed consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ (25,323)	\$ (25,405)	\$ (50,451)	\$ (50,709)		
Amount of loss reclassified from accumulated other comprehensive income (loss) into interest expense	667	1,882	2,991	3,154		

Fair Valuation

The estimated fair values at June 30, 2024 and December 31, 2023 were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value of derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. Although the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. The impact of such credit valuation adjustments, determined based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all our derivatives were classified as Level 2 of the fair value hierarchy.

The fair values of our mortgage notes payable, senior unsecured notes (Series A, B, C, D, E, F, G, H, I, J, and K), unsecured term loan facilities and unsecured revolving credit facility which are determined using Level 3 inputs are estimated by discounting the future cash flows using current interest rates at which similar borrowings could be made by us.

The following tables summarize the carrying and estimated fair values of our financial instruments as of June 30, 2024 and December 31, 2023 (amounts in thousands):

	June 30, 2024				
	Carrying Value	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
Interest rate swaps and caps included in prepaid expenses and other assets	\$ 16,239	\$ 16,239	\$ —	\$ 16,239	\$ —
Mortgage notes payable	700,348	609,545	—	—	609,545
Senior unsecured notes - Series A, B, C, D, E, F, G, H, I, J, and K	1,196,831	1,106,300	—	—	1,106,300
Unsecured term loan facilities	268,580	270,000	—	—	270,000
Unsecured revolving credit facility	120,000	120,000	—	—	120,000

	December 31, 2023				
	Carrying Value	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
Interest rate swaps and caps included in prepaid expenses and other assets	\$ 11,800	\$ 11,800	\$ —	\$ 11,800	\$ —
Interest rate swaps included in accounts payable and accrued expenses	85	85	—	85	—
Mortgage notes payable	877,388	774,280	—	—	774,280
Senior unsecured notes - Series A, B, C, D, E, F, G and H	973,872	882,242	—	—	882,242
Unsecured term loan facilities	389,286	390,000	—	—	390,000

The fair value of debt associated with property in receivership, which has a carrying value of \$ 177.7 million as of June 30, 2024, and categorized as Level 3 of the fair value hierarchy, was \$156.7 million as of June 30, 2024.

Disclosure about the fair value of financial instruments is based on pertinent information available to us as of June 30, 2024 and December 31, 2023. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

8. Leases

Lessor

We lease various spaces to tenants over terms ranging from one to 30 years. Certain leases have renewal options for additional terms. The leases provide for base monthly rentals and reimbursements for real estate taxes, escalations linked to the consumer price index or common area maintenance known as operating expense escalation. Operating expense reimbursements are reflected in our June 30, 2024 and 2023 condensed consolidated statements of operations as rental revenue.

Rental revenue includes fixed and variable payments. Fixed payments primarily relate to base rent and variable payments primarily relate to tenant expense reimbursements for certain property operating costs. The components of rental revenue for the three and six months ended June 30, 2024 and 2023 are as follows (amounts in thousands):

Rental revenue	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Fixed payments	136,235	138,318	272,588	262,882
Variable payments	16,235	16,285	33,764	31,812
Total rental revenue	\$ 152,470	\$ 154,603	\$ 306,352	\$ 294,694

As of June 30, 2024, we were entitled to the following future contractual minimum lease payments (excluding operating expense reimbursements) on non-cancellable operating leases to be received which expire on various dates through 2054 (amounts in thousands):

Remainder of 2024	\$ 243,042
2025	497,504
2026	460,783
2027	440,768
2028	402,365
Thereafter	1,910,486
	\$ 3,954,948

The above future minimum lease payments exclude tenant recoveries and the net accretion of above-market leases and below-market lease intangibles. Some leases are subject to termination options generally upon payment of a termination fee. The preceding table is prepared assuming such options are not exercised.

Lessee

We determine if an arrangement is a lease at inception. Our operating lease agreements relate to three ground lease assets and are reflected in right-of-use assets of \$ 28.3 million and lease liabilities of \$28.3 million in our condensed consolidated balance sheets as of June 30, 2024. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Variable lease payments are excluded from the right-of-use assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred.

The ground leases are due to expire between the years 2050 and 2077, inclusive of extension options, and have no variable payments or residual value guarantees. As our leases do not provide an implicit rate, we determined our incremental borrowing rate based on information available at the date of adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842), in determining the present value of lease payments. The weighted average incremental borrowing rate used to calculate the right-of-use assets and lease liabilities as of June 30, 2024 was 4.5%. Rent expense for lease payments related to our operating leases is recognized on a straight-line basis over the non-cancellable term of the leases. The weighted average remaining lease term as of June 30, 2024 was 46.0 years.

As of June 30, 2024, the following table summarizes our future minimum lease payments discounted by our incremental borrowing rates to calculate the lease liabilities of our leases (amounts in thousands):

Remainder of 2024	\$ 760
2025	1,518
2026	1,503
2027	1,482
2028	1,482
Thereafter	60,795

Total undiscounted cash flows	67,540
Present value discount	(39,222)
Ground lease liabilities	\$ 28,318

9. Commitments and Contingencies

Legal Proceedings

Except as described below, as of June 30, 2024, we were not involved in any material litigation, nor, to our knowledge, was any material litigation threatened against us or our properties, other than routine litigation arising in the ordinary course of business such as disputes with tenants. We believe that the costs and related liabilities, if any, which may result from such actions will not materially affect our condensed consolidated financial position, operating results or liquidity.

As previously disclosed, in October 2014, 12 former investors (the "Claimants") in Empire State Building Associates L.L.C. ("ESBA"), which, prior to the IPO, owned the fee title to the Empire State Building, filed an arbitration with the American Arbitration Association against Peter L. Malkin, Anthony E. Malkin, Thomas N. Keltner, Jr., and our subsidiary ESRT MH Holdings LLC, the former supervisor of ESBA, (the "Respondents"). The statement of claim (also filed later in federal court in New York for the expressed purpose of tolling the statute of limitations) alleged breach of fiduciary duty and related claims in connection with the IPO and formation transactions and sought monetary damages and declaratory relief. Claimants had opted out of a prior class action bringing similar claims that were settled with court approval. Respondents filed an answer and counterclaims. In March 2015, the federal court action was stayed on consent of all parties pending the arbitration. Arbitration hearings started in May 2016 and concluded in August 2018. On August 26, 2020, the arbitration panel issued an award that denied all Claimants' claims with one exception, on which it awarded the Claimants approximately \$1.2 million, inclusive of seven years of interest through October 2, 2020. This amount was recorded as an IPO litigation expense in the consolidated statements of operations for the year ended December 31, 2020.

Respondents believe that such award in favor of the Claimants is entirely without merit and sought to vacate that portion of the award. On July 31, 2023, the New York State court denied the Respondents' petition to vacate in part and confirmed the award. On January 22, 2024, that court entered judgment in favor of the Claimants (save for one Claimant, whose petition to confirm is still pending in New York state court) in an amount of approximately \$1.26 million, inclusive of interest. The Respondents believe those rulings are incorrect and have appealed them. In addition, certain of the Claimants in the federal court action brought to toll the statute of limitations and sought to pursue claims in that case against the Respondents. Respondents believe that any such claims are meritless. The magistrate judge assigned to the action has issued a Report and Recommendation rejecting the Claimants' claims; the district judge will decide whether to adopt the Report and Recommendation.

Pursuant to indemnification agreements which were made with our directors, executive officers and chairman emeritus as part of our formation transactions, Anthony E. Malkin, Peter L. Malkin and Thomas N. Keltner, Jr. have defense and indemnity rights from us with respect to this arbitration.

Unfunded Capital Expenditures

At June 30, 2024, we estimate that we will incur approximately \$ 111.6 million of capital expenditures (including tenant improvements and leasing commissions) on our properties pursuant to existing lease agreements. We expect to fund these capital expenditures with operating cash flow, cash on hand and other borrowings. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion.

Concentration of Credit Risk

Financial instruments that subject us to credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments, tenant and other receivables and deferred rent receivables. At June 30, 2024, we held on deposit at various major financial institutions cash and cash equivalents and restricted cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation.

Asset Retirement Obligations

We are required to accrue costs that we are legally obligated to incur on retirement of our properties which result from acquisition, construction, development and/or normal operation of such properties. Retirement includes sale, abandonment or disposal of a property. Under that standard, a conditional asset retirement obligation represents a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement is conditional on a future event that may or may not be within a company's control and a liability for a conditional asset retirement obligation must be recorded if the fair value of the obligation can be reasonably estimated. Environmental site assessments and investigations have identified asbestos or asbestos-containing building materials in certain of our properties. As of June 30, 2024, management has no plans to remove or alter these properties in a manner that would trigger federal and other applicable regulations for asbestos removal, and accordingly, the obligations to remove the asbestos or asbestos-containing building materials from these properties have indeterminable settlement dates. As such, we are unable to reasonably estimate the fair value of the associated conditional asset retirement obligation. However ongoing asbestos abatement, maintenance programs and other required documentation are carried out as required and related costs are expensed as incurred.

Other Environmental Matters

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, regardless of 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.

Some of our properties are adjacent to or near other properties which are used for industrial or commercial purposes or 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 was formerly leased to a fueling facility that may release petroleum products or other hazardous or toxic substances at such properties or to surrounding properties. While certain properties contain or contained uses that could have or have impacted our properties, we are not aware of any liabilities related to environmental contamination that we believe will have a material adverse effect on our operations.

