

A Rich And Vibrant History

An Interview with Anthony E. Malkin, Chairman and Chief Executive Officer, Empire State Realty Trust

EDITORS' NOTE Anthony Malkin is Chairman and Chief Executive Officer of Empire State Realty Trust. He joined its predecessor entities in 1989. Malkin has been a leader in existing building energy efficiency retrofits through coordinating the team of Clinton Climate Initiative, Johnson Controls, JLL, and Rocky Mountain Institute in a groundbreaking project at the Empire State Building. He led the development of standards for energy efficient office tenant installations which is now known as the Tenant Energy Optimization Program at the Urban Land Institute. Malkin is a board member of API Group, the Real Estate Roundtable and Chair of its Sustainability Policy Advisory Committee, a member of the Climate Mobilization Advisory Board of the New York City Department of Buildings, a member of the Urban Land Institute, a member of the Board of Governors of the Real Estate Board of New York, and a member of the Partnership for New York City's Innovation Council. Malkin received a bachelor's degree cum laude from Harvard College.



Anthony E. Malkin

FIRM BRIEF Empire State Realty Trust (ESRT) is a New York City-focused REIT that owns and manages a well-positioned property portfolio of office, retail, and multifamily assets in Manhattan and the greater New York metropolitan area. Owner of the Empire State Building—the “World’s Most Famous Building”—ESRT (esrtreit.com) also owns and operates its iconic, newly reimagined Observatory Experience. Empire State Realty Trust’s fully modernized, energy-efficient spaces provide exceptional value to its current and prospective tenants and residents, and serve as a competitive advantage for the firm. As the leader in sustainability and energy efficiency with a focus on ROI-driven investment, ESRT’s commitment to indoor environment quality is unmatched.

Will you highlight the history of Empire State Realty Trust and what have been the keys to its strength and leadership in the industry?

Our rich and vibrant history is deeply rooted in New York City. We trace our heritage back through predecessor Malkin Holdings, whose leadership in real estate goes back to

second mortgages made by my great-great grandfather on residential buildings during the early 1900s. The resilience of these investments during the Depression prompted my grandfather, Lawrence A. Wien, to create real estate syndication, a method by which small investors could pool together to have the same flow-through, single level taxation enjoyed by wealthy individuals, in 1934. ESRT was formed out of a consolidation of New York City centric office and retail properties which had syndicated ownerships

created by my grandfather, my father Peter L. Malkin, and me. With a consolidated balance sheet and modern, public company governance afforded by our NYSE listing in 2013, we completely modernized, amenitized, and made energy efficient our portfolio and have been beneficiaries of the flight-to-quality movement of tenants to landlords with strong balance sheets and a reputation for service. It all started with a silk manufacturer’s second mortgage investments more than 100 years ago.

ESRT upholds its reputation in the delivery of unparalleled service, exceptional experience, sustainability leadership, and financial stability for its tenants, visitors, and shareholders. We have recycled our balance sheet to focus more on New York City, expanded our retail holdings, and added residential properties to our portfolio.

How do you define Empire State Realty Trust’s culture and values?

Our guiding principles focus on integrity, excellence, a deep commitment to exceptional experiences for our colleagues and those we serve, teamwork, knowledge sharing, service, and a value of the pursuit of the right answer over an individual’s desire to be right. We commit to innovation, sustainability, and community engagement every day, and deliver a positive impact to our employees, tenants, guests, investors, and our community. Our employees are encouraged to volunteer and engage with community service as we strive to foster a culture of diversity, inclusion, and empowerment within our organization.



102nd Floor Observatory at the Empire State Building



Will you provide an overview of Empire State Realty Trust's portfolio?

Empire State Realty Trust is a New York City-focused REIT that owns and operates a portfolio of modernized, amenitized, and well-located office, retail, and multifamily assets. Our portfolio is comprised of approximately 7.9 million rentable square feet of office space, 0.8 million rentable square feet of retail space owned and under contract, and 727 residential units primarily located in Manhattan. We have had 10 consecutive quarters of positive

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Manhattan office building leased rate growth – as of June 30, 2024, our office portfolio is 93.3 percent leased, our retail portfolio is 93.5 percent leased, and our multifamily portfolio is 97.9 percent occupied, and we have had 12 consecutive quarters of positive new Manhattan office rent growth over expired leases.

ESRT's flagship Empire State Building, the “World's Most Famous Building,” features its iconic Observatory that was declared the #1 Attraction in the U.S. for the third consecutive year and the #1 Attraction in the World in Tripadvisor's 2024 Travelers' Choice Awards: Best of the Best Things to Do. The \$165 million reimagining of the Empire State Building Observatory Experience created an all-new experience with a dedicated guest entrance, an interactive museum with nine galleries, and a redesigned 102nd Floor Observatory with floor-to-ceiling windows in addition to the iconic, outdoor 86th Floor Observatory.

