

Edgar Filing: Empire State Realty Trust, Inc. - Form 10-Q

Empire State Realty Trust, Inc.
Form 10-Q
May 07, 2014

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 March 31, 2014

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)

One Grand Central Place

60 East 42nd Street

New York, New York 10165

(Address of principal executive offices) (Zip Code)

(212) 687-8700

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, par value \$0.01 per share

94,495,247

Class B Common Stock, par value \$0.01 per share

1,122,130

(Class)

(Outstanding on May 5, 2014)

| | | |
|---------------------------------|---|------|
| EMPIRE STATE REALTY TRUST, INC. | | |
| FORM 10-Q | | |
| TABLE OF CONTENTS | | PAGE |
| PART 1. | FINANCIAL INFORMATION | |
| ITEM 1. | FINANCIAL STATEMENTS | |
| | Condensed Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013 (unaudited) | 4 |
| | Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013 (unaudited) | 5 |
| | Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2014 (unaudited) | 6 |
| | Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013 (unaudited) | 7 |
| | Notes to Condensed Consolidated Financial Statements (unaudited) | 9 |
| ITEM 2. | MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 33 |
| ITEM 3. | QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK | 54 |
| ITEM 4. | CONTROLS AND PROCEDURES | 54 |
| PART II. | OTHER INFORMATION | 55 |
| ITEM 1. | LEGAL PROCEEDINGS | 55 |
| ITEM 1A. | RISK FACTORS | 55 |
| ITEM 2. | UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS | 55 |
| ITEM 3. | DEFAULTS UPON SENIOR SECURITIES | 55 |
| ITEM 4. | MINE SAFETY DISCLOSURES | 55 |
| ITEM 5. | OTHER INFORMATION | 55 |
| ITEM 6. | EXHIBITS | 55 |
| | SIGNATURES | 56 |

DEFINITIONS

"annualized rent" represents annualized base rent and current reimbursement for operating expenses and real estate taxes;

"formation transactions" mean a series of transactions pursuant to which we acquired, substantially currently with the completion of the Offering on October 7, 2013 through a series of contributions and merger transactions, our portfolio of real estate assets that were held by the existing entities, the ownership interests in the certain management entities of our predecessor and one development parcel;

"fully diluted basis" means all outstanding shares of our Class A common stock at such time plus shares of Class A common stock that may be issuable upon the exchange of operating partnership units on a one-for-one basis and shares of Class A common stock issuable upon the conversion of Class B common stock on a one-for-one basis, which is not the same as the meaning of "fully diluted" under generally accepted accounting principles in the United States of America, or "GAAP";

"enterprise value" means all outstanding shares of our Class A common stock at such time plus shares of Class A common stock that may be issuable upon the exchange of operating partnership units on a one-for-one basis and shares of Class A common stock issuable upon the conversion of Class B common stock on a one-for-one basis multiplied by the Class A common share price at March 31, 2014 plus consolidated debt at March 31, 2014;

"greater New York metropolitan area" means Fairfield County, Connecticut and Westchester County, New York;

"Malkin Group" means all of the following, as a group: Anthony E. Malkin, Peter L. Malkin and each of their spouses and lineal descendants (including spouses of such descendants), any estates of any of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin or any permitted successor in such entity for the benefit of any of the foregoing; provided, however that solely with respect to tax protection rights and parties who entered into the contribution agreements with respect to the formation transactions, the Malkin Group shall also include the lineal descendants of Lawrence A. Wien and his spouse (including spouses of such descendants), any estates of the foregoing, any trusts now or hereafter established for the benefit of any of the foregoing, or any corporation, partnership, limited liability company or other legal entity controlled by Anthony E. Malkin for the benefit of the foregoing;

"Offering" means the initial public offering of our Class A common stock;

"option properties" mean our right to acquire long-term leasehold and/or sub-leasehold interests in 1400 Broadway and/or 112 West 34th Street (including fee title interest in a small connected structure at 122 West 34th Street);

"our company," "we," "us" and "our" refer to Empire State Realty Trust, Inc., a Maryland real estate investment trust, together with its consolidated subsidiaries, including Empire State Realty OP, L.P., a Delaware limited partnership, which we refer to as "our operating partnership";

"our predecessor" means a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which were owned by certain entities that Anthony E. Malkin and Peter L. Malkin, as sponsors, owned interests in and controlled, which we collectively refer to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities which we collectively refer to as the "non-controlled entities," and are presented as uncombined entities in our consolidated financial statements. Specifically, the term "our predecessor"

means (i) Malkin Holdings LLC, a New York

2

limited liability company that acted as the supervisor of, and performed various asset management services and routine administration with respect to, certain of the existing entities, which we refer to as “the supervisor;” (ii) the limited liability companies or limited partnerships that previously (a) owned, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operated, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which include non-controlling interests in four office properties for which Malkin Holdings LLC acted as the supervisor but that are not consolidated into our predecessor for accounting purposes) and entitled land that will support the development of an approximately 380,000 rentable square foot office building and garage that we own after the formation transactions, which we refer to as the “existing entities;” (iii) Malkin Properties, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the existing entities in Manhattan, which we refer to as “Malkin Properties;” (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the existing entities in Westchester County, New York, which we refer to as “Malkin Properties NY;” (v) Malkin Properties of Connecticut, Inc., a Connecticut corporation that served as the manager and leasing agent for certain of the existing entities in the State of Connecticut, which we refer to as “Malkin Properties CT;” and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provided services to certain of the existing entities and third parties (including certain tenants at the properties in our portfolio), which we refer to as “Malkin Construction.” The term “the predecessor’s management companies” refers to the supervisor, Malkin Properties, Malkin Properties NY, Malkin Properties CT and Malkin Construction, collectively;

• "securityholder" means holders of our Class A common stock and Class B common stock and holders of our operating partnership's Series ES, Series 250, Series 60 and Series PR operating partnership units.

• "traded OP units" mean our operating partnership's Series ES, 60 and 250 operating partnership units.

ITEM 1. FINANCIAL STATEMENTS

Empire State Realty Trust, Inc.

Condensed Consolidated Balance Sheets

(amounts in thousands, except share and per share amounts)

| | March 31, 2014 | December 31, 2013 |
|---|----------------|----------------------|
| ASSETS | (unaudited) | |
| Commercial real estate properties, at cost: | | |
| Land | \$ 187,566 | \$ 187,566 |
| Development costs | 6,459 | 6,459 |
| Building and improvements | 1,473,665 | 1,455,398 |
| | 1,667,690 | 1,649,423 |
| Less: accumulated depreciation | (315,256) | (295,351) |
| Commercial real estate properties, net | 1,352,434 | 1,354,072 |
| Cash and cash equivalents | 44,703 | 60,743 |
| Restricted cash | 54,832 | 55,621 |
| Tenant and other receivables, net of allowance of \$1,342 and \$499 in 2014 and 2013, respectively | 29,644 | 24,817 |
| Deferred rent receivables, net of allowance of \$534 and \$216 in 2014 and 2013, respectively | 74,971 | 62,689 |
| Prepaid expenses and other assets | 23,535 | 35,407 |
| Deferred costs, net | 79,032 | 78,938 |
| Acquired below-market ground lease, net | 61,886 | 62,312 |
| Acquired lease intangibles, net | 237,900 | 249,983 |
| Goodwill | 491,479 | 491,479 |
| Total assets | \$ 2,450,416 | \$ 2,476,061 |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Mortgage notes payable | \$ 878,545 | \$ 883,112 |
| Term loan and credit facility | 325,000 | 325,000 |
| Accounts payable and accrued expenses | 71,712 | 81,908 |
| Acquired below-market leases, net | 125,106 | 129,882 |
| Deferred revenue and other liabilities | 22,574 | 21,568 |
| Tenants' security deposits | 32,939 | 31,406 |
| Total liabilities | 1,455,876 | 1,472,876 |
| Equity: | | |
| Empire State Realty Trust, Inc. stockholders' equity: | | |
| Preferred stock, \$0.01 par value per share, 50,000,000 shares authorized, none issued or outstanding | — | — |
| Class A common stock, \$0.01 par value per share, 400,000,000 shares authorized, 94,496,534 and 94,484,023 shares issued and outstanding in 2014 and 2013, respectively | 945 | 945 |
| Class B common stock, \$0.01 par value per share, 50,000,000 shares authorized, 1,122,130 shares issued and outstanding in 2014 and 2013, respectively | 11 | 11 |
| Additional paid-in capital | 316,683 | 316,558 |
| Retained earnings | 63,885 | 67,644 |
| Total Empire State Realty Trust, Inc.'s stockholders' equity | 381,524 | 385,158 |
| Non-controlling interests in operating partnership | 613,016 | 618,027 |

Edgar Filing: Empire State Realty Trust, Inc. - Form 10-Q

| | | |
|------------------------------|-------------|-------------|
| Total equity | 994,540 | 1,003,185 |
| Total liabilities and equity | \$2,450,416 | \$2,476,061 |

The accompanying notes are an integral part of these financial statements

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

| | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2014 | 2013 |
| | The Company | The Predecessor |
| Revenues: | | |
| Rental revenue | \$90,204 | \$45,266 |
| Tenant expense reimbursement | 15,153 | 6,589 |
| Observatory revenue | 17,301 | — |
| Construction revenue | 14,963 | 6,182 |
| Third-party management and other fees | 611 | 2,657 |
| Other revenue and fees | 2,074 | 1,726 |
| Total revenues | 140,306 | 62,420 |
| Operating expenses: | | |
| Property operating expenses | 36,311 | 13,806 |
| Marketing, general, and administrative expenses | 8,675 | 6,325 |
| Observatory expenses | 6,981 | — |
| Construction expenses | 14,283 | 6,260 |
| Real estate taxes | 18,373 | 7,871 |
| Formation transaction expenses | — | 1,695 |
| Depreciation and amortization | 30,115 | 12,156 |
| Total operating expenses | 114,738 | 48,113 |
| Total operating income | 25,568 | 14,307 |
| Other income (expense): | | |
| Equity in net income of non-controlled entities | — | 1,819 |
| Interest expense | (14,337) | (14,196) |
| Net income | 11,231 | 1,930 |
| Net income attributable to the predecessor | — | (1,930) |
| Net income attributable to non-controlling interests | (6,862) | — |
| Net income attributable to Empire State Realty Trust, Inc. | \$4,369 | \$— |
| Total weighted average shares: | | |
| Basic | 95,575 | |
| Diluted | 95,617 | |
| Net income per share attributable to Empire State Realty Trust, Inc.: | | |
| Basic earnings per share | \$0.05 | |
| Diluted earnings per share | \$0.05 | |
| Dividends per share | \$0.085 | |

The accompanying notes are an integral part of these financial statements

Empire State Realty Trust, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For The Three Months Ended March 31, 2014
(unaudited)
(amounts in thousands)

| | Number of Class A Common Shares | Class A Common Stock | Number of Class B Common Shares | Class B Common Stock | Additional Paid-In Capital | Retained Earnings | Total Stockholders' Equity | Non-controlling Interests | Total Equity |
|---------------------------------|---|-------------------------------|---|-------------------------------|----------------------------------|----------------------|----------------------------------|------------------------------|--------------|
| Balance at December 31, 2013 | 94,484 | \$ 945 | 1,122 | \$ 11 | \$316,558 | \$67,644 | \$ 385,158 | \$ 618,027 | \$1,003,185 |
| Net income | — | — | — | — | — | 4,369 | 4,369 | 6,862 | 11,231 |
| Equity compensation: | | | | | | | | | |
| LTIP units | — | — | — | — | — | — | — | 900 | 900 |
| Restricted stock | 13 | — | — | — | 125 | — | 125 | — | 125 |
| Dividends and distributions | — | — | — | — | — | (8,128) | (8,128) | (12,773) | (20,901) |
| Balance at March 31, 2014 | 94,497 | \$ 945 | 1,122 | \$ 11 | \$316,683 | \$63,885 | \$ 381,524 | \$ 613,016 | \$994,540 |

The accompanying notes are an integral part of these financial statements

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

| | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2014 | 2013 |
| | The Company | The Predecessor |
| Cash Flows From Operating Activities | | |
| Net income | \$11,231 | \$1,930 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 30,115 | 12,156 |
| Amortization of deferred finance costs and debt premiums | 534 | 1,615 |
| Amortization of acquired above- and below-market leases, net | (1,885) |) — |
| Amortization of acquired below-market ground lease | 426 | — |
| Straight-lining of rental revenue | (12,580) |) (845) |
| Equity based compensation | 1,025 | — |
| Equity in net income of non-controlled entities | — | (1,819) |
| Distributions of cumulative earnings of non-controlled entities | — | 1,131 |
| Increase (decrease) in cash flows due to changes in operating assets and liabilities: | | |
| Restricted cash | (2,777) |) 1,593 |
| Tenant and other receivables | (4,530) |) 31,698 |
| Deferred leasing costs | (1,372) |) (1,823) |
| Prepaid expenses and other assets | 11,872 | 3,952 |
| Accounts payable and accrued expenses | (9,155) |) (5,522) |
| Deferred revenue and other liabilities | 1,006 | (876) |
| Net cash provided by operating activities | 23,910 | 43,190 |
| Cash Flows From Investing Activities | | |
| Decrease in restricted cash for investing activities | 5,098 | 292 |
| Development costs | — | 59 |
| Additions to building and improvements | (20,136) |) (13,102) |
| Net cash used in investing activities | (15,038) |) (12,751) |

The accompanying notes are an integral part of these financial statements

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

| | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2014 | 2013 |
| | The Company | The Predecessor |
| Cash Flows From Financing Activities | | |
| Proceeds from mortgage notes payable | — | 50,000 |
| Repayment of mortgage notes payable | (4,011 |) (3,623 |
| Proceeds from credit facility | 10,000 | — |
| Repayments of credit facility | (10,000 |) — |
| Deferred financing costs | — | (2,039 |
| Deferred offering costs | — | (4,450 |
| Contributions from owners | — | 3,281 |
| Distributions to Predecessor owners | — | (19,528 |
| Dividends paid to common stockholders | (8,128 |) — |
| Distributions paid to non-controlling interests in the operating partnership | (12,773 |) — |
| Net cash provided by (used in) financing activities | (24,912 |) 23,641 |
| Net increase (decrease) in cash and cash equivalents | (16,040 |) 54,080 |
| Cash and cash equivalents—beginning of period | 60,743 | 51,499 |
| Cash and cash equivalents—end of period | \$44,703 | \$105,579 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$13,811 | \$12,658 |
| Cash paid for income taxes | \$47 | \$— |
| Non-cash investing and financing activities - | | |
| Commercial real estate properties included in accounts payable and accrued expenses | \$14,138 | \$428 |

The accompanying notes are an integral part of these financial statements

Empire State Realty Trust, Inc. and Empire State Realty Trust, Inc. Predecessor
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 our predecessor (as defined below) for the periods presented and Empire State Realty Trust, Inc. and its consolidated subsidiaries upon the consummation of its initial public offering of Class A common stock (the "Offering") and the formation transactions defined below.