We have post-closing obligations related to the 69-97 and 103-107 Main Street, Westport, Connecticut properties that we sold in February 2023 to (i) close out a voluntary remediation program at 69-97 Main Street to address residual impacts of prior presence of underground storage tanks and (ii) comply with a consent order issued by the Connecticut Department of Environmental Protection to investigate soil conditions at 103-107 Main Street. We believe any expenses incurred to close out and comply with the remediation program and consent order, respectively, will be immaterial to the results of our operations.

In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these 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. We sometimes require our tenants to comply with environmental and health and safety laws and regulations and to indemnify us for any related liabilities in our leases with them. But in the event of the bankruptcy or inability of any of our tenants to satisfy such obligations, we may be required to satisfy such obligations. We are not presently aware of any instances of material non-compliance with environmental or health and safety laws or regulations at our properties, and we believe that we and/or our tenants have all material permits and approvals necessary under current laws and regulations to operate our properties.

In addition, we may become subject to new compliance requirements and/or new costs or taxes associated with natural resource or energy usage and related emissions (such as a carbon tax), which could increase our operating costs. In particular, as the owner of large commercial buildings in New York City, we are subject to Local Law 97 passed by the New York City Council in April 2019, which for each such building establishes annual limits for greenhouse gas emissions, requires yearly emissions reports beginning in May 2025, and imposes penalties for emissions above such limits. Based upon our present understanding of the law and calculations related thereto, we expect to pay no fine on any building in our commercial portfolio in the 2024-2029 first period of enforcement.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, environmental site assessments and investigations have identified asbestos or asbestos-containing material ("ACM") in certain of our properties, and it is possible that other properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained 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, redevelopment 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. We are not presently aware of any material liabilities related to building conditions, including any instances of material non-compliance with asbestos requirements or any material liabilities related to asbestos.

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 are not presently aware of any material adverse indoor air quality issues at our properties.

As of June 30, 2024, with the exception of the Westport assets, management believes that there are no obligations related to environmental remediation other than maintaining the affected sites in conformity with the relevant authority's mandates and filing the required documents. All such maintenance costs are expensed as incurred. However, we cannot be certain that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that such environmental liabilities arise.

Insurance Coverage

We carry insurance coverage on our properties of types and in amounts with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties.

10. Equity

Shares and Units

An operating partnership unit ("OP Unit") and a share of our common stock have essentially the same economic characteristics as they receive the same per unit profit distributions of the Operating Partnership. On the one-year anniversary of issuance, an OP Unit may be tendered for redemption for cash; however, we have sole and absolute discretion, and sufficient authorized common stock, to exchange OP Units for shares of common stock on a one-for-one basis instead of cash.

As of June 30, 2024, there were 164,483,385 shares of Class A common stock, 981,779 shares of Class B common stock and 108,713,642 OP Units outstanding. The REIT holds a 60.3% controlling interest in the OP. The other 39.7% non-controlling interest in the OP is diversified among various limited partners, some of whom include Company directors, senior management and employees. We have two classes of common stock as a means to give our OP Unit holders voting rights in the public company that correspond to their economic interest in the combined entity. A one-time option was created at our

formation transactions for any pre-IPO OP Unit holder to exchange one OP Unit out of every 50 OP Units they owned for one Class B share, and such Class B share carries 50 votes per share.

Stock and Publicly Traded Operating Partnership Unit Repurchase Program

Our Board of Directors authorized the repurchase of up to \$ 500 million of our Class A common stock and the Operating Partnership's Series ES, Series 250 and Series 60 operating partnership units from January 1, 2024 through December 31, 2025. Under the program, we may purchase our Class A common stock and the Operating Partnership's Series ES, Series 250 and Series 60 operating partnership units in accordance with applicable securities laws from time to time in the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will be subject to stock price, availability, trading volume, general market conditions, and applicable securities laws. The authorization does not obligate us to acquire any particular amount of securities, and the program may be suspended or discontinued at our discretion without prior notice. As of June 30, 2024, we had \$500.0 million remaining of the authorized repurchase amount. There were no repurchases of equity securities during the three and six months ended June 30, 2024.

Private Perpetual Preferred Units

As of June 30, 2024, there were 4,664,038 Series 2019 Preferred Units ("Series 2019 Preferred Units") and 1,560,360 Series 2014 Private Perpetual Preferred Units ("Series 2014 Preferred Units") outstanding. The Series 2019 Preferred Units have a liquidation preference of \$13.52 per unit and are entitled to receive cumulative preferential annual cash distributions of \$ 0.70 per unit payable in arrears on a quarterly basis. The Series 2014 Preferred Units which have a liquidation preference of \$16.62 per unit and are entitled to receive cumulative preferential annual cash distributions of \$ 0.60 per unit payable in arrears on a quarterly basis. Both series are not redeemable at the option of the holders and are redeemable at our option only in the case of specific defined events.

Dividends and Distributions

Total dividends paid to common stockholders were \$ 5.8 million and \$11.6 million for the three and six months ended June 30, 2024, respectively, and \$ 5.6 million and \$11.3 million for the three and six months ended June 30, 2023, respectively. Total distributions paid to Operating Partnership unitholders (the "OP unitholders") were \$3.8 million and \$7.5 million for the three and six months ended June 30, 2024, respectively, and \$3.8 million and \$6.9 million for the three and six months ended June 30, 2023, respectively. Total distributions paid to preferred unitholders were \$ 1.1 million and \$2.1 million for the three and six months ended June 30, 2024, respectively, and \$1.1 million and \$2.1 million for the three and six months ended June 30, 2023, respectively.

Incentive and Share-Based Compensation

On May 9, 2024, the Empire State Realty Trust, Inc. Empire State Realty OP, L.P. 2024 Equity Incentive Plan (the "2024 Plan") was approved by our shareholders. The 2024 Plan provides for grants to directors, employees and consultants of our Company and Operating Partnership, including options, restricted stock, restricted stock units, stock appreciation rights, performance awards, dividend equivalents and other equity-based awards, and replaced the First Amended and Restated Empire State Realty Trust, Inc. and Empire State Realty OP, L.P. 2019 Equity Incentive Plan ("2019 Plan", and collectively with the 2024 Plan, the "Plans"). The shares of Class A common stock underlying any awards under the Plans that are forfeited, canceled or otherwise terminated, other than by exercise, will be added back to the shares of Class A common stock available for issuance under the 2024 Plan. Shares tendered or held back upon exercise of a stock option or settlement of an award under the Plans to cover the exercise price or tax withholding and shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right upon exercise thereof, will not be added back to the shares of Class A common stock available for issuance under the 2024 Plan. In addition, shares of Class A common stock repurchased on the open market will not be added back to the shares of Class A common stock available for issuance under the 2024 Plan.

An aggregate of 11.0 million shares of our common stock was authorized for issuance under awards granted pursuant to the 2024 Plan, and as of June 30, 2024, 10.8 million shares of common stock remain available for future issuance.

Long-term incentive plan ("LTIP") units are a special class of partnership interests in the Operating Partnership. Each LTIP unit awarded will be deemed equivalent to an award of one share of stock under the Plans, reducing the availability for other equity awards on a one-for-one basis. The vesting period for LTIP units, if any, will be determined at the time of issuance. Under the terms of the LTIP units, the Operating Partnership will revalue for tax purposes its assets upon the occurrence of certain specified events, and any increase in valuation from the time of one such event to the next such event will be allocated

first to the holders of LTIP units to equalize the capital accounts of such holders with the capital accounts of OP unitholders. Subject to any agreed upon exceptions, once vested and having achieved parity with OP unitholders, LTIP units are convertible into OP Units in the Operating Partnership on a one-for-one basis.

LTIP units subject to time-based vesting, whether vested or not, receive the same per unit distributions as OP units, which equal per share dividends (both regular and special) on our common stock. Market and performance-based LTIPs receive 10% of such distributions currently, unless and until such LTIP units are earned based on performance, at which time they will receive the accrued and unpaid 90% and will commence receiving 100% of such distributions thereafter.

During the second quarter of 2024, we made grants of 27,473 LTIP units to an employee that are subject to performance-based vesting with a fair market value of \$ 0.3 million and 164,112 LTIP units to our non-employee directors that are subject to time-based vesting with fair market values of \$1.5 million.

Share-based compensation for time-based equity awards is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over the shorter of (i) the stated vesting period, which is generally three, four or five years, or (ii) the period from the date of grant to the date the employee becomes retirement eligible, which may occur upon grant. An employee is retirement eligible when the employee attains the (i) age of 65 for awards granted in 2020 and after and age of 60 for awards granted before 2020 and (ii) the date on which the employee has first completed the requisite years of continuous service with us or our affiliates. Share-based compensation for market-based equity awards and performance-based equity awards is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over three or four years. Additionally, for the performance-based equity awards, we assess, at each reporting period, whether it is probable that the performance conditions will be satisfied. We recognize expense respective to the number of awards we expect to vest at the conclusion of the measurement period. Changes in estimate are accounted for in the period of change through a cumulative catch-up adjustment. Any forfeitures of share-based compensation awards are recognized as they occur.