Where do you see the greatest opportunities for growth for Empire State Realty Trust?

At ESRT, we are laser-focused on our priorities to lease space, sell tickets to the

Observatory, manage the balance sheet, achieve our sustainability goals, and intelligently grow our company during this period of credit excess created disruption. These actions together will drive growth and enhance shareholder value. ESRT is the pure play NYC REIT, and we have four diverse ways to play it: an office portfolio that is the top of our tier and targets the deepest market segment, our #1 ranked Observatory that continues to perform, and our growing everyday street retail and multifamily platforms. Since 2022, the company has been active in capital recycling and has disposed of five non-core assets in Westchester and Connecticut and recycled into nearly \$650 million of high-quality New York City multifamily and retail assets that have great growth prospects and less capital expenditure requirements. As a result of this capital recycling, we have improved our sector diversification.

We have a future-ready portfolio and an opportunity-ready balance sheet. We take advantage of opportunities created through market disruptions and capital dislocation. We are confident in the company's ability to execute on our goals and drive further growth in 2024.



Entrance to Empire State Realty Trust offices at 111 West 33rd Street (above); exterior of the Empire State Building (left)



Exterior of One Grand Central Place

Will you highlight Empire State Realty Trust's focus and commitment to sustainability?

Empire State Realty Trust is a global leader in energy efficiency, sustainability, indoor environmental quality, and healthy buildings. This work began close to two decades ago with the deep energy retrofit of the Empire State Building that was ahead of its time in its showcase of the importance and business case for decarbonization of existing buildings. Our sustainability strategy is grounded in science-based initiatives aimed to reduce the environmental impact of our buildings and the businesses and residents within them. We prioritize accountability, financial performance, and the well-being of our employees, tenants, and the communities where we operate. These efforts not only enhance the competitive position of our properties in the marketplace, but also protect and increase stakeholder value.

Since January 2022, Empire State Realty Trust has maintained carbon neutrality through a combination of operational emissions reduction and offsets. We are committed to achieve Net Zero emissions by 2030 at the Empire State Building, and by 2035 for 100 percent of our commercial and multifamily portfolio. We collaborated with NYSERDA and the Clinton Global Initiative to create the "Empire Building Playbook," a comprehensive guide to low carbon retrofits that enables landlords, tenants, and service providers to target Net Zero emissions with measurable payback. We have reduced emissions by 57 percent at the Empire State Building since 2007 and by 47 percent across our commercial portfolio since 2009. These achievements reflect our dedication to sustainability and our ongoing efforts to lead the way and create a healthier, more sustainable built environment. We were ranked number one of all

listed companies in the Americas for GRESB and were the first commercial portfolio to receive the WELL Health-Safety Rating in the Americas.

What are your views on the future of work and the importance for employees to be in an office to build culture and collaborate?

As Samuel Clemens once wrote, "the report of my death was an exaggeration." The same can be said of the many articles and opinions which stated that in-office work was over. This has been proven to not be true, as evidenced by our office lease activity and occupancy rates. Our leasing trends are an indicator of tenants' demand for office space – we leased over 641,000 square feet of commercial space in the first half of 2024, we have had 10 consecutive quarters of positive leased rate absorption, and our leased rate has increased by 690 bps since 4Q21.

People who show up do better over time than people who do not – it is that simple. There is no substitute for face-to-face conversation, employee development, a creative process possible by immediacy and unscheduled interaction, and the sense of belonging and inclusion that is crucial to build a cohesive team and a positive work environment. Many employers have shifted from indecision about work from home and hybrid work and have decided that employees need and deserve a dedicated desk. The office continues to serve as an unmatched hub for creativity, innovation, socialization, and teamwork that fosters connections and drives engagement and productivity for their employees.

What do you feel are the keys to effective leadership and how do you approach your management style?

Remember you are mortal and better ideas than yours crop up every day. My grandfather once said that very little new is created; the trick is to work with smart people who put knowledge broadly shared into new combinations to create a new approach, a new outcome. I have had my time of sole leadership and transitioned to team with special emphasis to move away from command and control and towards delegated authority with accountability. That said, someone has to take responsibility for a team, and I do that for all of ESRT's activities. Also, someone has to control the deployment of the balance sheet, and I take that responsibility – sometimes ultimately, and sometimes absolutely.

What advice do you offer to young people interested in building a career in the real estate industry?

Show up, learn, and find yourself a place where your creativity can be matched with an environment that offers logical wisdom derived guardrails so you can avoid "own goals" in the great competition of life. Remember that success is at the root of succession – be a part of succession, and as you grow more powerful never miss the opportunity to learn and benefit from those around and under you. "Once in a while you can get shown the light in the strangest of places if you look at it right" – thank you Robert Hunter. ●