We are a self-administered and self-managed real estate investment trust, or REIT, that owns, manages, operates, acquires, redevelops and repositions office and retail properties in Manhattan and the greater New York metropolitan area.

As of March 31, 2014, our total portfolio contained 8.4 million rentable square feet of office and retail space. We owned 12 office properties (including one long-term ground leasehold interest) encompassing approximately 7.7 million rentable square feet of office space. Seven of these properties are located in the midtown Manhattan market and encompass in the aggregate approximately 5.9 million rentable square feet of office space, including the Empire State Building. Our Manhattan office properties also contain an aggregate of 419,812 rentable square feet of premier retail space on their ground floor and/or lower levels. Our remaining five office properties are located in Fairfield County, Connecticut and Westchester County, New York, encompassing in the aggregate approximately 1.8 million rentable square feet. The majority of square footage for these five properties is located in densely populated metropolitan communities with immediate access to mass transportation. Additionally, we have entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties, that will support the development of an approximately 380,000 rentable square foot office building and garage, which we refer to herein as Metro Tower. As of March 31, 2014, our portfolio also included four standalone retail properties located in Manhattan and two standalone retail properties located in the city center of Westport, Connecticut, encompassing 204,175 rentable square feet in the aggregate.

We were organized as a Maryland corporation on July 29, 2011. We did not have any assets other than cash and did not have any meaningful operating activity until the consummation of the Offering and the related acquisition of the assets of our predecessor and certain non-controlled entities controlled by our predecessor on October 7, 2013, as described in the financial statements for the year ended December 31, 2013 contained in our Annual Report on Form 10-K.

Our operations commenced upon completion of the Offering and related formation transactions on October 7, 2013. Empire State Realty OP, L.P. holds substantially all of our assets and conducts substantially all of our business. As of March 31, 2014, we owned approximately 38.9% of the aggregate operating partnership units in our operating partnership. We, as the sole general partner of our operating partnership, have responsibility and discretion in the management and control of our operating partnership, and the limited partners of our operating partnership, in such capacity, have no authority to transact business for, or participate in the management activities of our operating partnership. Accordingly, our operating partnership has been consolidated by us. We intend to elect to be taxed as a REIT and operate in a manner that we believe allows us to qualify as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2013.

We formed and acquired two entities that have elected to be treated as taxable REIT subsidiaries, or TRSs, and are owned by our operating partnership. The TRSs, through several wholly-owned limited liability companies, conduct third-party services businesses, which include the Empire State Building Observatory, cleaning services, cafeteria, restaurant and fitness center, property management and leasing, construction, and property maintenance.

For all periods prior to the completion of the Offering and formation transactions, our predecessor results of operations contain unconsolidated results for certain non-controlled entities (as defined below) that owned interests in the Empire State Building, 1350 Broadway, 1333 Broadway, and 501 Seventh Avenue, which were accounted for by

our predecessor under the equity method of accounting and make up a significant portion of our company subsequent to the completion of the Offering and formation transactions. Our results of operations for the three months ended March 31, 2013 reflect the financial condition and results of operations of our predecessor. Our financial condition as of March 31, 2014 and December 31, 2013 and results of operations for the three months ended March 31, 2014 reflect the financial condition and results of operations of our predecessor consolidated with the non-controlling interests in those four properties we acquired at the time of the Offering and formation transactions.

The Predecessor

Our predecessor is not a legal entity but rather a combination of (i) controlling interests in (a) 16 office and retail properties, (b) one development parcel, and (c) certain management companies, which were owned by certain entities that Anthony E. Malkin and Peter L. Malkin, as sponsors, owned interests in and controlled, which we collectively refer to as the controlled entities, and (ii) non-controlling interests in four office properties (which include two of the 16 properties set forth in (i) above), held through entities which we collectively refer to as the "non-controlled entities," and are presented as uncombined entities in our consolidated financial statements. Specifically, the term "our predecessor" means (i) Malkin Holdings LLC, a New York limited liability company that acted as the supervisor of, and performed various asset management services and routine administration with respect to, certain of the existing entities, which we refer to as "the supervisor;" (ii) the limited liability companies or limited partnerships that previously (a) owned, directly or indirectly and either through a fee interest or a long-term leasehold in the underlying land, and/or (b) operated, directly or indirectly and through a fee interest, an operating lease, an operating sublease or an operating sub-sublease, the 18 office and retail properties (which include non-controlling interests in four office properties for which Malkin Holdings LLC acted as the supervisor but that are not consolidated into our predecessor for accounting purposes) and entitled land that will support the development of an approximately 380,000 rentable square foot office building and garage that we own after the formation transactions, which we refer to as the "existing entities;" (iii) Malkin Properties, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the existing entities in Manhattan, which we refer to as "Malkin Properties;" (iv) Malkin Properties of New York, L.L.C., a New York limited liability company that served as the manager and leasing agent for certain of the existing entities in Westchester County, New York, which we refer to as "Malkin Properties NY;" (v) Malkin Properties of Connecticut, Inc., a Connecticut corporation that served as the manager and leasing agent for certain of the existing entities in the State of Connecticut, which we refer to as "Malkin Properties CT;" and (vi) Malkin Construction Corp., a Connecticut corporation that is a general contractor and provided services to certain of the existing entities and third parties (including certain tenants at the properties in our portfolio), which we refer to as "Malkin Construction." The term "the predecessor's management companies" refers to the supervisor, Malkin Properties, Malkin Properties NY, Malkin Properties CT and Malkin Construction, collectively. Our predecessor accounted for its investment in the non-controlled entities under the equity method of accounting.

Controlled Entities:

Properties that the sponsors owned interests in and controlled, and whose operations were 100% consolidated into the financial statements of our predecessor include:

Office:

One Grand Central Place, New York, New York

250 West 57th Street, New York, New York

1359 Broadway, New York, New York

First Stamford Place, Stamford, Connecticut

Metro Center, Stamford, Connecticut

383 Main Avenue, Norwalk, Connecticut

500 Mamaroneck Avenue, Harrison, New York

10 Bank Street, White Plains, New York

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

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

Retail:

10 Union Square, New York, New York

1010 Third Avenue, New York, New York

77 West 55th Street, New York, New York

1542 Third Avenue, New York, New York

69-97 Main Street, Westport, Connecticut
103-107 Main Street, Westport, Connecticut

Land Parcels:

We own entitled land at the Stamford Transportation Center in Stamford, Connecticut, adjacent to one of our office properties that will support the development of an approximately 380,000 rentable square foot office building and garage.

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

Non-Controlled Entities:

Properties in which the sponsors owned and controlled non-controlling interests and whose operations are reflected in our predecessor's consolidated financial statements as an equity interest include:

Office:

Master operating lease position of 350 Fifth Avenue, New York, New York—Empire State Building Company L.L.C.

Master operating lease position of 1350 Broadway, New York, New York—1350 Broadway Associates L.L.C. (long term ground lease)

1333 Broadway, New York, New York—1333 Broadway Associates L.L.C.

Master operating lease position of 501 Seventh Avenue, New York, New York—501 Seventh Avenue Associates L.L.C.

2. Summary of Significant Accounting Policies

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. For purposes of comparison, certain items shown in the 2013 unaudited consolidated financial statements have been reclassified to conform to the presentation used for 2014.

Our predecessor's consolidated financial statements include all the accounts and operations of our predecessor. The real estate entities included in the accompanying consolidated financial statements have been consolidated on the basis that, for the periods presented, such entities were under common control, common management and common ownership of the sponsors. Equity interests in the entities that were not controlled by the sponsors are shown as investments in non-controlled entities. We acquired these interests as a result of the formation transactions. 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, 2013 contained in our Annual Report on Form 10-K. We do not consider our business to be subject to material seasonal fluctuations, except that our observatory business is subject to tourism seasonality. During the past ten years of our annual observatory revenue, approximately 16% to 18% was realized in the first quarter, 26.0% to 28.0% was realized in the second quarter, 31.0% to 33.0% was realized in the third quarter and 23.0% to 25.0% was realized in the fourth quarter. Our predecessor consolidated variable interest entities, or VIEs, in which it was considered a primary beneficiary. The primary beneficiary 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. We had no VIEs as of March 31, 2014 and December 31, 2013.

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

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

Accounting Estimates

The preparation of the 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 and other long-lived assets, estimate of percentage of completion on construction contracts, valuation of the allowance for doubtful accounts, and valuation of 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.

Revenue Recognition

Rental Revenue

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

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

expected to have any residual value at the end of the lease.

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

12

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

We will recognize rental revenue of acquired in-place above- and below-market leases at their fair values over the terms of the respective leases, including, for below-market leases, fixed option renewal periods, if any.

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

Observatory Revenue

Revenue from the sale of Observatory tickets are recognized upon admission or ticket expirations. Deferred income related to unused and unexpired tickets as of March 31, 2014 was \$5.3 million.

Construction Revenue

Revenues from construction contracts are recognized under the percentage-of completion method. Under this method, progress towards completion is recognized according to the ratio of incurred costs to estimated total costs. This method is used because management considers the "cost-to-cost" method the most appropriate in the circumstances. Contract costs include all direct material, direct labor and other direct costs and an allocation of certain overhead related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Gains on Sale of Real Estate

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

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

Third-Party Management, Leasing and Other Fees

We earn revenue arising from contractual agreements with affiliated entities. This revenue is recognized as the related services are performed under the respective agreements in place.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The expense for the three months ended March 31, 2014 and 2013 was \$2.3 million and \$0.3 million, respectively, and is included within operating expenses in our consolidated statements of income.

Real Estate Properties and Related Intangible Assets

Land and buildings and improvements are recorded at cost less accumulated depreciation and amortization. The recorded cost includes cost of acquisitions, development and construction and tenant allowances and improvements. Expenditures for ordinary repairs and maintenance are charged to operations as incurred. Significant replacements and betterments which improve or extend the life of the asset are capitalized. Tenant improvements which improve or extend the life of the asset are capitalized. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized

balance of any tenant improvements are written off if they are replaced or have no future value. For developed properties, direct and indirect costs that clearly relate to projects under development are capitalized. Costs include construction costs, professional services such as architectural and legal costs, travel expenses, capitalized interest and direct payroll and other acquisition costs. We begin capitalization when the project is probable. Capitalization of interest ceases when the property is ready for its intended use, which is generally near the date that a certificate of occupancy is obtained.

Depreciation and amortization are computed using the straight-line method for financial reporting purposes. Buildings and improvements are depreciated over the shorter of 39 years, the useful life, or the remaining term of any leasehold interest. Tenant improvement costs, which are included in building and improvements in the consolidated balance sheets, are depreciated over the shorter of (i) the related remaining lease term or (ii) the life of the improvement. Corporate equipment, which is included in "Other assets," is depreciated over three to seven years.

Acquisitions of properties are accounted for utilizing the acquisition method and accordingly the purchase cost is allocated to tangible and intangible assets and liabilities based on their fair values. The fair value of tangible assets acquired is determined by valuing the property as if it were vacant, applying methods similar to those used by independent appraisers of income-producing property. The resulting value is then allocated to land, buildings and improvements, and tenant improvements based on our determination of the fair value of these assets. The assumptions used in the allocation of fair values to assets acquired are based on our best estimates at the time of evaluation.

Fair value is assigned to above-market and below-market leases based on the difference between (a) the contractual amounts to be paid by the tenant based on the existing lease and (b) our estimate of current market lease rates for the corresponding in-place leases, over the remaining terms of the in-place leases. Capitalized above-market lease amounts are amortized as a decrease to rental revenue over the remaining terms of the respective leases. Capitalized below-market lease amounts are amortized as an increase to rental revenue over the remaining terms of the respective leases. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off.

The aggregate value of other acquired intangible assets consists of acquired ground leases and acquired in-place leases and tenant relationships. The fair value allocated to acquired in-place leases consists of a variety of components including, but not necessarily limited to: (a) the value associated with avoiding the cost of originating the acquired in-place leases (i.e. the market cost to execute a lease, including leasing commissions and legal fees, if any); (b) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the assumed lease-up period (i.e. real estate taxes, insurance and other operating expenses); (c) the value associated with lost rental revenue from existing leases during the assumed lease-up period; and (d) the value associated with any other inducements to secure a tenant lease.

Regarding certain of our 2013 property acquisitions, the fair value asset and liability allocations are preliminary and may be adjusted as final information becomes available.

We assess the potential for impairment of our long-lived assets, including real estate properties, annually or whenever events occur or a change in circumstances indicate that the recorded value might not be fully recoverable. We determine whether impairment in value has occurred by comparing the estimated future undiscounted cash flows expected from the use and eventual disposition of the asset to its carrying value. If the undiscounted cash flows do not exceed the carrying value, the real estate is adjusted to fair value and an impairment loss is recognized. Assets held for sale are recorded at the lower of cost or fair value less costs to sell. We do not believe that the value of any of our properties and intangible assets were impaired during the three months ended March 31, 2014 and 2013.