For the market-based LTIP units, the fair value of the awards was estimated using a Monte Carlo Simulation model and discounted for the restriction period during which the LTIP units cannot be redeemed or transferred and the uncertainty regarding if, and when, the book capital account of the LTIP units will equal that of the common units. Our stock price, along with the prices of the comparative indexes, is assumed to follow the Geometric Brownian Motion Process. Geometric Brownian Motion is a common assumption when modeling in financial markets, as it allows the modeled quantity (in this case the stock price) to vary randomly from its current value and take any value greater than zero. The volatilities of the returns on our stock price and the comparative indexes were estimated based on implied volatilities and historical volatilities using an appropriate look-back period. The expected growth rate of the stock prices over the performance period is determined with consideration of the risk-free rate as of the grant date. For LTIP unit awards that are time or performance based, the fair value of the awards was estimated based on the fair value of our stock at the grant date discounted for the restriction period during which the LTIP units cannot be redeemed or transferred and the uncertainty regarding if, and when, the book capital account of the LTIP units will equal that of the common units. For restricted stock awards, the fair value of the awards is based on the market price of our stock at the grant date.

LTIP units and restricted stock issued during the six months ended June 30, 2024 were valued at \$ 27.8 million. The weighted average per unit or share fair value was \$ 7.81 for grants issued for the six months ended June 30, 2024. The fair value per unit or share granted in 2024 was estimated on the respective dates of grant using the following assumptions: an expected life from 2.0 to 5.3 years, a dividend rate of 1.6%, a risk-free interest rate from 4.4% to 5.1%, and an expected price volatility from 37.0% to 48.0%. No other stock options, dividend equivalents, or stock appreciation rights were issued during the six months ended June 30, 2024.

The following is a summary of restricted stock and LTIP unit activity for the six months ended June 30, 2024:

	Restricted Stock	Time-based LTIPs	Market-based LTIPs	Performance-based LTIPs	Weighted Average Grant Fair Value
Unvested balance at December 31, 2023	598,289	3,297,550	2,738,812	1,276,363	\$ 6.60
Vested	(195,660)	(1,161,942)	(459,843)	—	7.45
Granted	259,927	1,485,369	1,010,132	808,874	7.81
Forfeited or unearned	(25,076)	—	(228,660)	—	7.21
Unvested balance at June 30, 2024	637,480	3,620,977	3,060,441	2,085,237	\$ 6.88

The time-based LTIPs and restricted stock awards are treated for accounting purposes as immediately vested upon the later of (i) the date the grantee attains the age of 60 or 65, as applicable, and (ii) the date on which grantee has first completed the requisite years of continuous service with our Company or its affiliates. For award agreements that qualify, we recognize noncash compensation expense on the grant date for the time-based awards and ratably over the vesting period for the market-based and performance-based awards, and accordingly, we recognized \$1.7 million and \$2.4 million for the three and six months ended June 30, 2024, respectively, and \$1.0 million and \$1.7 million for the three and six months ended June 30, 2023, respectively. Unrecognized compensation expense was \$14.9 million at June 30, 2024, which will be recognized over a weighted average period of 2.5 years.

For the remainder of the LTIP unit and restricted stock awards, we recognized noncash compensation expense ratably over the vesting period, and accordingly, we recognized noncash compensation expense of \$5.5 million and \$8.2 million for the three and six months ended June 30, 2024, respectively, and \$ 4.4 million and \$8.1 million for the three and six months ended June 30, 2023, respectively. Unrecognized compensation expense was \$27.9 million at June 30, 2024, which will be recognized over a weighted average period of 2.5 years.

Earnings Per Share

Earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of shares outstanding during the respective period. Unvested share-based payment awards that contain non-forfeitable rights to dividends, whether paid or unpaid, are accounted for as participating securities. Share-based payment awards are included in the calculation of diluted income using the treasury stock method if dilutive.

For the three and six months ended June 30, 2024 and 2023, earnings per share is computed as follows (amounts in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Numerator - Basic:				
Net income	\$ 28,555	\$ 36,955	\$ 38,770	\$ 48,649
Private perpetual preferred unit distributions	(1,051)	(1,051)	(2,101)	(2,101)
Net income attributable to non-controlling interests	(10,433)	(14,050)	(13,937)	(18,175)
Net income attributable to common stockholders – basic	<u>\$ 17,071</u>	<u>\$ 21,854</u>	<u>\$ 22,732</u>	<u>\$ 28,373</u>
Numerator - Diluted:				
Net income	\$ 28,555	\$ 36,955	\$ 38,770	\$ 48,649
Private perpetual preferred unit distributions	(1,051)	(1,051)	(2,101)	(2,101)
Net (income) loss attributable to non-controlling interests in other partnerships	—	(1)	(4)	42
Net income attributable to common stockholders – diluted	<u>\$ 27,504</u>	<u>\$ 35,903</u>	<u>\$ 36,665</u>	<u>\$ 46,590</u>
Denominator:				
Weighted average shares outstanding – basic	164,277	160,028	163,988	160,669
Operating partnership units	100,399	102,875	100,631	103,025
Effect of dilutive securities:				
Stock-based compensation plans	4,040	1,293	3,486	1,042
Weighted average shares outstanding – diluted	<u>268,716</u>	<u>264,196</u>	<u>268,105</u>	<u>264,736</u>
Earnings per share:				
Basic	\$ 0.10	\$ 0.14	\$ 0.14	\$ 0.18
Diluted	<u>\$ 0.10</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.18</u>

There were zero antidilutive shares and LTIP units for the three and six months ended June 30, 2024 and 2023, respectively.

11. Related Party Transactions

Supervisory Fee Revenue

Since we became a public company, we have earned supervisory fees from entities affiliated with Anthony E. Malkin, our Chairman and Chief Executive Officer. These fees were \$ 0.2 million and \$0.4 million for the three and six months ended June 30, 2024, respectively, and \$ 0.3 million and \$0.5 million for the three and six months ended June 30, 2023, respectively. These fees are included within third-party management and other fees.

Property Management Fee Revenue

Since we became a public company, we have earned property management fees from entities affiliated with Anthony E. Malkin. These fees were \$ 0.1 million and \$0.2 million for the three and six months ended June 30, 2024, respectively, and \$0.05 million and \$0.2 million for the three and six months ended June 30, 2023, respectively. These fees are included within third-party management and other fees.

Other

We receive rent generally at the market rental rate for 5,447 square feet of leased space from an entity affiliated with Anthony E. Malkin at one of our properties. Under the lease, the tenant has the right to cancel such lease without special payment on 90 days' notice. We also have a shared use agreement with such tenant, to occupy a portion of the leased premises as the office location for Peter L. Malkin, our chairman emeritus, utilizing approximately 15% of the space, for which we pay to such tenant an allocable pro rata share of the cost. We also have agreements with these entities and excluded properties and businesses to provide them with general computer-related support services. Total aggregate revenue was \$0.1 million and \$0.2 million for the three and six months ended June 30, 2024, respectively, and \$0.1 million and \$0.2 million for the three and six months ended June 30, 2023, respectively.

One of our directors, Hannah Yang, is sister to Heela Yang, who is Founder and Chief Executive Officer of Sol de Janerio USA, a tenant at One Grand Central Place — the lease is projected to commence on January 1, 2025 with a starting annualized rent of \$3.5 million. Sol de Janerio is a subsidiary of L'Occitane, a tenant at 111 W. 33rd Street.

12. Segment Reporting

We have identified two reportable segments: (1) real estate and (2) Observatory. Our real estate segment includes all activities related to the ownership, management, operation, acquisition, redevelopment, repositioning and disposition of our traditional real estate assets. Our Observatory segment operates the 86th and 102nd floor observatories at the Empire State Building. These two lines of businesses are managed separately because each business requires different support infrastructures, provides different services and has dissimilar economic characteristics such as investments needed, stream of revenues and marketing strategies. We account for intersegment sales and rents as if the sales or rents were to third parties, that is, at current market prices.

The following tables provide components of segment net income for each segment for the three and six months ended June 30, 2024 and 2023 (amounts in thousands):

Three Months Ended June 30, 2024

	Real Estate	Observatory	Intersegment Elimination	Total
Revenues:				
Rental revenue	\$ 152,470	\$ —	\$ —	\$ 152,470
Intercompany rental revenue	20,980	—	(20,980)	—
Observatory revenue	—	34,124	—	34,124
Third-party management and other fees	376	—	—	376
Other revenue and fees	2,573	—	—	2,573
Total revenues	176,399	34,124	(20,980)	189,543
Operating expenses:				
Property operating expenses	41,516	—	—	41,516
Intercompany rent expense	—	20,980	(20,980)	—
Ground rent expenses	2,332	—	—	2,332
General and administrative expenses	18,020	—	—	18,020
Observatory expenses	—	8,958	—	8,958
Real estate taxes	31,883	—	—	31,883
Depreciation and amortization	47,441	32	—	47,473
Total operating expenses	141,192	29,970	(20,980)	150,182
Total operating income	35,207	4,154	—	39,361
Other income (expense):				
Interest income	5,011	81	—	5,092
Interest expense	(25,323)	—	—	(25,323)
Interest expense associated with property in receivership	(628)	—	—	(628)
Loss on early extinguishment of debt	—	—	—	—
Gain on disposition of property	10,803	—	—	10,803
Income before income taxes	25,070	4,235	—	29,305
Income tax expense	(208)	(542)	—	(750)
Net income	\$ 24,862	\$ 3,693	\$ —	\$ 28,555
Segment assets	\$ 4,171,251	\$ 261,999	\$ —	\$ 4,433,250
Expenditures for segment assets	\$ 17,526	\$ 105	\$ —	\$ 17,631

	Three Months Ended June 30, 2023			
	Real Estate	Observatory	Intersegment Elimination	Total
Revenues:				
Rental revenue	\$ 154,603	\$ —	\$ —	\$ 154,603
Intercompany rental revenue	20,942	—	(20,942)	—
Observatory revenue	—	33,433	—	33,433
Third-party management and other fees	381	—	—	381
Other revenue and fees	2,125	—	—	2,125
Total revenues	178,051	33,433	(20,942)	190,542
Operating expenses:				
Property operating expenses	39,519	—	—	39,519
Intercompany rent expense	—	20,942	(20,942)	—
Ground rent expenses	2,332	—	—	2,332
General and administrative expenses	16,075	—	—	16,075
Observatory expenses	—	8,657	—	8,657
Real estate taxes	31,490	—	—	31,490
Depreciation and amortization	46,237	43	—	46,280
Total operating expenses	135,653	29,642	(20,942)	144,353
Total operating income	42,398	3,791	—	46,189
Other income (expense):				
Interest income	3,289	50	—	3,339
Interest expense	(25,405)	—	—	(25,405)
Gain on disposition of property	13,565	—	—	13,565
Income before income taxes	33,847	3,841	—	37,688
Income tax expense	(197)	(536)	—	(733)
Net income	\$ 33,650	\$ 3,305	\$ —	\$ 36,955
Segment assets	\$ 3,928,943	\$ 255,825	\$ —	\$ 4,184,768
Expenditures for segment assets	\$ 32,908	\$ —	\$ —	\$ 32,908

	Six Months Ended June 30, 2024			
	Real Estate	Observatory	Intersegment Elimination	Total
Revenues:				
Rental revenue	\$ 306,352	\$ —	\$ —	\$ 306,352
Intercompany rental revenue	37,047	—	(37,047)	—
Observatory revenue	—	58,720	—	58,720
Third-party management and other fees	641	—	—	641
Other revenue and fees	5,009	—	—	5,009
Total revenues	349,049	58,720	(37,047)	370,722
Operating expenses:				
Property operating expenses	86,576	—	—	86,576
Intercompany rent expense	—	37,047	(37,047)	—
Ground rent expenses	4,663	—	—	4,663
General and administrative expenses	33,992	—	—	33,992
Observatory expenses	—	17,389	—	17,389
Real estate taxes	64,124	—	—	64,124
Depreciation and amortization	93,485	69	—	93,554
Total operating expenses	282,840	54,505	(37,047)	300,298
Total operating income	66,209	4,215	—	70,424
Other income (expense):				
Interest income	9,151	119	—	9,270
Interest expense	(50,451)	—	—	(50,451)
Interest expense associated with property in receivership	(628)	—	—	(628)
Loss on early extinguishment of debt	(553)	—	—	(553)
Gain on disposition of property	10,803	—	—	10,803
Income before income taxes	34,531	4,334	—	38,865
Income tax (expense) benefit	(321)	226	—	(95)
Net income	\$ 34,210	\$ 4,560	\$ —	\$ 38,770
Expenditures for segment assets	\$ 37,632	\$ 144	\$ —	\$ 37,776

	Six Months Ended June 30, 2023			
	Real Estate	Observatory	Intersegment Elimination	Total
Revenues:				
Rental revenue	\$ 294,694	\$ —	\$ —	\$ 294,694
Intercompany rental revenue	36,856	—	(36,856)	—
Observatory revenue	—	55,587	—	55,587
Third-party management and other fees	808	—	—	808
Other revenue and fees	4,075	—	—	4,075
Total revenues	336,433	55,587	(36,856)	355,164
Operating expenses:				
Property operating expenses	81,563	—	—	81,563
Intercompany rent expense	—	36,856	(36,856)	—
Ground rent expenses	4,663	—	—	4,663
General and administrative expenses	31,783	—	—	31,783
Observatory expenses	—	16,512	—	16,512
Real estate taxes	63,278	—	—	63,278
Depreciation and amortization	93,601	87	—	93,688
Total operating expenses	274,888	53,455	(36,856)	291,487
Total operating income	61,545	2,132	—	63,677
Other income (expense):				
Interest income	5,847	87	—	5,934
Interest expense	(50,709)	—	—	(50,709)
Gain on disposition of property	29,261	—	—	29,261
Income before income taxes	45,944	2,219	—	48,163
Income tax (expense) benefit	(395)	881	—	486
Net income	\$ 45,549	\$ 3,100	\$ —	\$ 48,649
Expenditures for segment assets	\$ 35,576	\$ 58	\$ —	\$ 35,634

13. Subsequent Events

None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires or indicates, references in this section to "we," "our," and "us" refer to our Company and its consolidated subsidiaries. This Management's Discussion and Analysis provides a comparison of the Company's performance for its three and six month periods ended June 30, 2024 with the corresponding three and six month periods ended June 30, 2023 and reviews the Company's financial position as of June 30, 2024. The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the " **Securities Act**"), and Section 21E of the Securities Exchange Act of 1934, as amended (the " **Exchange Act**"). We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. You can identify forward-looking statements by the use of forward-looking terminology such as "aims," "anticipates," "approximately," "believes," "contemplates," "continues," "estimates," "expects," "forecasts," "hope," "intends," "may," "plans," "seeks," "should," "thinks," "will," "would" or the negative of these words and phrases or similar words or phrases. In particular, statements pertaining to our capital resources, portfolio performance, dividend policy and results of operations contain forward-looking statements. Likewise, all of 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 are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control, and you should not rely on them as predictions of future events. 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).

Many important factors could cause actual results, performance, achievements, and future events to differ materially from those set forth, implied, anticipated, expected, projected, assumed or contemplated in the forward-looking statements, including, among other things: (i) economic, market, political and social impact of, and uncertainty relating to, any catastrophic events, including pandemics, epidemics or other outbreaks of disease, climate-related risks such as natural disasters and extreme weather events, terrorism and other armed hostilities, as well as cybersecurity threats and technology disruptions; (ii) a failure of conditions or performance regarding any event or transaction described herein; (iii) resolution of legal proceedings involving the Company; (iv) reduced demand for office, multifamily or retail space, including as a result of the changes in the use of office space and remote work; (v) changes in our business strategy; (vi) a decline in Observatory visitors due to changes in domestic or international tourism, including due to health crises, geopolitical events, currency exchange rates, and/or competition from other observatories; (vii) defaults on, early terminations of, or non-renewal of, leases by tenants; (viii) increases in the Company's borrowing costs as a result of changes in interest rates and other factors; (ix) declining real estate valuations and impairment charges; (x) termination of our ground leases; (xi) limitations on our ability to pay down, refinance, restructure or extend our indebtedness or borrow additional funds; (xii) decreased rental rates or increased vacancy rates; (xiii) difficulties in executing capital projects or development projects successfully or on the anticipated timeline or budget; (xiv) difficulties in identifying and completing acquisitions; (xv) impact of changes in governmental regulations, tax laws and rates and similar matters; (xvi) our failure to qualify as a REIT; (xvii) incurrence of taxable capital gain on disposition of an asset due to failure of compliance with a 1031 exchange program; (xviii) our disclosure controls and internal control over financial reporting, including any material weakness; and (xix) failure to achieve sustainability metrics and goals, including as a result of tenant collaboration, and impact of governmental regulation on our sustainability efforts. For a further discussion of these and other factors that could impact the Company's future results, performance, or transactions, see the section entitled "Risk Factors" in the Company's Annual Report, and other risks described in documents subsequently filed by the Company from time to time with the SEC.

While forward-looking statements reflect the Company's good faith beliefs, they do not guarantee future performance. Any forward-looking statement speaks only as of the date on which it was made, and we assume no obligation to update or revise publicly any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events, or other changes after the date of this Quarterly Report on Form 10-Q, except as required by applicable law. Prospective investors should not place undue reliance on any forward-looking statements, which are based only on information currently available to the Company (or to third parties making the forward-looking statements).

Overview

Highlights for the three months ended June 30, 2024

- Net income attributable to common stockholders of \$17.1 million.

- Core Funds From Operations ("Core FFO") of \$65.7 million attributable to common stockholders and the operating partnership.
- Signed a total of 272,000 rentable square feet of new, renewal, and expansion leases.
- Announces agreements to acquire North 6th Street Williamsburg, Brooklyn retail.

Results of Operations

The discussion below relates to our results of operations for the three and six months ended June 30, 2024 and 2023, respectively.