All operations and gains and losses associated with sales of real estate property or assets classified as held for sale are reclassified and presented as discontinued operations.

Cash and Cash Equivalents

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

Restricted Cash

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

Allowance for Doubtful Accounts

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

Deferred Lease Costs

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

Deferred Financing Costs

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

Equity Method Investments

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

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

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

On a periodic basis, we assess whether there are any indicators that the carrying value of our investments in entities may be impaired on an other than temporary basis. An investment is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment on an other than temporary basis. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying value of the investment over the fair value of the investment.

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

If our predecessor's share of distributions and net losses exceeds our investments for certain of the equity method investments and if our predecessor remained liable for future obligations of the entity or was otherwise committed to provide future additional financial support, the investment balances would have been presented in the consolidated

balance sheets as

15

liabilities. The effects of material intercompany transactions with these equity method investments are eliminated. None of the entity debt is recourse to us.

As of March 31, 2014 and December 31, 2013, we had no equity method investments.

Goodwill

Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill. Non-amortizing intangible assets, such as trade names and trademarks, are subject to an annual impairment test based on fair value and amortizing intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Fair Value

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the Financial Accounting Standards Board ("FASB") guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

We use the following methods and assumptions in estimating fair value disclosures for financial instruments.

For cash and cash equivalents, restricted cash, tenant and other receivables, prepaid expenses and other assets, deferred revenue, tenants' security deposits, accounts payable and accrued expenses in our consolidated balance sheets approximate their fair value due to the short term maturity of these instruments.

The fair value of our mortgage notes payable and term loan and 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 to us.

The methodologies used for valuing financial instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments;

- Quoted prices in less active or inactive markets for identical or similar instruments;

- Other observable inputs (such as risk free interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates); and

- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs, including:

- Valuations based on third-party indications (broker quotes or counterparty quotes) which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 3 valuations; and

- Valuations based on internal models with significant unobservable inputs.

These levels form a hierarchy. We follow this hierarchy for our financial instruments measured or disclosed at fair value on a recurring and nonrecurring basis and other required fair value disclosures. The classifications are based on the lowest level of input that is significant to the fair value measurement.

Income Taxes

We intend to elect to be taxed as a REIT under sections 856 through 860 of the Internal Revenue Code of 1986 (the "Code"), as amended, commencing with the taxable year ended December 31, 2013. REITs are subject to a number of organizational and operational requirements, including a requirement that 90% of ordinary "REIT taxable income" (as determined without regard to the dividends paid deduction or net capital gains) be distributed. As a REIT, we will generally not be subject to U.S. federal income tax to the extent that we meet the organizational and operational requirements and our distributions equal or exceed REIT taxable income. For all periods subsequent to the effective date of our REIT election, we have met the organizational and operational requirements and distributions have exceeded net taxable income. Accordingly, no provision has been made for federal and state income taxes.

We have elected to treat ESRT Observatory TRS, L.L.C., our subsidiary which holds our observatory operations, and ESRT Holdings TRS, L.L.C., our subsidiary that holds our third party management, construction, cafeteria, health club and cleaning operations, as taxable REIT subsidiaries. Taxable REIT subsidiaries may participate in non-real estate activities and/or perform non-customary services for tenants and their operations are generally subject to regular corporate income taxes. Our taxable REIT subsidiaries account for their income taxes in accordance with GAAP, which includes an estimate of the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. The calculation of the taxable REIT subsidiaries' tax provisions may require interpreting tax laws and regulations and could result in the use of judgments or estimates which could cause its recorded tax liability to differ from the actual amount due. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The taxable REIT subsidiaries periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities, including the results of local, state, or federal statutory tax audits or estimates and judgments used.

We apply provisions for measuring and recognizing tax benefits associated with uncertain tax positions. Penalties and interest, if incurred, would be recorded as a component of marketing, general and administrative expenses. As of March 31, 2014 and 2013, we do not have a liability for uncertain tax positions. As of March 31, 2014, the tax years ended December 31, 2010 through December 31, 2013 remain open for an audit by the Internal Revenue Service and state authorities. We have not received a notice of audit from the Internal Revenue Service and state authorities for any of the open tax years.

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

Two of the limited liability companies in our predecessor had non-real estate income subject to New York City unincorporated business tax ("NYCUBT"). As of March 31, 2013, both entities generated taxable income. No provision or liability for U.S. federal, state, or local income taxes was included in our Predecessor's consolidated financial statements as current year taxable income as referred to above was fully offset by a NYCUBT net operating loss carry forward from previous years.

Share-Based Compensation

Share-based compensation 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 vesting period. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of our stock, expected dividend yield, expected term, and assumptions of whether these awards will achieve parity with other operating partnership units or achieve performance thresholds. We believe that the assumptions and estimates utilized are appropriate based on the information available to our management at the time of grant.

Per Share Data

Basic and diluted earnings per share are computed based upon the weighted average number of shares outstanding during the respective period.

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 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 different marketing strategies. We account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. We include our construction operation in "Other" and it includes all activities related to providing construction services to tenants and to other entities within and outside our company.

Recently Issued or Adopted Accounting Standards

During July 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This ASU provides explicit guidance regarding the presentation in the statement of financial position of an unrecognized tax benefit when net operating losses or tax credit carryforwards exist. It is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, with early adoption permitted, and is applicable to our fiscal year beginning January 1, 2014. The adoption of this guidance did not have a material impact on our consolidated financial statements.

During April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". ASU No. 2014-08 changes the definition of a discontinued operation to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. We are currently evaluating the impact of adopting ASU No. 2014-08 which is effective prospectively for fiscal years beginning after December 15, 2014.

3. Investments in Non-controlled Entities

On October 7, 2013, as part of the Offering and formation transactions, we acquired the assets and liabilities held by the four non-controlled entities. The investments in non-controlled entities consisted of the following at March 31, 2013:

| Entity | Property | Nominal % | Ownership |
|---------------------------------------|-------------------------------|-----------|-----------|
| Empire State Building Company, L.L.C. | 350 Fifth Ave, New York, NY | 23.750 | % |
| 1333 Broadway Associates, L.L.C. | 1333 Broadway, New York, NY | 50.000 | % |
| 1350 Broadway Associates, L.L.C. | 1350 Broadway, New York, NY | 50.000 | % |
| 501 Seventh Avenue Associates, L.L.C. | 501 Seventh Ave, New York, NY | 20.469 | % |

Empire State Building Company, L.L.C. was the operating lessee of the property at 350 Fifth Avenue. The land and fee owner, Empire State Building Associates L.L.C., was a predecessor controlled entity whose operations are included in our predecessor's consolidated financial statements.

1333 Broadway Associates, L.L.C. owned the fee and leasehold positions at the same address.

1350 Broadway Associates, L.L.C. was the operating lessee of the property at the same address.

501 Seventh Avenue Associates L.L.C. was the operating lessee of the property at the same address. The fee owner, Seventh Avenue Building Associates L.L.C., was a predecessor controlled entity whose operations are included in our predecessor's consolidated financial statements.

Our predecessor's share of income from these entities may have exceeded nominal ownership percentages based on the achievement of certain income thresholds as set forth in the relevant partnership agreements.

The following table reflects the activity in our investments in non-controlled entities for the three months ended March 31, 2013 (amounts in thousands):

| | |
|------------------------------|----------|
| | 2013 |
| Balance at beginning of year | \$76,879 |
| Equity in net income | 1,819 |
| Distributions | (1,131) |
| Balance at end of period | \$77,567 |

The following reflects summarized financial information of the non-controlled entities for the three months ended March 31, 2013 (amounts in thousands):

18

Edgar Filing: Empire State Realty Trust, Inc. - Form 10-Q

| Statements of Operations | Empire State Building Co. | 1333 Broadway Associates | 1350 Broadway Associates | 501 Seventh Avenue Associates | Total |
|---|---------------------------|--------------------------|--------------------------|-------------------------------|----------|
| Revenue: | | | | | |
| Rental revenue and other | \$29,794 | \$3,523 | \$5,323 | \$4,178 | \$42,818 |
| Observatory revenue | 16,730 | — | — | — | 16,730 |
| Total revenue | 46,524 | 3,523 | 5,323 | 4,178 | 59,548 |
| Expenses: | | | | | |
| Operating expenses—rental | 29,307 | 1,762 | 2,924 | 3,390 | 37,383 |
| Operating expenses—overage rent | 5,298 | — | — | 195 | 5,493 |
| Operating expenses—observatory | 4,560 | — | — | — | 4,560 |
| Interest | — | 1,186 | 786 | — | 1,972 |
| Depreciation and amortization | 3,611 | 637 | 1,046 | 405 | 5,699 |
| Total expenses | 42,776 | 3,585 | 4,756 | 3,990 | 55,107 |
| Net income (loss) | \$3,748 | \$(62) | \$567 | \$188 | \$4,441 |
| Our predecessor's share of equity in net income (loss) of non-controlled entities | \$1,967 | \$(66) | \$283 | \$(365) | \$1,819 |

4. Deferred Costs, Acquired Lease Intangibles and Goodwill

Deferred costs, net consisted of the following (amounts in thousands):

| | March 31, 2014 | | December 31, 2013 | |
|----------------------|----------------|--------------------------|-------------------|--------------------------|
| | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Leasing costs | \$91,417 | \$(27,488) | \$90,198 | \$(27,459) |
| Financing costs | 27,671 | (12,568) | 27,416 | (11,217) |
| Total deferred costs | \$119,088 | \$(40,056) | \$117,614 | \$(38,676) |

Amortization expense related to deferred leasing costs was \$2.4 million and \$1.9 million and deferred financing costs was \$1.1 million and \$1.6 million, for the three months ended March 31, 2014 and 2013, respectively.

Amortizing acquired intangible assets and liabilities consisted of the following (amounts in thousands):

| | March 31, 2014 | | December 31, 2013 | |
|--|----------------|--------------------------|-------------------|--------------------------|
| | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Acquired below-market ground lease | \$62,738 | (852) | \$62,738 | (426) |
| Acquired in-place lease value and deferred leasing costs | 186,139 | (14,614) | 186,415 | (5,697) |
| Acquired above-market leases | 72,090 | (5,715) | 72,123 | (2,858) |
| Acquired below-market leases | (134,651) | 9,545 | (134,651) | 4,769 |

Amortization expense related to acquired lease intangibles for the three months ended March 31, 2014 was \$5.2 million. Rental revenue related to the amortization of below-market leases, net of above-market leases for the three months ended March 31, 2014 was \$1.9 million. There was no amortization expense for the three months ended March 31, 2013 related to acquired intangible assets and liabilities.

As of March 31, 2014, we had goodwill of \$491.5 million. In 2013, we acquired the interests in Empire State Building Company, L.L.C. and 501 Seventh Avenue Associates, L.L.C. for an amount in excess of their net tangible and identified intangible assets and liabilities and as a result we recorded goodwill related to the transaction. Goodwill was allocated \$227.5 million to the observatory operations of the Empire State Building, \$250.8 million to Empire State Building Company, L.L.C., and \$13.2 million to 501 Seventh Avenue Associates, L.L.C.

5. Debt

Edgar Filing: Empire State Realty Trust, Inc. - Form 10-Q

Mortgage notes payable are collateralized by the following respective real estate properties and assignment of operating leases as of March 31, 2014 and December 31, 2013 (amounts in thousands):

| | Principal Balance as of March 31, 2014 | Principal Balance as of December 31, 2013 | Stated Rate | Effective Rate ⁽¹⁾ | Maturity Date ⁽²⁾ |
|---|---|---|-----------------|----------------------------------|---------------------------------|
| Mortgage debt collateralized by: | | | | | |
| Fixed rate debt | | | | | |
| 501 Seventh Avenue ⁽³⁾ | \$ 39,197 | \$ — | 5.80 | % 5.82 | % 8/1/2014 |
| (Note 1) ⁽³⁾ | — | 1,037 | | | |
| (Note 2) ⁽³⁾ | — | 31,459 | | | |
| (Note 2) ⁽³⁾ | — | 6,889 | | | |
| 1359 Broadway ⁽⁴⁾ | 44,646 | — | 6.04 | % 6.35 | % 8/1/2014 |
| (first lien mortgage loan) ⁽⁴⁾ | — | 9,579 | | | |
| (second lien mortgage loan) ⁽⁴⁾ | — | 5,561 | | | |
| (second lien mortgage loan) ⁽⁴⁾ | — | 11,311 | | | |
| (second lien mortgage loan) ⁽⁴⁾ | — | 18,572 | | | |
| One Grand Central Place | | | | | |
| (first lien mortgage loan) | 71,153 | 71,723 | 5.34 | % 6.35 | % 11/5/2014 |
| (second lien mortgage loan) | 14,804 | 14,884 | 7.00 | % 8.01 | % 11/5/2014 |
| 500 Mamaroneck Avenue | | | | | |
| 250 West 57th Street | 32,442 | 32,620 | 5.41 | % 6.55 | % 1/1/2015 |
| (first lien mortgage loan) | 25,409 | 25,621 | 5.33 | % 5.66 | % 1/5/2015 |
| (second lien mortgage loan) | 11,181 | 11,252 | 6.13 | % 6.46 | % 1/5/2015 |
| Metro Center | | | | | |
| 10 Union Square | 95,614 | 96,158 | 5.89 | % 6.22 | % 1/1/2016 |
| 10 Bank Street | 20,887 | 20,972 | 6.00 | % 6.62 | % 5/1/2017 |
| 1542 Third Avenue | 33,298 | 33,444 | 5.72 | % 6.13 | % 6/1/2017 |
| First Stamford Place | 18,913 | 19,011 | 5.90 | % 6.45 | % 6/1/2017 |
| 1010 Third Avenue and 77 West 55th Street | 244,764 | 245,629 | 5.65 | % 6.08 | % 7/5/2017 |
| 383 Main Avenue | 27,974 | 28,096 | 5.69 | % 6.31 | % 7/5/2017 |
| 1333 Broadway | 30,268 | 30,403 | 5.59 | % 5.94 | % 7/5/2017 |
| 1350 Broadway (first lien mortgage loan) | 77,429 | ⁽⁵⁾ 78,121 | 6.32 | % 6.54 | % 1/5/2018 |
| Total fixed rate debt | 42,892 | ⁽⁶⁾ 43,305 | 5.87 | % 6.19 | % 4/5/2018 |
| Floating rate debt | | | | | |
| 501 Seventh Avenue (second lien mortgage loan) | 830,871 | 835,647 | | | |
| 1350 Broadway (second lien mortgage loan) | 6,540 | 6,540 | ⁽⁷⁾ | ⁽⁷⁾ | 8/1/2014 |
| One Grand Central Place (third lien mortgage loan) | 13,752 | ⁽⁸⁾ 13,543 | ⁽⁹⁾ | ⁽⁹⁾ | 10/10/2014 |
| 250 West 57th Street (third lien mortgage loan) | 6,382 | 6,382 | ⁽¹⁰⁾ | ⁽¹⁰⁾ | 11/5/2014 |
| Secured revolving credit facility | 21,000 | 21,000 | ⁽¹¹⁾ | ⁽¹¹⁾ | 1/5/2015 |
| Secured term credit facility | 25,000 | 25,000 | ⁽¹²⁾ | ⁽¹²⁾ | 10/5/2017 |
| Total floating rate debt | 300,000 | 300,000 | ⁽¹³⁾ | ⁽¹³⁾ | 10/5/2018 |
| Total | 372,674 | 372,465 | | | |
| Total | \$ 1,203,545 | \$ 1,208,112 | | | |

-
- (1) The effective rate is the yield as of March 31, 2014, including the effects of debt issuance costs.
 - (2) Pre-payment is generally allowed for each loan upon payment of a customary pre-payment penalty.
 - (3) The loan was consolidated in February 2014.
 - (4) The loan was consolidated in February 2014.
 - (5) Includes unamortized premium of \$7,195.