Three Months Ended June 30, 2024 Compared to the Three Months Ended June 30, 2023

The following table summarizes our historical results of operations for the three months ended June 30, 2024 and 2023, respectively (amounts in thousands):

	Three Months Ended June 30,						Change	%		
	2024			2023						
	Real Estate Segment	Observatory Segment	Total	Real Estate Segment	Observatory Segment	Total				
Revenues:										
Rental revenue	\$ 152,470	\$ —	\$ 152,470	\$ 154,603	\$ —	\$ 154,603	\$ (2,133)	(1.4)%		
Observatory revenue	—	34,124	34,124	—	33,433	33,433	691	2.1%		
Third-party management and other fees	376	—	376	381	—	381	(5)	(1.3)%		
Other revenues and fees	2,573	—	2,573	2,125	—	2,125	448	21.1%		
Total revenues	155,419	34,124	189,543	157,109	33,433	190,542	(999)	(0.5)%		
Operating expenses:										
Property operating expenses	41,516	—	41,516	39,519	—	39,519	(1,997)	(5.1)%		
Ground rent expenses	2,332	—	2,332	2,332	—	2,332	—	—%		
General and administrative expenses	18,020	—	18,020	16,075	—	16,075	(1,945)	(12.1)%		
Observatory expenses	—	8,958	8,958	—	8,657	8,657	(301)	(3.5)%		
Real estate taxes	31,883	—	31,883	31,490	—	31,490	(393)	(1.2)%		
Depreciation and amortization	47,441	32	47,473	46,237	43	46,280	(1,193)	(2.6)%		
Total operating expenses	141,192	8,990	150,182	135,653	8,700	144,353	(5,829)	(4.0)%		
Operating income	14,227	25,134	39,361	21,456	24,733	46,189	(6,828)	(14.8)%		
Intercompany rent revenue (expense)	20,980	(20,980)	—	20,942	(20,942)	—	—	—%		
Other income (expense):										
Interest income	5,011	81	5,092	3,289	50	3,339	1,753	52.5%		
Interest expense	(25,323)	—	(25,323)	(25,405)	—	(25,405)	82	0.3%		
Interest expense associated with property in receivership	(628)	—	(628)	—	—	—	(628)	N/A		
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—%		
Gain on disposition of property	10,803	—	10,803	13,565	—	13,565	(2,762)	(20.4)%		
Income before income taxes	25,070	4,235	29,305	33,847	3,841	37,688	(8,383)	(22.2)%		
Income tax expense	(208)	(542)	(750)	(197)	(536)	(733)	(17)	(2.3)%		
Net income	24,862	3,693	28,555	33,650	3,305	36,955	(8,400)	(22.7)%		
Net income attributable to non-controlling interests:										
Non-controlling interests in the Operating Partnership	(10,433)	—	(10,433)	(14,049)	—	(14,049)	3,616	25.7%		
Non-controlling interests in other partnerships	—	—	—	(1)	—	(1)	1	100.0%		
Private perpetual preferred unit distributions	(1,051)	—	(1,051)	(1,051)	—	(1,051)	—	—%		
Net income attributable to common stockholders	\$ 13,378	\$ 3,693	\$ 17,071	\$ 18,549	\$ 3,305	\$ 21,854	\$ (4,783)	(21.9)%		

Real Estate Segment

Rental Revenue

The decrease in rental revenue was primarily attributable to our disposition of First Stamford Place in May 2024 which offset the increased revenues from our acquisition of Williamsburg Retail in September 2023.

Property Operating Expenses

The increase in property operating expenses was primarily due to higher utilities costs and higher payroll costs during the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

General and Administrative Expenses

The increase in general and administrative expenses primarily reflects higher payroll costs during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. This increase in payroll costs is partially attributable to an acceleration of share based compensation expense as certain executives approach their retirement eligibility date.

Interest Income

The increase in interest income in the three months ended June 30, 2024 reflects higher interest rates and cash balances compared to the three months ended June 30, 2023.

Gain on Sale/Disposition of Property

The gain on disposition activity for the three months ended June 30, 2024 relates to the disposition of First Stamford Place in Stamford, Connecticut in May 2024. The gain on disposition activity for the three months ended June 30, 2023 relates to the disposition of 500 Mamaroneck Avenue in Harrison, New York in April 2023.

Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

The following table summarizes our historical results of operations for the six months ended June 30, 2024 and 2023, respectively (amounts in thousands):

	Six Months Ended June 30,						Change	%		
	2024			2023						
	Real Estate Segment	Observatory Segment	Total	Real Estate Segment	Observatory Segment	Total				
Revenues:										
Rental revenue	\$ 306,352	\$ —	\$ 306,352	\$ 294,694	\$ —	\$ 294,694	\$ 11,658	4.0 %		
Observatory revenue	—	58,720	58,720	—	55,587	55,587	3,133	5.6 %		
Third-party management and other fees	641	—	641	808	—	808	(167)	(20.7)%		
Other revenues and fees	5,009	—	5,009	4,075	—	4,075	934	22.9 %		
Total revenues	312,002	58,720	370,722	299,577	55,587	355,164	15,558	4.4 %		
Operating expenses:										
Property operating expenses	86,576	—	86,576	81,563	—	81,563	(5,013)	(6.1)%		
Ground rent expenses	4,663	—	4,663	4,663	—	4,663	—	— %		
General and administrative expenses	33,992	—	33,992	31,783	—	31,783	(2,209)	(7.0)%		
Observatory expenses	—	17,389	17,389	—	16,512	16,512	(877)	(5.3)%		
Real estate taxes	64,124	—	64,124	63,278	—	63,278	(846)	(1.3)%		
Depreciation and amortization	93,485	69	93,554	93,601	87	93,688	134	0.1 %		
Total operating expenses	282,840	17,458	300,298	274,888	16,599	291,487	(8,811)	(3.0)%		
Operating income	29,162	41,262	70,424	24,689	38,988	63,677	6,747	10.6 %		
Intercompany rent revenue (expense)	37,047	(37,047)	—	36,856	(36,856)	—	—	— %		
Other income (expense):										
Interest income	9,151	119	9,270	5,847	87	5,934	3,336	56.2 %		
Interest expense	(50,451)	—	(50,451)	(50,709)	—	(50,709)	258	0.5 %		
Interest expense associated with property in receivership	(628)	—	(628)	—	—	—	(628)	N/A		
Loss on early extinguishment of debt	(553)	—	(553)	—	—	—	(553)	N/A		
Gain on disposition of property	10,803	—	10,803	29,261	—	29,261	(18,458)	(63.1)%		
Income before income taxes	34,531	4,334	38,865	45,944	2,219	48,163	(9,298)	(19.3)%		
Income tax (expense) benefit	(321)	226	(95)	(395)	881	486	(581)	(119.5)%		
Net income	34,210	4,560	38,770	45,549	3,100	48,649	(9,879)	(20.3)%		

Net (income) loss attributable to non-controlling interests:

Non-controlling interests in the Operating Partnership	(13,933)	—	(13,933)	(18,217)	—	(18,217)	4,284	23.5 %
Non-controlling interests in other partnerships	(4)	—	(4)	42	—	42	(46)	(109.5)%
Private perpetual preferred unit distributions	(2,101)	—	(2,101)	(2,101)	—	(2,101)	—	— %
Net income attributable to common stockholders	\$ 18,172	\$ 4,560	\$ 22,732	\$ 25,273	\$ 3,100	\$ 28,373	\$ (5,641)	(19.9)%

Real Estate Segment

Rental Revenue

The increase in rental revenue was primarily attributable to higher occupancy and higher operating and real estate tax expense escalations during the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

Property Operating Expenses

The increase in property operating expenses was primarily due to higher utilities costs, higher payroll costs and higher repair and maintenance costs during the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

General and Administrative Expenses

The increase in general and administrative expenses primarily reflects higher payroll costs during the six months ended June 30, 2024 compared to the six months ended June 30, 2023. This increase in payroll costs is partially attributable to an acceleration of share based compensation expense as certain executives approach their retirement eligibility date.

Interest Income

The increase in interest income in the six months ended June 30, 2024 reflects higher interest rates and cash balances compared to the six months ended June 30, 2023.

Gain on Sale/Disposition of Property

The gain on disposition activity for the six months ended June 30, 2024 relates to the disposition of First Stamford Place in Stamford, Connecticut in May 2024. The gain on disposition activity for the six months ended June 30, 2023 relates to the disposition of 500 Mamaroneck Avenue in Harrison, New York in April 2023 and 69-97 and 103-107 Main Street in Westport, Connecticut in February 2023.

Observatory Segment

Observatory Revenue

Observatory revenues were higher driven by increased visitation and revenue per visitor during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, including lease-up costs, fund our redevelopment and repositioning programs, acquire properties, make distributions to our securityholders and fulfill other general business needs. Based on the historical experience of our management and our business strategy, in the foreseeable future we anticipate we will generate positive cash flows from operations. In order to qualify as a REIT, we are required under the Internal Revenue Code of 1986 to distribute to our stockholders, on an annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. We expect to make quarterly distributions, as required, to our securityholders.

While we may be able to anticipate and plan for certain liquidity needs, there may be unexpected increases in uses of cash that are beyond our control and which would affect our financial condition and results of operations. For example, we may be required to comply with new laws or regulations that cause us to incur unanticipated capital expenditures for our properties, thereby increasing our liquidity needs. Even if there are no material changes to our anticipated liquidity requirements, our sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or needed. Our primary sources of liquidity will generally consist of cash on hand, cash generated from our operating activities, debt issuances and unused borrowing capacity under our unsecured revolving credit facility. We expect

to meet our short-term liquidity requirements, including distributions, operating expenses, working capital, debt service, and capital expenditures from cash flows from operations, cash on hand, debt issuances, and available borrowing capacity under our unsecured revolving credit facility. The availability of these borrowings is subject to the conditions set forth in the applicable loan agreements. We expect to meet our long-term capital requirements, including acquisitions, redevelopments and capital expenditures through our cash flows from operations, cash on hand, our unsecured revolving credit facility, mortgage financings, debt issuances, common and/or preferred equity issuances and asset sales. Our properties require periodic investments of capital for individual lease related tenant improvement allowances, general capital improvements and costs associated with capital expenditures. Our overall leverage will depend on our mix of investments and the cost of leverage. Our charter does not restrict the amount of leverage that we may use.