- (6) Includes unamortized premium of \$3,600.
 (7) Floating at 30 day LIBOR plus 2.0%. The rate as of March 31, 2014 was 2.16%.
 (8) Includes unamortized premium of \$75.
 (9) Interest at the greater of 4.25% and Prime plus 1%. The rate at March 31, 2014 was 4.25%.
 (10) Interest at the greater of Prime plus 0.50% and 3.75%. The rate as of March 31, 2014 was 3.75%.

Interest at the greater of 4.25% and prime plus 1%. Prior to January 5, 2015, we have the option to fix the interest rate on all or any portion of the principal then outstanding, up to three times and in minimum increments of \$5,000 to an annual rate equal to either (i) the greater of (a) 4.75% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Federal Reserve Board as of two days prior to the effective date of the fixing of the interest rate, and (ii) the greater of (a) 5.00% or (b) 300 basis points in excess of the weekly average yield on United States Treasury Securities adjusted to a maturity closest to January 5, 2015 as most recently made available by the Federal Reserve Board as of 30 days prior to the effective date of the fixing of the interest rate. If option (i) is selected, we will be subject to the payment of pre payment fees, and if option (ii) is selected, we may prepay the loan without any pre payment fees. The rate as of March 31, 2014 was 4.25%.

- (11) Interest at the greater of 4.25% and prime plus 1%. The rate as of March 31, 2014 was 4.25%.
 (12) Floating at 30 day LIBOR plus 1.20%. The rate as of March 31, 2014 was 1.35%.
 (13) Floating at 30 day LIBOR plus 1.35%. The rate at March 31, 2014 was 1.51%.

Principal Payments

Aggregate required principal payments on mortgage notes payable at March 31, 2014 are as follows (amounts in thousands):

| | |
|----------------------------|--------------|
| 2014 | \$ 196,474 |
| 2015 | 90,032 |
| 2016 | 95,614 |
| 2017 | 401,104 |
| 2018 | 420,321 |
| Total principal maturities | \$ 1,203,545 |

Given our current liquidity, including availability under our secured revolving credit facility, and the low leverage financing of our 2014 and 2015 balloon maturities, we believe we will be able to refinance those maturities.

Secured Revolving and Term Credit Facility

Our secured revolving and term credit facility has a maximum aggregate original principal amount of up to \$800.0 million with an accordion feature to increase the availability to \$1.25 billion under certain circumstances. The secured revolving and term credit facility was used to fully repay the existing \$500.0 million term loan previously secured by the Empire State Building, which had a balance of \$300.0 million. The secured revolving and term credit facility has an outstanding balance of \$325.0 million at March 31, 2014.

Amounts outstanding under the term loan bear interest at a floating rate equal to, at our election, (x) a Eurodollar rate, plus a spread ranging from 1.00% to 2.00% depending upon our leverage ratio and credit rating which, at December 31, 2013, was 1.35%; or (y) a base rate, plus a spread ranging from 0.00% to 1.00% depending upon our leverage ratio and credit rating which, at March 31, 2014, was 0.35%. Amounts outstanding under the revolving credit facility bear interest at a floating rate equal to, at our election, (x) a Eurodollar rate, plus a spread ranging from 0.925% to 1.70% depending upon our leverage ratio and credit rating which, at March 31, 2014, was 1.20%; or (y) a base rate, plus a spread ranging from 0.00% to 0.70% depending upon our leverage ratio and credit rating which, at March 31, 2014, was 0.20%. In addition, the revolving credit facility permits us to borrow at competitive bid rates determined in accordance with the procedures described in the revolving credit facility.

The term loan has a term of five years and the revolving credit facility has an initial term of four years. We have the option to extend the initial term of the revolving credit facility for an additional one-year period, subject to certain conditions, including the payment of an extension fee equal to 0.20% of the then-outstanding commitments under the revolving credit facility. The secured revolving and term credit facility also includes an unused facility fee of 0.20%.

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

As of March 31, 2014, availability under the secured revolving and term credit facility is reduced by \$30.7 million until certain capital expenditures at the Empire State Building are made by us from proceeds from the secured revolving and term credit facility or cash on hand.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of March 31, 2014 and December 31, 2013 (amounts in thousands):

21

| | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| Accounts payable and accrued expenses | \$46,439 | \$57,657 |
| Payable to the estate of Leona M. Helmsley ⁽¹⁾ | 18,367 | 18,367 |
| Accrued interest payable | 4,066 | 4,074 |
| Due to affiliated companies | 2,840 | 1,810 |
| Accounts payable and accrued expenses | \$71,712 | \$81,908 |

(1) Reflects a payable to the estate of Leona M. Helmsley for New York City transfer taxes.

7. Fair Value of Financial Instruments

The following disclosures of estimated fair value at March 31, 2014 and December 31, 2013 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 following table presents the aggregate carrying value of our debt and the corresponding estimates of fair value based on discounted cash flow models, based on Level 3 inputs including current interest rates at which similar borrowings could be made by us as of March 31, 2014 and December 31, 2013 (amounts in thousands):

| | March 31, 2014 | | December 31, 2013 | |
|--|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Mortgage notes payable and term loan and credit facility | \$1,203,545 | \$1,218,715 | \$1,208,112 | \$1,225,064 |

Disclosure about fair value of financial instruments is based on pertinent information available to us as of March 31, 2014 and December 31, 2013. 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. Rental Income

We lease various office spaces to tenants over terms ranging from one to 18 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 consolidated statements of income as tenant expense reimbursement.

9. Commitments and Contingencies

Option properties

We have executed option agreements with affiliates of our predecessor granting us the right to acquire long-term leasehold and/or sub-leasehold interests in 1400 Broadway and/or 112 West 34th Street (including fee title interest in a small connected structure at 122 West 34th Street), both office properties in midtown Manhattan. Our subsidiary currently supervises each of the option properties pursuant to a management agreement entered into by our subsidiary and the owners of the option properties. The purchase price for each of the option properties will be based on an appraisal by independent third parties, unless we and the owners of the option properties, with the consent of the estate of Leona M. Helmsley (a member of affiliates of our predecessor and of the owners of option properties), agree to a negotiated price. We and the owners of the option properties are utilizing the appraisal process set forth in the option agreements. The deadline for the appraised value to be determined is April 7, 2014. Following such determination, we have five months (July 18, 2014) within which to decide whether to exercise the option, and approximately 90 days thereafter to close any resulting purchase. As part of the option agreements, we have agreed that Anthony E. Malkin, our Chairman, Chief Executive Officer and President, will not participate in the negotiations and valuation process on

our behalf. Our Chairman Emeritus, Peter L. Malkin, has also agreed not to participate in the process on our behalf. In addition our Board of Directors has appointed a special committee consisting of independent members of such Board to review the appraisal or negotiation process on its behalf. A majority of the independent members of such Board of Directors must approve the price and terms of the acquisition of interests in each of the option

properties. The purchase price is payable in a combination of cash, shares of our common stock and operating partnership units, but the estate of Leona M. Helmsley will have the right to elect to receive all cash. Our option expires on the later of (i) March 19, 2014 with respect to 112-122 West 34th Street and July 29, 2014 with respect to 1400 Broadway (which dates are 12 months in each case after the recently resolved litigation with respect to such property) or (ii) five months after the completion of the independent valuation described above, which completion shall not be later than six months following the closing of the Offering, but such expiration shall in no event be later than seven years from the completion of the Offering.

Legal Proceedings

Litigation

Except as described below, as of March 31, 2014, 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 consolidated financial position, operating results or liquidity.

In March 2012, five putative class actions, or the "Original Class Actions," were filed in New York State Supreme Court, New York County by investors in certain of the existing entities (constituting the predecessor and the non-controlled entities) (the "existing entities") on March 1, 2012, March 7, 2012, March 12, 2012, March 14, 2012 and March 19, 2012. The plaintiffs asserted claims against our predecessor's management companies, Anthony E. Malkin, Peter L. Malkin, the estate of Leona M. Helmsley, our operating partnership and us for breach of fiduciary duty, unjust enrichment and/or aiding and abetting breach of fiduciary duty. They alleged, among other things, that the terms of the consolidation and the process by which it was structured (including the valuation that was employed) are unfair to the investors in the existing entities, the consolidation provides excessive benefits to Malkin Holdings LLC (now our subsidiary) and its affiliates and the then-draft prospectus/consent solicitation with respect to the consolidation filed with the SEC failed to make adequate disclosure to permit a fully-informed decision about the consolidation. The complaints sought money damages and injunctive relief preventing the consolidation. The Original Class Actions were consolidated and co-lead plaintiffs' counsel were appointed by the New York State Supreme Court by order dated June 26, 2012. Furthermore, an underlying premise of the Original Class Actions, as noted in discussions among plaintiffs' counsel and defendants' counsel, was that the consolidation had been structured in such a manner that would cause investors in Empire State Building Associates L.L.C., 60 East 42nd St. Associates L.L.C. and 250 West 57th St. Associates L.L.C. (the "subject LLCs") immediately to incur substantial tax liabilities. The parties entered into a Stipulation of Settlement dated September 28, 2012, resolving the Original Class Actions. The Stipulation of Settlement recites that the consolidation was approved by overwhelming consent of the investors in the existing entities. The Stipulation of Settlement states that counsel for the plaintiff class satisfied themselves that they have received adequate access to relevant information, including the independent valuer's valuation process and methodology, that the disclosures in the Registration Statement on Form S-4, as amended, are appropriate, that the consolidation presents potential benefits, including the opportunity for liquidity and capital appreciation, that merit the investors' serious consideration and that each of the named class representatives intends to support the consolidation as modified. The Stipulation of Settlement further states that counsel for the plaintiff class are satisfied that the claims regarding tax implications, enhanced disclosures, appraisals and exchange values of the properties that would be consolidated into our company, and the interests of the investors in the existing entities, have been addressed adequately, and they have concluded that the settlement pursuant to the Stipulation of Settlement and opportunity to consider the proposed consolidation on the basis of revised consent solicitations are fair, reasonable, adequate and in the best interests of the plaintiff class.

The defendants in the Stipulation of Settlement denied that they committed any violation of law or breached any of their duties and did not admit that they had any liability to the plaintiffs.

The terms of the settlement include, among other things (i) a payment of \$55.0 million, with a minimum of 80% in cash and maximum of 20% in freely-tradable shares of common stock and/or freely-tradable operating partnership units to be distributed, after reimbursement of plaintiffs' counsel's court-approved expenses and payment of plaintiffs' counsel's court-approved attorneys' fees (which are included within the \$55.0 million settlement payment) and, in the

case of shares of common stock and/or operating partnership units, after the termination of specified lock-up periods, to investors in the existing entities pursuant to a plan of allocation to be prepared by counsel for plaintiffs; (ii) defendants' agreement that (a) the Offering would be on the basis of a firm commitment underwriting; (b) if, during the solicitation period, any of the three subject LLCs' percentage of total exchange value is lower than what was stated in the final prospectus/consent solicitation with respect to the consolidation by 10% or more, such decrease would be promptly disclosed by defendants to investors in the subject LLCs; and (c) unless total gross proceeds of \$600.0 million are raised in the Offering, defendants will not proceed with the consolidation without further approval of the subject LLCs; and (iii) defendants' agreement to make additional disclosures in the prospectus/

consent solicitation with respect to the consolidation regarding certain matters (which are included therein). Investors in the existing entities will not be required to bear any portion of the settlement payment. The payment in settlement of the Original Class Actions will be made by the estate of Leona M. Helmsley and affiliates of Malkin Holdings LLC (provided that none of Malkin Holdings LLC's affiliates that would become our direct or indirect subsidiary in the consolidation will have any liability for such payment) and certain investors, in the existing entities who agree to contribute. We will not bear any of the settlement payment.

The settlement further provides for the certification of a class of investors in the existing entities, other than defendants and other related persons and entities, and a release of any claims of the members of the class against the defendants and related persons and entities, as well as underwriters and other advisors. The release in the settlement excludes certain claims, including but not limited to, claims arising from or related to any supplement to the Registration Statement on Form S-4 that is declared effective to which the plaintiffs' counsel objects in writing, which objection will not be unreasonably made or delayed, so long as plaintiffs' counsel has had adequate opportunity to review such supplement. There was no such supplement that plaintiff's counsel objected to in writing. The settlement was subject to court approval. It is not effective until such court approval is final, including the resolution of any appeal. Defendants continue to deny any wrongdoing or liability in connection with the allegations in the Original Class Actions.

On January 18, 2013, the parties jointly moved for preliminary approval of the settlement, for permission to send notice of the settlement to the class, and for the scheduling of a final settlement hearing. On January 28, 2013, six of the investors in Empire State Building Associates L.L.C. filed an objection to preliminary approval, and cross-moved to intervene in the Original Class Actions and for permission to file a separate complaint on behalf of the investors in Empire State Building Associates L.L.C. On February 21, 2013, the court denied the cross motion of such objecting investors, and the court denied permission for such objecting investors to file a separate complaint as part of the Original Class Actions, but permitted them to file a brief solely to support their allegation that the buyout would deprive non-consenting investors in Empire State Building Associates L.L.C. of "fair value" in violation of the New York Limited Liability Company Law. The court rejected the objecting investors' assertion that preliminary approval be denied and granted preliminary approval of the settlement.

Pursuant to a decision issued on April 30, 2013, the court rejected the allegation regarding the New York Limited Liability Company Law and ruled in Malkin Holdings LLC's favor, holding that such buyout provisions are legally binding and enforceable and that investors do not have the rights they claimed under the New York Limited Liability Company Law.

On May 2, 2013, the court held a hearing regarding final approval of the Original Class Actions settlement, at the conclusion of which the court stated that it intended to approve the settlement. On May 17, 2013, the court issued its Opinion and Order. The court rejected the objections by all objectors and upheld the settlement in its entirety. Of the approximately 4,500 class members who are investors in all of the existing entities included in the consolidation, 12 opted out of the settlement. Those who opted out will not receive any share of the settlement proceeds, but can pursue separate claims for monetary damages. They are bound by the settlement agreement regarding equitable relief, so they cannot seek an injunction to halt the consolidation or the Offering. The settlement will not become final until resolution of any appeal.

Also on May 17, 2013, the court issued its Opinion and Order on attorneys' fees. Class counsel applied for an award of \$15.0 million in fees and \$295,895 in expenses, which the court reduced to \$11.59 million in fees and \$265,282 in expenses (which are included within the \$55.0 million settlement payment).

The investors who challenged the buyout provision filed a notice of appeal of the court's April 30, 2013 decision and moved before the appellate court for a stay of all proceedings relating to the settlement, including such a stay as immediate interim relief. On May 1, 2013, their request for immediate interim relief was denied. On May 13, 2013, Malkin Holdings LLC filed its brief in opposition to the motion for the stay. On June 18, 2013, the appellate court denied the motion for the stay. On July 16, 2013, these investors filed their brief and other supporting papers on their appeal of the April 30, 2013 decision, which are required to perfect the appeal. On September 4, 2013, Malkin Holdings LLC filed its brief on the appeal, and also moved to dismiss the appeal on the grounds that these investors lack standing to pursue it. Malkin Holdings LLC contended that these investors were not entitled to appraisal under

the New York Limited Liability Company Law because, among other reasons (i) they are not members of Empire State Building Associates L.L.C., and only members have such rights; (ii) the transaction in question is not a merger or consolidation as defined by statute, and appraisal only applies in those transactions; and (iii) when Empire State Building Associates L.L.C. was converted into a limited liability company, the parties agreed that no appraisal would apply. Moreover, Malkin Holdings LLC contended that only the 12 investors who opted out of the class action settlement could pursue appraisal, because that settlement contains a broad release of (and there is an associated bar order from the court preventing) any such claims. Malkin Holdings LLC further noted that of the six investors attempting to pursue the appeal, only two had in fact opted out of the class action settlement. On September 13, 2013, these investors filed

their reply brief on the appeal, and opposed the motion to dismiss. On September 19, 2013, Malkin Holdings LLC filed its reply brief on the motion to dismiss. On October 3, 2013, the appeals court denied the motion to dismiss without prejudice to address the matter directly on the appeal, effectively referring the issues raised in the motion to the panel that will hear the appeal itself. The appeals court heard argument on November 21, 2013, and in a Decision and Order dated February 25, 2014, it affirmed the trial court's ruling.

In addition, on June 20, 2013, these same investors, and one additional investor who also opposed the settlement of the Original Class Action, filed additional notices of appeal from the trial court's rulings in the Original Class Actions. These notices of appeal related to (i) the order entered February 22, 2013 granting preliminary approval of the Original Class Action settlement and setting a hearing for final approval; (ii) the order entered February 26, 2013, refusing to sign a proposed order to show cause for a preliminary injunction regarding the consolidation; (iii) an order entered April 2, 2013, denying the motion to intervene and to file a separate class action on behalf of Empire State Building Associates L.L.C. investors; (iv) the order entered April 10, 2013, refusing to sign the order to show cause seeking to extend the deadline for class members to opt out of the Original Class Action settlement; (v) the Final Judgment and Order entered May 17, 2013; (vi) the order entered May 17, 2013 approving the Original Class Action settlement; and (vii) the order entered May 17, 2013 awarding class counsel attorneys' fees and costs. On January 6, 2014, Class counsel moved to dismiss these additional appeals on the grounds that they were not timely perfected by filing an appellate brief and record. On February 6, 2014, the appeals court granted the motion unless the appeals are perfected by March 17, 2014.

On March 27, 2014, the investors who challenged the buyout provision moved in the appellate court for reargument or in the alternative for leave to appeal the appeals court's ruling to the New York Court of Appeals. Opposition to the motion was filed on April 7, 2014, and it is awaiting a ruling from the court. We cannot predict the timing or outcome of these proceedings, or, if a motion for leave is granted, the appeal process or any related relief, if such further appeal were successful. If the trial and appeals courts' decisions were reversed by the Court of Appeals, there is a risk that it could have a material adverse effect on us, which could take the form of monetary damages or other equitable relief, and the court could order some or all of the relief that the objecting investors have requested, as described above. Although there can be no assurance, we believe that the trial and appeals courts' decisions were correct, that they will be upheld on any further appeal.

On March 14, 2014, one of the investors who had filed a notice of appeal from the trial court's rulings in the Original Class Actions noted above perfected an appeal from the court's May 17, 2013 Final Judgment and Order and orders approving the Original Class Action Settlement and awarding class counsel attorneys' fees and costs. Responses to this appeal were filed April 16, 2014. We cannot predict the timing or outcome of an appeal. If the court's decision were reversed by an appellate court, there is a risk that it could have a material adverse effect on us, including the imposition of monetary damages, injunctive relief or both. Although there can be no assurance, we believe that the trial court's decision was correct, and that it will be upheld on appeal. No other appeals were filed by the March 17, 2014 deadline set by the appeals court in its February 6, 2014 order.

In addition, commencing December 24, 2013, four putative class actions, or the "Second Class Actions," were filed in New York State Supreme Court, New York County, against Malkin Holdings LLC, Peter L. Malkin, Anthony E. Malkin and Thomas N. Keltner, Jr. on behalf of former investors in Empire State Building Associates L.L.C. Generally, the Second Class Actions alleged that the defendants breached their fiduciary duties and were unjustly enriched. One of the Second Class Actions named us and our operating partnership as defendants, alleging that they aided and abetted the breaches of fiduciary duty. The Second Class Actions were consolidated on consent and co-lead class counsel was appointed by order dated February 11, 2014. A Consolidated Amended Complaint was filed February 7, 2014, which did not name us or our operating partnership as defendants. It seeks monetary damages. On March 7, 2014, defendants filed a motion to dismiss the Second Class Actions, which the plaintiffs opposed and was fully submitted to the court on April 28, 2014. We cannot predict the outcome of the motion (or if the motion is not granted, the outcome of the Second Class Actions).

We will incur costs in connection with this litigation. If the court were to rule against the defendants there is a risk that it could have a material adverse effect on us, which could take the form of monetary damages or other equitable relief.

In connection with the Offering and formation transactions, we entered into indemnification agreements with our directors, executive officers and chairman emeritus, providing for the indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against them. As a result, Anthony E. Malkin, Peter L. Malkin and Thomas N. Keltner, Jr. have defense and indemnity rights from us with respect to the Second Class Actions.

Additionally, there is a risk that other third parties will assert claims against us, Malkin Holdings LLC, or any other party entitled to defense and indemnity from us, including, without limitation, claims that Malkin Holdings LLC breached its

fiduciary duties to investors in the existing entities or that the consolidation violates the relevant operating agreements, and third parties may commence litigation related to such claims. As a result, we may incur costs associated with defending or settling such litigation or paying any judgment if we lose.

Unfunded Capital Expenditures

At March 31, 2014, we estimate that we will incur approximately \$57.1 million of capital expenditures (including tenant improvements and leasing commissions) on our wholly-owned properties pursuant to existing lease agreements. We expect to fund these capital expenditures with operating cash flow, additional property level mortgage financings, our secured credit facility, and cash on hand. 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, restricted cash, tenant and other receivables and deferred rent receivables.

Beginning January 1, 2013, non interest bearing transaction accounts are no longer insured separately from depositors' other accounts at the same Federal Deposit Insurance Corporation ("FDIC") Insured Depository Institution ("IDI"). Instead, non interest bearing transaction accounts are added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance will be insured up to at least the standard maximum deposit insurance amount of \$250,000, per depositor, at each separately chartered IDI. At March 31, 2014, we held on deposit at various major financial institutions cash and cash equivalents and restricted cash balances in excess of amounts insured by the FDIC.

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 March 31, 2014, 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

Certain of our properties have been inspected for soil contamination due to pollutants, which may have occurred prior to our ownership of these properties or subsequently in connection with its development and/or its use. Required remediation to such properties has been completed and as of March 31, 2014, our 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. We expect that resolution of the environmental matters relating to the above will not have a material impact on our business, assets, consolidated financial condition, results of operations or liquidity. 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 our operating partnership. On or after October 7, 2014,

an OP Unit may be tendered for redemption for cash, however, we have sole and absolute discretion and the authorized common stock to exchange for shares of common stock on a one-for-one basis.

Long-term incentive plan ("LTIP") units are a special class of partnership interests in our operating partnership. Each LTIP unit awarded will be deemed equivalent to an award of one share of stock under the 2013 Equity Incentive Plan ("2013 Plan"), 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. Cash distributions on each LTIP unit, whether vested or not, will be the same as those made on the OP Units. Under the terms of the LTIP units, our 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 grant until 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 our operating partnership on a one for one basis.

As of March 31, 2014, there were 245,894,321 OP Units outstanding, of which 95,618,664, or 38.9%, were owned by us and 150,275,657, or 61.1%, were owned by other limited partners, including certain directors, officers and other members of executive management.

Dividends and Distributions

During the three months ended March 31, 2014, we declared, for the first quarter of 2014, a dividend of \$0.085 per share and OP Unit, which was paid on March 31, 2014, to securityholders of record on March 14, 2014. Total dividends paid to common stockholders were \$8.1 million. Total distributions paid to OP unitholders, excluding inter-company distributions, were \$12.8 million.

Incentive and Share-Based Compensation

The 2013 Plan provides for grants to directors, employees and consultants of our company and operating partnership, stock options, restricted stock, dividend equivalents, stock payments, performance shares, LTIP units, stock appreciation rights and other incentive awards. An aggregate of 12,220,515 shares of our common stock are authorized for issuance under awards granted pursuant to the 2013 Plan, and as of March 31, 2014, 10,732,661 shares of common stock remain available for future issuance.

During the three months ended March 31, 2014, we made grants of LTIP units to executive officers under the 2013 Plan. We granted a total of 180,260 LTIP units that are subject to time-based vesting and 180,263 LTIP units that are subject to performance-based vesting, with fair market values of \$2.5 million for the time-based vesting awards and \$0.9 million for the performance-based vesting awards. The awards subject to time-based vesting vest in four substantially equal installments, subject to the grantee's continued employment. The first installment vests on January 1, 2015 and the remainder will vest thereafter in three equal annual installments. The vesting of the LTIP units subject to performance-based vesting is based on the achievement of absolute and relative total stockholder return hurdles over a three-year performance period, commencing on January 1, 2014. Following the completion of the three-year performance period, our compensation committee will determine the number of shares to which the grantee is entitled based on our performance relative to the performance hurdles set forth in the LTIP units award agreements the grantee entered into in connection with the initial award grant. These units then vest in two substantially equal installments, with the first installment vesting on January 1, 2017 and the second installment vesting on January 1, 2018, subject to the grantee's continued employment on those dates.

During the three months ended March 31, 2014, we made grants of LTIP units and restricted stock to certain other employees under the 2013 Plan. At such time, we granted a total of 22,142 LTIP units and 7,061 shares of restricted stock that are subject to time-based vesting and 22,139 LTIP units and 7,059 shares of restricted stock that are subject to performance-based vesting, with fair market values of \$0.4 million for the time-based vesting awards and \$0.2 million for the performance-based vesting awards. These shares are subject to time-based and performance-based vesting, with the terms described above.

For the performance-based LTIP units and restricted stock awards, the fair value of the awards was estimated using a Monte Carlo Simulation model. 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 a six-year 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 units and

restricted stock grants that are time-vesting, we estimate the stock compensation expense based on the fair value of the stock at the grant date.

LTIP units and restricted stock issued during the three months ended March 31, 2014 were valued at \$4.1 million. The weighted-average per unit or share fair value was \$9.70 for grants in 2014. The per unit or share granted in 2014 was estimated on the date of grant using the following assumptions: an expected life of 3.0 years, a risk-free interest rate of 0.8%, and an expected price volatility of 26.0%.

No other stock options, dividend equivalents, or stock appreciation rights were issued or outstanding in 2014.