At June 30, 2024, we had \$535.5 million available in cash and cash equivalents, and \$500.0 million available under our unsecured revolving credit facility.

As of June 30, 2024, we had approximately \$2.3 billion of total consolidated indebtedness outstanding, with a weighted average interest rate of 4.27% and a weighted average maturity of 5.4 years.

Portfolio Transaction Activity

On February 1, 2023, we closed on the sale of 69-97 and 103-107 Main Street in Westport, Connecticut at a gross asset valuation of \$40.0 million.

On April 5, 2023, we closed on the sale of 500 Mamaroneck Avenue in Harrison, New York at a gross asset valuation of \$53.0 million.

On September 14, 2023, we closed on the acquisition of a Williamsburg retail property located on the corner of North 6th Street and Wythe Avenue in Brooklyn, New York, for a purchase price of \$26.4 million.

On March 28, 2024, we executed a buyout of our partner's 10% interest in two of our multifamily properties located at 561 10th Avenue and 345 East 94th Street in Manhattan for \$14.2 million in cash and the assumption of \$18.0 million of in-place debt and now own 100% of the ownership interests in these assets.

In July 2024, we entered into two purchase agreements, each relating to the acquisition of separate prime retail portfolios located on North 6th Street in the Williamsburg neighborhood of Brooklyn, New York, for \$103 million and \$92 million, respectively. These acquisitions are subject to customary closing conditions and are anticipated to close in the third quarter of 2024.

Unsecured Revolving Credit and Term Loan Facilities

In March 2024, we closed on the BofA Credit Facilities, a \$715 million, five-year unsecured credit agreement which consists of the \$620.0 million Revolving Credit Facility and the \$95.0 million BofA Term Loan Facility. The Revolving Credit Facility matures on March 8, 2029, inclusive of two six-month extension periods and replaced the existing revolving credit facility that was due to mature in March 2025. The BofA Term Loan Facility matures on March 8, 2029, inclusive of two twelve-month extension periods and replaced the existing term loan facility that matures in March 2025. Initial interest rates on the new facility, which may change based on our leverage levels, are adjusted SOFR plus 130 basis points for any drawn portion of the Revolving Credit Facility and adjusted SOFR plus 150 basis points for the BofA Term Loan Facility. In addition, the BofA Credit Facilities have a sustainability-linked pricing mechanism that reduces the borrowing spread if certain benchmarks are achieved each year. See "Financial Statements - Note 5 Debt" for a summary of our unsecured revolving credit and term loan facilities.

Financial Covenants

As of June 30, 2024, we were in compliance with the following financial covenants:

Financial Covenant	Required	June 30, 2024		In Compliance
Maximum total leverage	< 60%	32.7	%	Yes
Maximum secured leverage	< 40%	11.1	%	Yes
Minimum fixed charge coverage	> 1.50x	3.2x		Yes
Minimum unencumbered interest coverage	> 1.75x	5.6x		Yes
Maximum unsecured leverage	< 60%	26.2	%	Yes

Mortgage Debt

As of June 30, 2024, mortgage notes payable, net, amounted to \$700.3 million. After the refinancing discussed below, the next mortgage debt maturity is April 2026.

In April 2024, we worked with the First Stamford Place mortgage lender to structure a consensual foreclosure. In May 2024, the First Stamford Place property was placed in receivership and accordingly, we reclassified the related debt and applicable accrued interest to debt associated with property under receivership and accrued interest associated with property in receivership, respectively, in our condensed consolidated balance sheet as of June 30, 2024. In connection with this we recorded a contract asset which represents our right to debt extinguishment once the foreclosure process on the First Stamford Place property is completed.

Subsequent to quarter-end, in July 2024, we executed an agreement for the refinance of the mortgage for the Metro Center property that was due to mature in November 2024. Beginning November 2024, the new loan balance of \$71.6 million will be interest-only at the same interest rate of 3.59%, with a maturity of November 2029, inclusive of a one-year extension option.

See "Financial Statements - Note 5 Debt" for more information on mortgage debt.

Senior Unsecured Notes

On April 10, 2024, we entered into a Purchase Agreement pursuant to which we issued and sold an aggregate \$225 million principal amount of notes, consisting of (a) \$155 million aggregate principal amount of 7.20% Series I Green Guaranteed Senior Notes due June 17, 2029, (b) \$45 million aggregate principal amount of 7.32% Series J Green Guaranteed Senior Notes due June 17, 2031 and (c) \$25 million aggregate principal amount of 7.41% Series K Green Guaranteed Senior Notes due June 17, 2034. The sale of the Series I-K notes closed on June 17, 2024. The issue price for the notes was 100% of the aggregate principal amount thereof. Pursuant to the terms of the Purchase Agreement, we may prepay all or a portion of the notes upon notice to the holders at a price equal to 100% of the principal amount plus a make-whole premium as set forth in the Purchase Agreement.

The terms of our senior unsecured notes, including the Series I-K notes, include customary covenants, including limitations on liens, investment, distributions, debt, fundamental changes, and transactions with affiliates and require certain customary financial reports. The terms also require compliance with financial ratios including a maximum leverage ratio, a maximum secured leverage ratio, a minimum fixed charge coverage ratio, a minimum unencumbered interest coverage ratio, and a maximum unsecured leverage ratio. The agreements also contain customary events of default (subject in certain cases to specified cure periods), including but not limited to non-payment, breach of covenants, representations or warranties, cross defaults, bankruptcy or other insolvency events, judgments, ERISA events, the occurrence of certain change of control transactions and loss of REIT qualification. As of June 30, 2024, we were in compliance with these covenants.

See "Financial Statements - Note 5 Debt" for more information on senior unsecured notes.

Leverage Policies

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

Capital Expenditures

The following tables summarize our tenant improvement costs, leasing commission costs and our capital expenditures for each of the periods presented (dollars in thousands, except per square foot amounts).

Office Properties⁽¹⁾⁽²⁾

	Six Months Ended June 30,	
	2024	2023
Total New Leases, Expansions, and Renewals ⁽³⁾		
Number of leases signed ⁽⁴⁾	56	47
Total square feet	630,253	530,224
Leasing commission costs per square foot ⁽⁵⁾	\$ 19.12	\$ 18.50
Tenant improvement costs per square foot ⁽⁶⁾	66.14	72.10
Total leasing commissions and tenant improvement costs per square foot ⁽⁶⁾	<u><u>\$ 85.26</u></u>	<u><u>\$ 90.60</u></u>

Retail Properties⁽²⁾⁽⁶⁾

	Six Months Ended June 30,	
	2024	2023
Total New Leases, Expansions, and Renewals ⁽³⁾		
Number of leases signed ⁽⁴⁾	4	4
Total square feet	11,448	11,076
Leasing commission costs per square foot ⁽⁵⁾	\$ 74.33	\$ 25.95
Tenant improvement costs per square foot ⁽⁶⁾	18.16	26.07
Total leasing commissions and tenant improvement costs per square foot ⁽⁶⁾	<u><u>\$ 92.49</u></u>	<u><u>\$ 52.02</u></u>

(1) Excludes an aggregate of 486,943 and 497,786 rentable square feet of retail space in our Manhattan office in 2024 and 2023, respectively. Includes the Empire State Building broadcasting licenses and Observatory operations.

(2) The tables above exclude our multifamily properties.

(3) Beginning in 2024, the number of leases signed include "Early Renewals" which are leases signed over two years prior to the lease expiration. Amounts for number of leases signed, total square feet, leasing commission costs per square foot and tenant improvement costs per square foot have been adjusted to include the impact of early renewals for the six months ended June 30, 2023.

(4) Presents a renewed and expansion lease as one lease signed.

(5) Presents all tenant improvement and leasing commission costs as if they were incurred in the period in which the lease was signed, which may be different than the period in which they were actually paid.

(6) Includes an aggregate of 486,943 and 497,786 rentable square feet of retail space in our Manhattan office in 2024 and 2023, respectively. Excludes the Empire State Building broadcasting licenses and Observatory operations.

	Six Months Ended June 30,	
	2024	2023
Total Commercial Portfolio		
Capital expenditures ⁽¹⁾	\$ 37,775	\$ 25,987

(1) Includes all capital expenditures, excluding tenant improvements and leasing commission costs.

As of June 30, 2024, we expect to incur additional costs relating to obligations under existing lease agreements of approximately \$111.6 million for tenant improvements and leasing commissions. We intend to fund the tenant improvements and leasing commission costs through a combination of operating cash flow, cash on hand and other borrowings.

Capital expenditures are considered part of both our short-term and long-term liquidity requirements. We intend to fund capital improvements through a combination of operating cash flow, cash on hand and borrowings.

Off-Balance Sheet Arrangements

As of June 30, 2024, we did not have any off-balance sheet arrangements.