The following is a summary of restricted stock and LTIP unit activity the three months ended March 31, 2014:

| | Restricted Stock | LTIP Units | Weighted Average Grant Price |
|---------------------------------------|------------------|------------|------------------------------|
| Unvested balance at December 31, 2013 | 156,978 | 913,561 | \$13.00 |
| Granted | 14,120 | 404,804 | 14.87 |
| Forfeited | (1,609) | — | (13.00) |
| Unvested balance at March 31, 2014 | 169,489 | 1,318,365 | \$13.53 |

The LTIP unit and restricted stock award agreements will immediately vest the later of the grantee attains the (i) age of 60 and (ii) the date on which grantee has first completed ten 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 performance-based awards, and accordingly we recognized \$0.2 million for the three months ended March 31, 2014. Unrecognized compensation expense was \$0.3 million at March 31, 2014, which will be recognized over a period of 2.6 years.

For the remainder of the LTIP unit and restricted stock awards, we recognize noncash compensation expense ratably over the vesting period, and accordingly, we recognized \$0.9 million in noncash compensation expense for the three months ended March 31, 2014. Unrecognized compensation expense was \$11.8 million at March 31, 2014, which will be recognized over a weighted average period of 3.5 years.

Earnings Per Share

Earnings per share for the three months ended March 31, 2014 is computed as follows (amounts in thousands):

Numerator:

Net income attributable to Empire State Realty Trust, Inc. - basic and diluted \$4,369

Denominator:

Weighted average shares outstanding - basic 95,575

Effective of dilutive securities - share-based compensation 42

Weighted average shares outstanding - dilutive 95,617

There were no antidilutive shares as of March 31, 2014.

11. Related Party Transactions

Option Agreements

We have executed option agreements with affiliates of our predecessor granting us the right to acquire long-term leasehold and/or sub-leasehold interests in 1400 Broadway and/or 112 West 34th Street (including fee title interest in a small connected structure at 122 West 34th Street), both office properties in midtown Manhattan. Our subsidiary currently supervises each of the option properties pursuant to a management agreement entered into by our subsidiary and the owners of the option

properties. The purchase price for each of the option properties will be based on an appraisal by independent third parties, unless we and the owners of the option properties, with the consent of the estate of Leona M. Helmsley (a member of affiliates of our predecessor and of the owners of option properties), agree to a negotiated price. We and the owners of the option properties are utilizing the appraisal process set forth in the option agreements. The deadline for the appraised value to be determined is April 7, 2014. Following such determination, we have five months (July 18, 2014) within which to decide whether to exercise the option, and approximately 90 days thereafter to close any resulting purchase. As part of the option agreements, we have agreed that Anthony E. Malkin, our Chairman, Chief Executive Officer and President, will not participate in the negotiations and valuation process on our behalf. Our Chairman Emeritus, Peter L. Malkin, has also agreed not to participate in the process. In addition our Board of Directors has appointed a special committee consisting of independent members of such Board to review the appraisal or negotiation process on its behalf. A majority of the independent members of such Board of Directors must approve the price and terms of the acquisition of interests in each of the option properties. The purchase price is payable in a combination of cash, shares of our common stock and operating partnership units, but the estate of Leona M. Helmsley will have the right to elect to receive all cash. Our option expires on the later of (i) March 19, 2014 with respect to 112-122 West 34th Street and July 29, 2014 with respect to 1400 Broadway (which dates are 12 months in each case after the recently resolved litigation with respect to such property) or (ii) five months after the completion of the independent valuation described above, which completion shall not be later than six months following the closing of the Offering, but such expiration shall in no event be later than seven years from the completion of the Offering.

Excluded Properties and Businesses

Our portfolio represents all of our predecessor's Manhattan and greater New York metropolitan area office and retail assets in which it holds a majority interest. The Malkin Group, including Anthony E. Malkin, our Chairman, Chief Executive Officer and President, owns non-controlling interests in, and Anthony E. Malkin and Peter L. Malkin control the general partners or managers of, the entities that own interests in six multi-family properties, five net leased retail properties, one former post office property in Greenwich, Connecticut which has recently commenced conversion into a single tenant property following the recent receipt of zoning authorization for such conversion, and a development parcel that is zoned for residential use. The Malkin Group also owns non-controlling interests in one Manhattan office property, two Manhattan retail properties and several retail properties outside of Manhattan, none of which will be contributed to us in the formation transactions. We refer to the non-controlling interests described above collectively as the excluded properties. In addition, the Malkin Group owns interests in six mezzanine and senior equity funds, two industrial funds, five residential property managers and a registered broker dealer, none of which was contributed to us in the formation transactions, and which we refer to collectively as the excluded businesses. The Malkin Group owns certain non-real estate family investments that will not be contributed to us in the formation transactions. Other than the Greenwich retail property, we do not believe that the excluded properties or the excluded businesses are consistent with our portfolio geographic or property type composition, management or strategic direction.

Pursuant to management and/or service agreements with the owners of interests in those excluded properties and services agreements with the five residential property managers and the managers of certain other excluded businesses which historically were managed by affiliates of our predecessor, we are designated as the manager of the excluded properties and will provide services to the owners of certain of the excluded properties and the five residential property managers and provide services and access to office space to the existing managers of the other excluded businesses (other than with respect to the registered broker dealer). As the manager or service provider, we are paid a management or other fee with respect to those excluded properties and excluded businesses (other than with respect to the registered broker dealer) where our predecessor had previously received a management fee on the same terms as the fee paid to our predecessor, and reimbursed for our costs in providing the management and other services to those excluded properties and businesses where our predecessor had not previously received a management fee. Our management of the excluded properties and provision of services to the five residential property managers and the existing managers of the other excluded businesses will represent a minimal portion of our overall business. There is no established time period in which we will manage such properties or provide services to the owners of certain of the excluded properties and the five residential property managers and provide services and access to office space to the

existing managers of the other excluded businesses and Peter L. Malkin and Anthony E. Malkin expect to sell certain of these properties or unwind certain of these businesses over time. We are not precluded from acquiring all or certain interests in the excluded properties or businesses. If we were to attempt any such acquisition, we anticipate that Anthony E. Malkin, our Chairman, Chief Executive Officer and President, will not participate in the negotiation process on our behalf with respect to our potential acquisition of any of these excluded properties or businesses and the approval of a majority of our independent directors will be required to approve any such acquisition.

Services are and were provided by us or our predecessor to affiliates of the sponsors. These affiliates were related parties because beneficial interests were or are held, directly or indirectly, by the sponsors, their affiliates and their family members.

During the three months ended March 31, 2014 and 2013, we or our predecessor engaged in various transactions with affiliates of the sponsors and their family members. These transactions are reflected in our and our predecessor's consolidated statements of income as third-party management and other fees and the unpaid balances are reflected in the due from affiliated companies on our consolidated balance sheets.

Supervisory Fee Revenue

We or our predecessor earned supervisory fees from affiliated entities not included in our and our predecessor's consolidated financial statements of \$0.5 million and \$1.3 million during the three months ended March 31, 2014 and 2013, respectively. These fees are included within third-party management and other fees.

We or our predecessor earned supervisory fees from unconsolidated entities included in our predecessor's consolidated financial statements on the equity method of \$0.2 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within third-party management and other fees.

Property Management Fee Revenue

We or our predecessor earned property management fees from affiliated entities not included in our and our predecessor's consolidated financial statements of \$0.1 million and \$0.7 million during the three months ended March 31, 2014 and 2013, respectively. These fees are included within third-party management and other fees.

We or our predecessor earned property management fees from unconsolidated entities included in our predecessor's consolidated financial statements on the equity method of \$0.07 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within third-party management and other fees.

Lease Commissions

We or our predecessor earned leasing commissions from affiliated entities not included in our and our predecessor's consolidated financial statements of \$0.4 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within third-party management and other fees.

Profit Share

We or our predecessor received additional payments equal to a specified percentage of distributions in excess of specified amounts, both being defined, from affiliated entities not included in our and our predecessor's consolidated financial statements. Our profits interest totaled \$0.4 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within other income and fees.

We or our predecessor received additional payments equal to a specified percentage of distributions in excess of specified amounts, both being defined, from unconsolidated entities included in our predecessor's consolidated financial statements on the equity method. Our predecessor's profits interest totaled \$0.1 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within other income and fees.

Other Fees and Disbursements from Non-Controlled Affiliates

We or our predecessor earned other fees and disbursements from affiliated entities not included in our and our predecessor's consolidated financial statements of \$0.2 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within other income and fees.

Our predecessor earned other fees and disbursements from unconsolidated subsidiaries included in its consolidated financial statements on the equity method of \$0.4 million during the three months ended March 31, 2013. There were no such revenues in the three months ended March 31, 2014. These fees are included within other income and fees. Included in these other fees are reimbursements from unconsolidated entities included in our predecessor's consolidated financial statements on the equity method for offering costs related to the Offering of \$0.4 million during the three months ended March 31, 2013, of which \$0.3 million were included in due from affiliated companies as of March 31, 2013. There were no such revenues in the three months ended March 31, 2014.

Family Office Services

Family office services mainly comprise accounting and bookkeeping services. During the three months ended March 31, 2014 and 2013, we and our predecessor provided certain family office services to the sponsors. The sponsors reimbursed us for direct costs in the amount of approximately \$0.1 million and \$0.3 million in 2014 and 2013, respectively.

Other

Included in Tenant and other receivables are amounts due from partners and stockholders of \$0.1 million as of March 31, 2014 and December 31, 2013.

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 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 different marketing strategies. We account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. We include our construction operation in "Other" and it includes all activities related to providing construction services to tenants and to other entities within and outside our company.

The following tables provides components of segment profit for each segment for the three months ended March 31, 2014 and 2013, as reviewed by management (amounts in thousands):

| | Three Months Ended March 31, 2014 | | | Totals |
|---------------------------------------|-----------------------------------|-------------|-----------|--------------|
| | Real Estate | Observatory | Other | |
| Revenues from external customers | \$ 108,027 | \$ 17,301 | \$ 14,978 | \$ 140,306 |
| Intersegment revenues | 15,268 | (1) — | 962 | 16,230 |
| Total revenues | 123,295 | 17,301 | 15,940 | 156,536 |
| All operating expenses | (65,562) | (20,046) | (15,115) | (100,723) |
| Interest expense | (14,337) | — | — | (14,337) |
| Depreciation and amortization expense | (30,051) | (61) | (3) | (30,115) |
| Segment profit (loss) | \$ 13,345 | \$ (2,806) | \$ 822 | \$ 11,361 |
| Segment assets | \$ 2,191,390 | \$ 245,999 | \$ 13,027 | \$ 2,450,416 |
| Expenditures for segment assets | \$ 17,243 | \$ — | \$ — | \$ 17,243 |

(1) The observatory pays a market-based rent payment comprised of fixed and percentage rent to the Empire State Building.

| | Three Months Ended March 31, 2013 | | |
|---|-----------------------------------|----------|-------------|
| | Real Estate | Other | Totals |
| Revenues from external customers | \$56,175 | \$6,182 | \$62,357 |
| Intersegment revenues | 18 | 2,773 | 2,791 |
| Total revenues | 56,193 | 8,955 | 65,148 |
| All operating expenses, excluding noncash items | (21,604 |) (8,759 |) (30,363 |
| Interest expense | (14,196 |) — | (14,196 |
| Depreciation and amortization expense | (12,149 |) (7 |) (12,156 |
| Equity in net income of non-controlled entities | 1,819 | — | 1,819 |
| Segment profit | \$10,063 | \$189 | \$10,252 |
| Segment assets | \$997,316 | \$11,024 | \$1,008,340 |
| Investment in non-controlled entities | \$77,567 | \$— | \$77,567 |
| Expenditures for segment assets | \$13,043 | \$— | \$13,043 |

The following table provides a reconciliation of segment data to the consolidated financial statements:

| | Three Months Ended March 31, | |
|--|------------------------------|-------------|
| | 2014 | 2013 |
| | Company | Predecessor |
| Revenue reconciliation | | |
| Total revenues for reportable segments | \$156,536 | \$65,148 |
| Other revenues | — | 63 |
| Elimination for intersegment revenues | (16,230 |) (2,791 |
| Total consolidated revenues | \$140,306 | \$62,420 |
| Profit or loss | | |
| Total profit or loss for reportable segments | \$11,361 | \$10,252 |
| Other profit or loss items | — | (6,325 |
| Formation transaction expenses | — | (1,695 |
| Elimination for capitalized intersegment profit or loss | (130 |) (365 |
| Unallocated amounts: | | |
| Investment income | — | 63 |
| Net income | 11,231 | \$1,930 |
| Net income attributable to non-controlling interests | (6,862 |) |
| Net income attributable to Empire State Realty Trust, Inc. | \$4,369 | |

13. Subsequent Events

There were no subsequent events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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"). For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Section. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. 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 involve numerous risks and uncertainties and you should not rely on them as predictions of future events. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," "contemplates," "aims," "continues," "would" or "anticipates" or the negative of these words and phrases or similar words or phrases. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the factors included in this Quarterly Report on Form 10-Q, including those set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our Annual Report on Form 10-K, including those set forth under the headings "Business" and "Risk Factors";
- changes in our industry and changes in the real estate markets in particular, either nationally or in Manhattan or the greater New York metropolitan area;
- resolution of the "Second Class Actions" and the appeals related to the Original Class Actions;
- reduced demand for office or retail space;
- general volatility of the capital and credit markets and the market price of our Class A common stock and our traded OP units;
- changes in our business strategy;
- defaults on, early terminations of or non-renewal of leases by tenants;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;
- litigation;
- fluctuations in interest rates and increased operating costs;
- declining real estate valuations and impairment charges;
- availability, terms and deployment of capital;
- our failure to obtain necessary outside financing, including our secured revolving and term credit facility;
- our expected leverage;
- decreased rental rates or increased vacancy rates;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- our failure to redevelop and reposition properties successfully or on the anticipated timeline or at the anticipated costs;
- difficulties in identifying properties to acquire and completing acquisitions, including potentially the option properties;
- risks of real estate acquisitions, dispositions and development (including our Metro Tower development site), including the cost of construction delays and cost overruns;
- our failure to operate acquired properties and operations successfully;
- our projected operating results;
- our ability to manage our growth effectively;

- estimates relating to our ability to make distributions to our stockholders in the future;
- impact of changes in governmental regulations, tax law and rates and similar matters;
- our failure to qualify as a REIT;
- a future terrorist event in the U.S.;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- lack or insufficient amounts of insurance;
- financial market fluctuations;
- availability of and our ability to attract and retain qualified personnel;
- conflicts of interest with our senior management team;

- our understanding of our competition;
- changes in real estate and zoning laws and increases in real property tax rates; and
- our ability to comply with the laws, rules and regulations applicable to companies and, in particular, public companies.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this Quarterly Report on Form 10-Q, except as required by applicable law. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled "Risk Factors" beginning on page 11 of our Annual Report on Form 10-K which we filed with the Securities and Exchange Commission ("SEC"). You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us.

Overview

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

With the completion of the Offering and the formation transactions, the historical operations of our predecessor and the properties that have been operated through our predecessor, were combined with our company, our operating partnership and/or their subsidiaries. The following discussion and analysis should be read in conjunction with our consolidated financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 and the notes related thereto which are included in our Annual Report on Form 10-K which we filed with the SEC, and our unaudited consolidated financial statements as of March 31, 2014 and for the three months ended March 31, 2014 and 2013 included in this Quarterly Report on Form 10-Q.

We are a self-administered and self-managed REIT that owns, manages, operates, acquires, redevelops and repositions office and retail properties in Manhattan and the greater New York metropolitan area. Our primary focus is to own, manage and operate our current portfolio and to acquire and reposition office and retail properties in Manhattan and the greater New York metropolitan area.

We were organized as a Maryland corporation on July 29, 2011. We did not have any assets other than cash and did not have any meaningful operating activity until the consummation of the Offering and the related acquisition of our predecessor and certain non-controlled entities controlled by our predecessor on October 7, 2013 as part of the formation transactions.

Our operations commenced upon completion of the Offering and related formation transactions on October 7, 2013. Our operating partnership holds substantially all of our assets and conducts substantially all of our business. As of March 31, 2014 we owned approximately 38.9% of the aggregate operating partnership units in our operating partnership. We, as the sole general partner of our operating partnership, have responsibility and discretion in the management and control of our operating partnership, and the limited partners of our operating partnership, in such capacity, have no authority to transact business for, or participate in the management activities of our operating partnership. Accordingly, our operating partnership has been consolidated by us. We intend to elect to be taxed as a REIT and operate in a manner that we believe allows us to qualify as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2013.

For all periods prior to the completion of the Offering and related formation transactions, this Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the historical financial condition and results of operations of our predecessor, which owned controlling interests in 16 properties and unconsolidated non-controlling interests in the Empire State Building (including the observatory and broadcast operations), 1350 Broadway, 1333 Broadway, and 501 Seventh Avenue, which are accounted for under the equity method of accounting and make up a significant portion of our company subsequent to the completion of the Offering and related formation transactions. Our financial condition as of March 31, 2013 and results of operations for the three months ended March

31, 2013 reflect the financial condition and results of operations of our predecessor. Our financial condition as of March 31, 2014 and results of operations for the three months ended March 31, 2014 reflect the financial condition and results of operations of our predecessor consolidated with the non-controlling interests in those four properties we acquired at the time of the Offering and related formation transactions.

We operate an integrated business that currently consists of two operating segments: real estate and observatory. Although construction contracting represented approximately 10.7% and 9.9% of our revenues for the three months ended March 31, 2014 and 2013, respectively, its relative contribution to our net income was much less significant than its contribution to our revenues.

As of March 31, 2014, our total portfolio, containing 8.4 million rentable square feet of office and retail space, was 87.2% occupied. Including signed leases not yet commenced, our total portfolio was 88.8% leased at March 31, 2014. Our Manhattan area office properties were 86.0% occupied (or 87.4% giving effect to leases signed but not yet commenced as of that date) and our greater New York metropolitan area office properties were 89.5% occupied (or 92.1% giving effect to leases signed but not yet commenced as of that date). Our office properties as a whole were 86.8% occupied (or 88.5% giving effect to leases signed but not yet commenced as of that date). Our ability to increase occupancy and rental revenue at our office properties depends on the successful completion of our repositioning program as described below and market conditions. The other component of our real estate segment, retail leasing, comprises both standalone retail properties and retail space in our Manhattan office properties. Our retail properties, including retail space in our Manhattan office properties, were 92.2% occupied (or 92.5% giving effect to leases signed but not yet commenced as of that date) as of March 31, 2014.

The Empire State Building is our flagship property. The Empire State Building provides us with a diverse source of revenue through its office and retail leases, observatory operations and broadcasting licenses, and related leased space. During the three months ended March 31, 2014 and 2013, respectively, the Empire State Building generated approximately \$40.7 million and \$29.7 million of rental revenue, excluding observatory operations. During the three months ended March 31, 2014 and 2013, the observatory operations of the Empire State Building generated approximately \$17.3 million and \$16.7 million, respectively, of revenue. Our observatory operations are a separate accounting segment following the Offering and related formation transactions. Our observatory operations are subject to regular patterns of tourist activity in Manhattan. During the past ten years of our annual observatory revenue, approximately 16% to 18% was realized in the first quarter, 26.0% to 28.0% was realized in the second quarter, 31.0% to 33.0% was realized in the third quarter, and 23.0% to 25.0% was realized in the fourth quarter.

The components of the Empire State Building revenue are as follows:

| | Three Months Ended March 31, | | | |
|--------------------------------------|------------------------------|---|-------|---|
| | 2014 | | 2013 | |
| Office leases | 45.1 | % | 33.3 | % |
| Retail leases | 4.1 | % | 5.4 | % |
| Tenant reimbursements & other income | 12.5 | % | 14.1 | % |
| Observatory operations | 29.8 | % | 36.0 | % |
| Broadcasting licenses | 8.5 | % | 11.2 | % |
| Total | 100.0 | % | 100.0 | % |

From 2002 through 2006, we gradually gained full control of the day-to-day management of our Manhattan office properties (with the estate of Leona M. Helmsley previously holding certain approval rights at some of these properties as a result of its interest in the entities owning the properties). Since then, we have been undertaking a comprehensive redevelopment and repositioning strategy of our Manhattan office properties that has included the physical improvement through upgrades and modernization of, and tenant upgrades in, such properties. Since we assumed full control of the day-to-day management of our Manhattan office properties beginning with One Grand Central Place in 2002, and through March 31, 2014, we have invested a total of approximately \$450.0 million (excluding tenant improvement costs and leasing commissions) in our Manhattan office properties pursuant to this program. Of the \$450.0 million invested pursuant to this program, \$249.0 million was invested at the Empire State Building. We currently estimate that between \$100.0 million and \$140.0 million of capital is needed beyond 2013 to complete substantially the redevelopment and repositioning program at our Manhattan office properties. We expect the redevelopment program at the Empire State Building to continue until the end of 2016 due to the size and scope of our remaining work and our desire to minimize tenant disruptions at the property. These estimates are based on our current budgets (which do not include tenant improvement and leasing commission costs) and are subject to change.

We intend to fund these capital improvements through a combination of operating cash flow and borrowings. These improvements, within our redevelopment and repositioning program, include restored, renovated and upgraded or new lobbies; elevator modernization; renovated public areas and bathrooms; refurbished or new windows; upgrade and standardization of retail storefront and signage; façade restorations; modernization of building-wide systems; and enhanced tenant amenities.

These improvements are designed to improve the overall value and attractiveness of our properties and have contributed significantly to our tenant repositioning efforts, which seek to increase our occupancy; raise our rental rates; increase our rentable square feet; increase our aggregate rental revenue; lengthen our average lease term; increase our average lease size; and improve our tenant credit quality. We have also aggregated smaller spaces in order to offer larger blocks of office space, including multiple floors, that are attractive to larger, higher credit-quality tenants and to offer new, pre-built suites with improved layouts. This strategy has shown what we believe to be attractive results to date, and we believe has the potential to improve our operating margins and cash flows in the future. We believe we will continue to enhance our tenant base and improve rents as our pre-redevelopment leases continue to expire and be re-leased.

As of March 31, 2014, we have approximately \$196.5 million of debt maturing in 2014 and approximately \$90.0 million maturing in 2015, and we have total debt outstanding of approximately \$1.2 billion, with a weighted average interest rate of 4.55% and a weighted average maturity of 2.9 years and 69.0% of which is fixed-rate indebtedness. 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. Given our current liquidity, including availability under our secured revolving credit facility, and the low leverage financing of our 2014 and 2015 balloon maturities, we believe we will be able to refinance those maturities.

Our Predecessor

See Note 1 to the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for an overview of our predecessor and the non-controlled entities.

Factors That May Influence Future Results of Operations

Rental Revenue

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

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

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

Tenant Credit Risk

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

Leasing

Leasing activity has remained strong. On a combined basis, we, our predecessor and the non-controlled entities, signed 1.1 million, 1.1 million, and 1.5 million rentable square feet of new leases, expansions and lease renewals, for the years ended December 31, 2013, 2012, and 2011, respectively. During the three months ended March 31, 2014, we signed approximately 191,000 rentable square feet of new leases, expansions and renewals.

Due to the relatively small number of leases that are signed in any particular quarter, one or more larger leases may have a disproportionately positive or negative impact on average 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 March 31, 2014, there were approximately 0.9 million rentable square feet of space in our portfolio available to lease (excluding leases signed but not yet commenced) representing 11.1% of the net rentable square footage of the properties in our portfolio. In addition, leases representing 4.5% and 8.5% of net rentable square footage of the properties in our portfolio will expire in 2014 and in 2015, respectively. These leases are expected to represent approximately 5.0% and 9.4%, 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 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.

We believe that as we complete the redevelopment and repositioning of our properties we will, over the long-term, experience increased occupancy levels and rents. Over the short term, as we renovate and reposition our properties, which includes aggregating smaller spaces to offer large blocks of space, we may experience lower occupancy levels as a result of having to relocate tenants to alternative space and the strategic expiration of existing leases. We believe that despite the short-term lower occupancy levels we may experience, we will continue to experience increased rental revenues as a result of the increased rents which we expect to obtain in following the redevelopment and repositioning of our properties.

Market Conditions

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

Observatory operations

The Empire State Building Observatory revenue for the first quarter grew 3.6% to \$17.3 million, from \$16.7 million in the first quarter of 2013, due to higher admission pricing and a more profitable mix of ticket sales implemented during 2013. The Observatory hosted approximately 644,000 visitors in the first quarter 2014, representing a 6.3% decrease from the same period of 2013. The decrease in attendance was attributable to the shift of the Easter holiday week from the first quarter 2013 to the second quarter 2014. In addition, there were a historically large number of zero visibility days and cancelled flights to and from New York City due to severe weather.

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

Operating expenses

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

The expenses of owning and operating a property are not necessarily reduced when circumstances, such as market factors and competition, cause a reduction in income from the property. If revenues drop, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes and maintenance generally, will not be materially reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. As a

37

result, if revenues decrease in the future, static operating costs may adversely affect our future cash flow and results of operations. If similar economic conditions exist in the future, we may experience future losses.

During March 2014, we gave a 30-day notice to the managing agent at two of our properties that we were terminating their contracts as of April 1, 2014. As a result, we currently self-manage all properties in our portfolio.

Cost of funds and interest rates

We expect future changes in interest rates will impact our overall performance. Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. While we may seek to manage our exposure to future changes in rates, portions of our overall outstanding debt will likely remain at floating rates. As of March 31, 2014, our floating rate debt represented 31.0% of our indebtedness. This floating rate debt included \$372.7 million of borrowings as of March 31, 2014. Our floating rate debt may increase to the extent we use available borrowing capacity under our loans to fund capital improvements. We continually evaluate our debt maturities, and, based on management's current assessment, believe we have viable financing and refinancing alternatives that will not materially adversely impact our expected financial results. As of March 31, 2014, we have approximately \$196.5 million of debt maturities in 2014 and approximately \$90.0 million of maturities in 2015.

Competition

The leasing of real estate is highly competitive in Manhattan and the greater New York metropolitan market in which we operate. We compete with numerous acquirers, developers, owners and operators of commercial real estate, many of which own or may seek to acquire or develop properties similar to ours in the same markets in which our properties are located. The principal means of competition are rent charged, location, services provided and the nature and condition of the facility to be leased. In addition, we face competition from other real estate companies including other REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or are less attractive from a financial viewpoint than we are willing to pursue. In addition, competition from observatory and/or broadcasting operations at One World Trade Center and, to a lesser extent, from the existing observatory at Rockefeller Center and the existing broadcasting facility at Four Times Square, could have a negative impact on revenues from our observatory and/or broadcasting operations. Adverse impacts on domestic travel and changes in foreign currency exchange rates may also decrease demand in the future, which could have a material adverse effect on our results of operations, financial condition and ability to make distributions to our stockholders. If our competitors offer space at rental rates below current market rates, below the rental rates we currently charge our tenants, in better locations within our markets or in higher quality facilities, we may lose potential tenants and may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire.

Critical Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with GAAP and with the rules and regulations of the SEC represent our assets and liabilities and operating results. The consolidated financial statements include our accounts and our wholly-owned subsidiaries as well as our operating partnership and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. For purposes of comparison, certain items shown in the 2013 consolidated financial statements have been reclassified to conform to the presentation used for 2014.

Our predecessor's consolidated financial statements include all the accounts and operations of our predecessor. The real estate entities included in the accompanying consolidated financial statements have been consolidated on the basis that, for the periods presented, such entities were under common control, common management and common ownership of the sponsors. Equity interests in the entities that were not controlled by the sponsors are shown as investments in non-controlled entities. We acquired these interests as a result of the formation transactions.