Distribution Policy

We intend to distribute our net taxable income to our securityholders in a manner intended to satisfy REIT distribution requirements and to avoid U.S. federal income tax liability.

Before we pay any distribution, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and obligations to make payments of principal and interest, if any. However, under some circumstances, we may be required to use cash reserves, incur debt or liquidate assets at rates or times that we regard as unfavorable or make a taxable distribution of our shares in order to satisfy REIT distribution requirements.

Distribution to Equity Holders

Distributions and dividends amounting to \$21.2 million and \$20.3 million have been made to equity holders for the six months ended June 30, 2024 and 2023, respectively.

Stock and Publicly Traded Operating Partnership Unit Repurchase Program

Our Board of Directors authorized the repurchase of up to \$500 million of our Class A common stock and the Operating Partnership's Series ES, Series 250 and Series 60 operating partnership units from January 1, 2024 through December 31, 2025. Under the program, we may purchase our Class A common stock and the Operating Partnership's Series ES, Series 250 and Series 60 operating partnership units in accordance with applicable securities laws from time to time in the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will be subject to stock price, availability, trading volume, general market conditions, and applicable securities laws. The authorization does not obligate us to acquire any particular amount of securities, and the program may be suspended or discontinued at our discretion without prior notice. As of June 30, 2024, we had \$500 million remaining of the authorized repurchase amount. There were no repurchases of equity securities during the three and six months ended June 30, 2024. See "Financial Statements - Note 10. Equity".

Cash Flows

Comparison of Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

Net cash. Cash and cash equivalents and restricted cash were \$576.5 million and \$395.8 million, respectively, as of June 30, 2024 and 2023. The increase was primarily the result of the following changes in cash flows:

Operating activities. Net cash provided by operating activities increased by \$2.1 million to \$108.1 million primarily due to an increase in revenue including decreases in rent concessions. These increases are partially offset by decreases in working capital, particularly a reduction in security deposits as more tenants replaced cash deposits with letters of credit in the current period, as well as the derecognition of First Stamford Place in May 2024.

Investing activities. Net cash used in investing activities increased by \$140.4 million to \$127.7 million primarily due to there being no proceeds from the disposition of property in the current period and the acquisition of non-controlling interests in other partnerships in March 2024, as well as a \$12.9 million reduction of cash associated with the derecognition of First Stamford Place in May 2024 (see "Financial Statements - Note 3. Acquisitions and Dispositions").

Financing activities. Net cash provided by financing activities increased by \$226.7 million to \$189.2 million primarily due to proceeds from a private placement of senior unsecured notes in the current period.

Net Operating Income

Net operating income ("NOI") is a non-GAAP financial measure of performance. NOI is used by our management to evaluate and compare the performance of our properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by: (i) the cost of funds of the property owner, (ii) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP, (iii) acquisition expenses, loss on early extinguishment of debt, impairment charges and loss from derivative financial instruments, or (iv) general and administrative expenses and other gains and losses that are specific to the property owner. The cost of funds is eliminated from NOI because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our office or retail properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly-timed purchases or sales. We believe that eliminating these costs from net income is useful to investors because the resulting measure captures the actual revenue generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

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

NOI is a measure of the operating performance of our properties but does not measure our performance as a whole. NOI is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income

computed in accordance with GAAP and discussions elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding the components of net income that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly titled measures and, accordingly, our NOI may not be comparable to similarly titled measures reported by other companies that do not define the measure exactly as we do.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited)		(unaudited)	
Net income	\$ 28,555	\$ 36,955	\$ 38,770	\$ 48,649
Add:				
General and administrative expenses	18,020	16,075	33,992	31,783
Depreciation and amortization	47,473	46,280	93,554	93,688
Interest expense	25,323	25,405	50,451	50,709
Interest expense associated with property in receivership	628	—	628	—
Loss on early extinguishment of debt	—	—	553	—
Income tax expense (benefit)	750	733	95	(486)
Less:				
Gain on sale/disposition of property	(10,803)	(13,565)	(10,803)	(29,261)
Third-party management and other fees	(376)	(381)	(641)	(808)
Interest income	(5,092)	(3,339)	(9,270)	(5,934)
Net operating income	\$ 104,478	\$ 108,163	\$ 197,329	\$ 188,340
Other Net Operating Income Data				
Straight-line rental revenue	\$ 1,900	\$ 11,859	\$ 4,961	\$ 12,415
Net increase in rental revenue from the amortization of above-and below-market lease assets and liabilities	\$ 513	\$ 675	\$ 1,027	\$ 1,378
Amortization of acquired below-market ground leases	\$ 1,958	\$ 1,958	\$ 3,916	\$ 3,916
Funds from Operations ("FFO")				

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

Modified Funds From Operations ("Modified FFO")

Modified FFO adds back an adjustment for any above or below-market ground lease amortization to traditionally defined FFO. We believe this is a useful supplemental measure in evaluating our operating performance due to the non-cash accounting treatment under GAAP, which stems from the third quarter 2014 acquisition of two option properties following our formation transactions as they carry significantly below market ground leases, the amortization of which is material to our overall results. We present Modified FFO because we believe it is an important supplemental measure of our operating performance in that it adds back the non-cash amortization of below-market ground leases. There can be no assurance that Modified FFO presented by us is comparable to similarly titled measures of other REITs. Modified FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income (loss) determined in accordance with GAAP or to cash flow from operating activities determined in accordance with GAAP. Modified FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions.

Core Funds From Operations

Core FFO adds back to Modified FFO the following items: Interest expense associated with property in receivership and loss on early extinguishment of debt. The Company believes Core FFO is an important supplemental measure of its operating performance because it excludes non-recurring items. There can be no assurance that Core FFO presented by the Company is comparable to similarly titled measures of other REITs. Core FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income (loss) determined in accordance with GAAP or to cash flow from operating activities determined in accordance with GAAP. Core FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. In future periods, we may also exclude other items from Core FFO that we believe may help investors compare our results.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited)		(unaudited)	
Net income	\$ 28,555	\$ 36,955	\$ 38,770	\$ 48,649
Non-controlling interests in other partnerships	—	(1)	(4)	42
Private perpetual preferred unit distributions	(1,051)	(1,051)	(2,101)	(2,101)
Real estate depreciation and amortization	46,398	44,887	91,255	90,911
Gain on disposition of property	(10,803)	(13,565)	(10,803)	(29,261)
FFO attributable to common stockholders and the Operating Partnership	63,099	67,225	117,117	108,240
Amortization of below-market ground leases	1,958	1,958	3,916	3,916
Modified FFO attributable to common stockholders and the Operating Partnership	65,057	69,183	121,033	112,156
Interest expense associated with property in receivership	628	—	628	—
Loss on early extinguishment of debt	—	—	553	—
Core FFO attributable to common stockholders and the Operating Partnership	\$ 65,685	\$ 69,183	\$ 122,214	\$ 112,156
Weighted average shares and Operating Partnership Units				
Basic	264,676	262,903	264,619	263,694
Diluted	268,716	264,196	268,105	264,736

Factors That May Influence Future Results of Operations

Leasing

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

As of June 30, 2024, there were approximately 0.6 million rentable square feet of space in our portfolio available to lease (excluding leases signed but not yet commenced) representing 7.4% of the net rentable square footage of the properties in our commercial portfolio. In

addition, leases representing 3.9% and 6.5% of net rentable square footage of the properties in our commercial portfolio will expire in 2024 and in 2025, respectively. These leases are expected to represent approximately 3.5% and 7.5%, respectively, of our annualized rent for such periods. Our revenues and results of operations can be impacted by expiring leases that are not renewed or re-leased or that are renewed or re-leased at base rental rates equal to, above or below the current average base rental rates. Further, our revenues and results of operations can also be affected by downtime after space is vacated and the costs we incur to re-lease available space, including payment of leasing commissions, redevelopments and build-to-suit remodeling that may not be borne by the tenant.

Observatory Operations

For the six months ended June 30, 2024, the Observatory hosted 1,133,000 visitors, compared to 1,108,000 visitors for the six months ended June 30, 2023, an increase of 2%. Observatory revenue for the six months ended June 30, 2024 was \$58.7 million, a 6% increase from \$55.6 million for the six months ended June 30, 2023. The Observatory revenue increase was driven by higher visitation levels and ticket prices in 2024.

Observatory revenues and admissions are dependent upon the following: (i) the number of tourists (domestic and international) who come to New York City and visit the Observatory, as well as any related tourism trends; (ii) the prices per admission that can be charged; (iii) seasonal trends affecting the number of visitors to the Observatory; (iv) competition, in particular from other new and existing observatories; and (v) weather trends.

Outlook

Year to date in 2024, ESRT has benefited from solid leasing activity and Observatory performance.

We believe the global economy, including the real estate sector, currently navigates an environment of uncertainty around inflation, higher interest rates, reduced availability of commercial real estate loans, questions on the direction of capital markets, risk of recession and geopolitical unrest. In particular, there have been concerns about the softening of the office real estate market in particular, amidst refinancing challenges of existing low interest rate loans and associated reduced new loan availability and increased costs of loans and related increased expectations of equity returns, coupled with the gradual pace of return-to-office and its impact on the physical utilization of space and asset valuations. Additionally, the risk of a global economic recession could impact the number of visitors to the Empire State Building Observatory, as well as our pricing power.

Despite this global economic backdrop, we believe that ESRT is in a good competitive position with diversified drivers of income across office, retail, multifamily and the Empire State Building Observatory. ESRT's New York City-focused portfolio is modernized, amenitized, well-located and energy efficient, with indoor environmental quality, competitive rental rates and strong leased percentages. We believe our business is further fortified by the continued performance of our Observatory attraction.

In addition to our diversified portfolio, our business is supported by a well-positioned balance sheet, modest leverage and good access to liquidity as set forth herein. The absence of near term debt maturities provides an added degree of security in a rising rate environment. This provides us optionality to execute on capital recycling, acquisitions, and buybacks. As we navigate these uncertain times, we remain prepared for various challenges and situations.

Critical Accounting Estimates

Refer to our Annual Report for a discussion of our critical accounting estimates. There were no material changes to our critical accounting estimates disclosed in our Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. We are exposed to interest rate changes primarily on our unsecured revolving credit facility and debt refinancings. In order to mitigate our interest rate risk, we may borrow at fixed rates or may enter into derivative financial instruments such as interest rate swaps or caps on floating rate financial instruments. We are not subject to foreign currency risk and we do not enter into derivative or interest rate transactions for speculative purposes.

As of June 30, 2024, we have interest rate SOFR swap and cap agreements with an aggregate notional value of \$585.8 million and which mature between October 1, 2024 and November 1, 2033. The "variable to fixed" interest rate swaps have been designated as cash flow hedges and are deemed highly effective with fair values in an asset position of \$16.2 million and are included in prepaid expenses and other assets on the condensed consolidated balance sheet as of June 30, 2024.

As of June 30, 2024, the weighted average interest rate on the \$2.3 billion of fixed-rate indebtedness outstanding was 4.27% per annum, with maturities at various dates through March 17, 2035.

As of June 30, 2024, the fair value of our outstanding debt was approximately \$2.1 billion, which was approximately \$179.9 million less than the book value as of such date. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Subsequent to the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures at the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and our Chief Financial Officer concluded, as of that time, that our disclosure controls were not effective at a reasonable level of assurance as of June 30, 2024 because of a material weakness identified in the design of certain ITGCs.

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As previously reported in our Form 10-K/A for the year ended December 31, 2023 and our Form 10-Q/A for the fiscal quarter ended March 31, 2024, each filed on the date hereof, subsequent to the end of the period covered by this report, we identified a material weakness in the design of information technology ("IT") general controls ("ITGCs") related to IT systems and applications relevant to preparation of our financial statements. In particular, the Company's ITGCs included: (i) controls to approve and monitor changes within information systems and related applications, but the monitoring controls were not designed to ensure a complete population of changes were subject to the control procedures across all relevant IT components and (ii) the controls to approve and monitor user access to information systems and related applications, but the monitoring controls were not designed to review the appropriateness of permissions granted to approved users. As a result, business process controls (automated and manual) that are dependent on the ineffective ITGCs, or that rely on data produced from systems impacted by the ineffective ITGCs, were also deemed ineffective.

Despite the finding of the material weakness, management has concluded that our condensed consolidated financial statements and related notes thereto included herein fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented.

Remediation of the Material Weakness in Internal Control Over Financial Reporting

The Company is in the process of implementing changes associated with the design, implementation and monitoring of ITGCs in the areas of logical access and change management for IT applications that support the Company's financial statement preparation and reporting processes to ensure that internal controls are designed and operating effectively. Our remediation plans will include:

- Enhancing the current change monitoring control to use an appropriate system source to help ensure a complete population of changes are reviewed to detect if any changes were made outside the Company's established change control process across all relevant IT components.
- Adding controls to manage the appropriate assignment and maintenance of permission configurations within access groups and the users they are assigned to.
- Increasing the frequency of periodic re-evaluation of user access privileges.
- Training of relevant personnel on the design and operation of our ITGCs over financial reporting.

We believe that these actions, collectively, will remediate the material weakness identified. However, we will not be able to conclude that we have completely remediated the material weakness until the applicable controls are fully implemented and operated for a sufficient period of time and management has concluded, through formal testing, that the remediated controls are operating effectively. We will continue to monitor the design and effectiveness of these and other processes, procedures, and controls and will make any further changes management deems appropriate.

Changes in Internal Control Over Financial Reporting

Except for the unremediated material weaknesses noted above, there were no changes to our internal control over financial reporting that were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See "Financial Statements – Note 9 Commitments and Contingencies" for a description of legal proceedings.

ITEM 1A. RISK FACTORS

As of June 30, 2024, there have been no material changes to the risk factors, except as set forth below. See the section entitled "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023 and any additional factors that may be contained in any filing we make with the SEC.

We have identified a material weakness in our internal control over financial reporting related to information technology general controls. Failure to maintain effective internal control over financial reporting could result in loss of investor confidence and adversely impact our stock price.

We are required under Section 404 of the Sarbanes-Oxley Act to maintain internal control over financial reporting that meets applicable standards. We identified a material weakness in our internal control over financial reporting for the periods ended December 31, 2023 and 2022 related to the design of certain of our ITGCs for information systems and applications used in the preparation of our financial statements. See Part I, ITEM 4, "Controls and Procedures — Material Weakness in Internal Control Over Financial Reporting" for more information. We may not be successful in implementing our remediation efforts or in developing other internal controls. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to record, process or report financial information accurately and to prepare financial statements in a

timely manner, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Recent Purchases of Equity Securities

Stock and Publicly Traded Operating Partnership Unit Repurchase Program

Our Board of Directors authorized the repurchase of up to \$500 million of our Class A common stock and the Operating Partnership's Series ES, Series 250 and Series 60 operating partnership units from January 1, 2024 through December 31, 2025. Under the program, we may purchase our Class A common stock and the Operating Partnership's Series ES, Series 250 and Series 60 operating partnership units in accordance with applicable securities laws from time to time in the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will be subject to stock price, availability, trading volume, general market conditions, and applicable securities laws. The authorization does not obligate us to acquire any particular amount of securities, and the program may be suspended or discontinued at our discretion without prior notice. As of June 30, 2024, we had \$500.0 million remaining of the authorized repurchase amount. There were no repurchases of equity securities during the three months ended June 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

(c) During the three months ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
10.1	Empire State Realty Trust, Inc. Empire State Realty OP, L.P. 2024 Equity Incentive Plan, incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement filed with the SEC on March 28, 2024.
10.2	Form of Restricted Stock Agreement (Time-Based), incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 (Registration No. 333-279259), filed with the SEC on May 9, 2024.
10.3	Form of LTIP Agreement (Director, Time-Based), incorporated by reference to Exhibit 99.2 to the Registration Statement on Form S-8 (Registration No. 333-279259), filed with the SEC on May 9, 2024.
10.4	Form of LTIP Agreement (Executive Officer or Director, Immediate Vest), incorporated by reference to Exhibit 99.3 to the Registration Statement on Form S-8 (Registration No. 333-279259), filed with the SEC on May 9, 2024.
10.5	Form of LTIP Agreement (Executive Officer, Performance-Based) , incorporated by reference to Exhibit 99.4 to the Registration Statement on Form S-8 (Registration No. 333-279259), filed with the SEC on May 9, 2024.
10.6	Form of LTIP Agreement (Executive Officer, Time-Based), incorporated by reference to Exhibit 99.5 to the Registration Statement on Form S-8 (Registration No. 333-279259), filed with the SEC on May 9, 2024.
10.7	Amended and Restated Employment Agreement between Empire State Realty Trust, Inc. and Anthony E. Malkin, dated September 20, 2024, incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on September 23, 2024.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Document
101.DEF*	XBRL Taxonomy Extension Definitions Document
101.LAB*	XBRL Taxonomy Extension Labels Document
101.PRE*	XBRL Taxonomy Extension Presentation Document
104	Cover Page Interactive Data File (contained in Exhibit 101)

Notes:

* Filed herewith.

SIGNATURES

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

EMPIRE STATE REALTY TRUST, INC.

Date: October 8, 2024

By: /s/ Stephen V. Horn
Stephen V. Horn
*Executive Vice President, Chief Financial Officer
& Chief Accounting Officer
(Principal Financial and Accounting Officer)*

EXHIBIT 31.1

Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Anthony E. Malkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Empire State Realty Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:

/s/ Anthony E. Malkin

Date: October 8, 2024

Anthony E. Malkin
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen V. Horn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Empire State Realty Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:

/s/ Stephen V. Horn

Date: October 8, 2024

Stephen V. Horn
Executive Vice President, Chief Financial Officer
& Chief Accounting Officer

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Empire State Realty Trust, Inc. (the "Company"), hereby certifies, to his knowledge that the Quarterly Report on Form 10-Q for the period ended June 30, 2024 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:

/s/ Anthony E. Malkin

Date: October 8, 2024

Anthony E. Malkin
Chairman and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, the undersigned, Executive Vice President, Chief Financial Officer & Chief Accounting Officer of Empire State Realty Trust, Inc. (the "Company"), hereby certifies, to his knowledge that the Quarterly Report on Form 10-Q for the period ended June 30, 2024 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Stephen V. Horn

Date: October 8, 2024

Stephen V. Horn
Executive Vice President, Chief Financial Officer
& Chief Accounting Officer