Our predecessor consolidated variable interest entities, or VIEs, in which it was considered a primary beneficiary. The primary beneficiary 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. We had no VIEs as of March 31, 2014.

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

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

Accounting Estimates

The preparation of the 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 and other long-lived assets, estimate of percentage of completion on construction contracts, valuation of the allowance for doubtful accounts, and valuation of 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.

Revenue Recognition

Rental Revenue

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

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

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the Consumer Price Index over the index value in effect during a base year.

We will recognize rental revenue of acquired in-place above- and below-market leases at their fair values over the terms of the respective leases, including, for below-market leases, fixed option renewal periods, if any.

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

Observatory Revenue

Revenue from the sale of Observatory tickets are recognized upon admission or ticket expirations. Deferred income related to unused and unexpired tickets as of March 31, 2014 was \$5.3 million.

Construction Revenue

Revenues from construction contracts are recognized under the percentage-of completion method. Under this method, progress towards completion is recognized according to the ratio of incurred costs to estimated total costs. This method is used because management considers the “cost-to-cost” method the most appropriate in the circumstances. Contract costs include all direct material, direct labor and other direct costs and an allocation of certain overhead related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Gains on Sale of Real Estate

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

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

Third-Party Management, Leasing and Other Fees

We earn revenue arising from contractual agreements with affiliated entities. This revenue is recognized as the related services are performed under the respective agreements in place.

Real Estate Properties and Related Intangible Assets

Land and buildings and improvements are recorded at cost less accumulated depreciation and amortization. The recorded cost includes cost of acquisitions, development and construction and tenant allowances and improvements. Expenditures for ordinary repairs and maintenance are charged to operations as incurred. Significant replacements and betterments which improve or extend the life of the asset are capitalized. Tenant improvements which improve or extend the life of the asset are capitalized. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any tenant improvements are written off if they are replaced or have no future value. For developed properties, direct and indirect costs that clearly relate to projects under development are capitalized. Costs include construction costs, professional services such as architectural and legal costs, travel expenses, capitalized interest and direct payroll and other acquisition costs. We begin capitalization when the project is probable.

Capitalization of interest ceases when the property is ready for its intended use, which is generally near the date that a certificate of occupancy is obtained.

Depreciation and amortization are computed using the straight-line method for financial reporting purposes. Buildings and improvements are depreciated over the shorter of 39 years, the useful life, or the remaining term of any leasehold interest. Tenant improvement costs, which are included in building and improvements in the consolidated balance sheets, are depreciated over the shorter of (i) the related remaining lease term or (ii) the life of the improvement.

Corporate equipment, which is included in “Other assets,” is depreciated over three to seven years.

Acquisitions of properties are accounted for utilizing the acquisition method and accordingly the purchase cost is allocated to tangible and intangible assets and liabilities based on their fair values. The fair value of tangible assets acquired is determined by valuing the property as if it were vacant, applying methods similar to those used by independent appraisers of income-producing property. The resulting value is then allocated to land, buildings and improvements, and tenant improvements based on our determination of the fair value of these assets. The assumptions used in the allocation of fair values to assets acquired are based on our best estimates at the time of evaluation.

Fair value is assigned to above-market and below-market leases based on the difference between (a) the contractual amounts to be paid by the tenant based on the existing lease and (b) our estimate of current market lease rates for the corresponding in-place leases, over the remaining terms of the in-place leases. Capitalized above-market lease amounts are amortized as a decrease to rental revenue over the remaining terms of the respective leases. Capitalized below-market lease amounts are amortized as an increase to rental revenue over the remaining terms of the respective leases. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off.

The aggregate value of other acquired intangible assets consists of acquired ground leases and acquired in-place leases and tenant relationships. The fair value allocated to acquired in-place leases consists of a variety of components including, but not necessarily limited to: (a) the value associated with avoiding the cost of originating the acquired in-place leases (i.e. the market cost to execute a lease, including leasing commissions and legal fees, if any); (b) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the assumed lease-up period (i.e. real estate taxes, insurance and other operating expenses); (c) the value associated with lost rental revenue from existing leases during the assumed lease-up period; and (d) the value associated with any other inducements to secure a tenant lease.

Regarding certain of our 2013 property acquisitions, the fair value asset and liability allocations are preliminary and may be adjusted as final information becomes available.

We assess the potential for impairment of our long-lived assets, including real estate properties, annually or whenever events occur or a change in circumstances indicate that the recorded value might not be fully recoverable. We determine whether impairment in value has occurred by comparing the estimated future undiscounted cash flows expected from the use and eventual disposition of the asset to its carrying value. If the undiscounted cash flows do not exceed the carrying value, the real estate is adjusted to fair value and an impairment loss is recognized. Assets held for sale are recorded at the lower of cost or fair value less costs to sell. We do not believe that the value of any of our properties and intangible assets were impaired during the three months ended March 31, 2014.

All operations and gains and losses associated with sales of real estate property or assets classified as held for sale are reclassified and presented as discontinued operations.

Cash and Cash Equivalents

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

Deferred Lease Costs

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

Deferred Financing Costs

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

Equity Method Investments

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

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

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

On a periodic basis, we assess whether there are any indicators that the carrying value of our investments in entities may be impaired on an other than temporary basis. An investment is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment on an other than temporary basis. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying value of the investment over the fair value of the investment.

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

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

The revenues and expenses of our non-controlled entities, including those generated by our observatory operations and our broadcasting operations, are not included in the historical operating results of our predecessor. These revenues and expenses are included in the non-controlled entities' financial statements and we recognize our share of net income, including those generated by our observatory operations and our broadcasting operations, through our share of equity in earnings. Upon completion of the Offering and the formation transactions, the operations of our non-controlled entities, including our observatory operations and our broadcasting operations, were combined with our company, our operating partnership and/or our subsidiaries.

As of March 31, 2014 and December 31, 2013, we had no equity method investments.

Goodwill

Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill. Non-amortizing intangible assets, such as trade names and trademarks, are subject to an annual impairment test based on fair value and amortizing intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Fair Value

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the

hierarchy).

42

We use the following methods and assumptions in estimating fair value disclosures for financial instruments. For cash and cash equivalents, restricted cash, tenant and other receivables, prepaid expenses and other assets, accrued interest payable, due to or from affiliate companies, deferred revenue, tenant security deposits, accounts payable and accrued expenses in our consolidated balance sheets approximate their fair value due to the short term maturity of these instruments.

The fair value of our mortgage notes payable and term loan and 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 to us.

The methodologies used for valuing financial instruments have been categorized into three broad levels as follows: Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

• Quoted prices in active markets for similar instruments;

• Quoted prices in less active or inactive markets for identical or similar instruments;

• Other observable inputs (such as risk free interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates); and

• Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs, including:

• Valuations based on third-party indications (broker quotes or counterparty quotes) which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 3 valuations; and

• Valuations based on internal models with significant unobservable inputs.

These levels form a hierarchy. We follow this hierarchy for our financial instruments measured or disclosed at fair value on a recurring and nonrecurring basis and other required fair value disclosures. The classifications are based on the lowest level of input that is significant to the fair value measurement.

Income Taxes

We intend to elect to be taxed as a REIT under sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2013. REITs are subject to a number of organizational and operational requirements, including a requirement that 90% of ordinary "REIT taxable income" (as determined without regard to the dividends paid deduction or net capital gains) be distributed. As a REIT, we will generally not be subject to U.S. federal income tax to the extent that we meet the organizational and operational requirements and our distributions equal or exceed REIT taxable income. For all periods subsequent to the effective date of our REIT election, we have met the organizational and operational requirements and distributions have exceeded net taxable income. Accordingly, no provision has been made for federal and state income taxes.

We have elected to treat ESRT Observatory TRS, L.L.C., our subsidiary which holds our observatory operations, and ESRT Holdings TRS, L.L.C., our subsidiary that holds our third party management, construction, cafeteria, health club and cleaning operations, as taxable REIT subsidiaries. Taxable REIT subsidiaries may participate in non-real estate activities and/or perform non-customary services for tenants and their operations are generally subject to regular corporate income taxes. Our taxable REIT subsidiaries accounts for its income taxes in accordance with GAAP, which includes an estimate of the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. The calculation of the taxable REIT subsidiaries' tax provisions may require interpreting tax laws and regulations and could result in the use of judgments or estimates which could cause its recorded tax liability to differ from the actual amount due. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The taxable REIT subsidiaries periodically assess the realizability of deferred tax assets and the

adequacy of deferred tax liabilities, including the results of local, state, or federal statutory tax audits or estimates and judgments used.

We apply provisions for measuring and recognizing tax benefits associated with uncertain tax positions. Penalties and interest, if incurred, would be recorded as a component of marketing, general and administrative expenses. As of March 31, 2014 and 2013, we do not have a liability for uncertain tax positions. As of March 31, 2014, the tax years ended December 31, 2010 through December 31, 2013 remain open for an audit by the Internal Revenue Service and state authorities. We have not received a notice of audit from the Internal Revenue Service and state authorities for any of the open tax years.

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

Two of the limited liability companies in our predecessor had non-real estate income subject to NYCUBT. As of March 31, 2013, both entities generated taxable income. No provision or liability for U.S. federal, state, or local income taxes has been included in our predecessor's consolidated financial statements as current year taxable income as referred to above is fully offset by a NYCUBT net operating loss carry forward from previous years.

Share-Based Compensation

Share-based compensation 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 vesting period. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of our stock, expected dividend yield, expected term, and assumptions of whether these awards will achieve parity with other operating partnership units or achieve performance thresholds. We believe that the assumptions and estimates utilized are appropriate based on the information available to management at the time of grant.

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 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 different marketing strategies. We account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. We include our construction operation in "Other" and includes all activities related to providing construction services to tenants and to other entities within and outside our company.

Results of Operations

Overview

The discussion below relates to the financial condition and results of operations for the three months ended March 31, 2014 and 2013.

Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013

The following table summarizes the historical results of operations for the three months ended March 31, 2014 and 2013:

| | Three Months Ended March 31, | | | | |
|---|------------------------------|----------|----------|---------|----|
| | 2014 | 2013 | Change | % | |
| Revenues: | | | | | |
| Rental revenue ⁽¹⁾ | \$90,204 | \$45,266 | \$44,938 | 99.3 | % |
| Tenant expense reimbursement | 15,153 | 6,589 | 8,564 | 130.0 | % |
| Observatory revenue | 17,301 | — | 17,301 | 100.0 | % |
| Construction revenue | 14,963 | 6,182 | 8,781 | 142.0 | % |
| Third-party management and other fees | 611 | 2,657 | (2,046) | (77.0) |)% |
| Other revenues and fees | 2,074 | 1,726 | 348 | 20.2 | % |
| Total revenues | 140,306 | 62,420 | 77,886 | 124.8 | % |
| Operating expenses: | | | | | |
| Property operating expenses | 36,311 | 13,806 | 22,505 | 163.0 | % |
| Marketing, general and administrative expenses | 8,675 | 6,325 | 2,350 | 37.2 | % |
| Observatory expenses | 6,981 | — | 6,981 | 100.0 | % |
| Construction expenses | 14,283 | 6,260 | 8,023 | 128.2 | % |
| Real estate taxes | 18,373 | 7,871 | 10,502 | 133.4 | % |
| Formation transaction expenses | — | 1,695 | (1,695) | (100.0) |)% |
| Depreciation and amortization | 30,115 | 12,156 | 17,959 | 147.7 | % |
| Total operating expenses | 114,738 | 48,113 | 66,625 | 138.5 | % |
| Operating income | 25,568 | 14,307 | 11,261 | 78.7 | % |
| Other income (expense): | | | | | |
| Equity in net income of non-controlled entities | — | 1,819 | (1,819) | (100.0) |)% |
| Interest expense | (14,337) | (14,196) | (141) | 1.0 | % |
| Net income | \$11,231 | \$1,930 | \$9,301 | 481.9 | % |

(1) Includes \$6,056 of leasehold rent for the three months ended March 31, 2013.

Rental Revenue

The increase in rental income was primarily attributable to the acquisition of the four non-controlled properties upon the completion of the Offering and related formation transactions on October 7, 2013, which increased rental revenue by \$42.5 million.

Tenant Expense Reimbursement

The increase in tenant expense reimbursement is primarily attributable to the acquisition of the four non-controlled properties upon the completion of the Offering and related formation transactions on October 7, 2013, which increased tenant expense reimbursement by \$8.3 million.

Observatory Revenue

Observatory revenue increased by \$17.3 million and is attributable to the acquisition of the observatory operations from the non-controlled entity Empire State Building Company, L.L.C., upon the completion of the Offering and related formation transactions on October 7, 2013, and the operations of the observatory are now included in our consolidated results.

Construction Revenue

The increase in construction revenue is attributable to a larger volume of significant construction projects during the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase in the number of projects is primarily due to the timing of the short duration projects.

Third-Party Management and Other Fees

The decrease in third party management and other fees revenue is primarily due to acquisition of the non-controlled entities and the subsequent elimination of fees due to consolidation.

Other Revenues and Fees

The increase in other revenues and fees is primarily due to \$0.3 million of lease cancellation income received in the three months ended March 31, 2014, compared to none in the prior period.

Property Operating Expenses

The increase in property operating expenses is primarily attributable to the acquisition of the four non-controlled properties upon the completion of the Offering and related formation transactions on October 7, 2013, which increased property operating expenses by \$20.9 million.

Marketing, General and Administrative Expenses

Marketing, General and Administrative expenses increased due to higher payroll expenses of \$2.6 million, equity compensation expense of \$1.1 million and higher insurance expenses of \$0.4 million, partially offset by an income tax benefit of \$2.2 million due to a loss in our TRS, which we intend to carry against future taxable income in the TRS.

Observatory Expenses

Observatory expenses increased by \$7.0 million and is attributable to the acquisition of the observatory operations from the non-controlled entity Empire State Building Company, L.L.C., upon the completion of the Offering and related formation transactions on October 7, 2013, and the operations of the observatory are now included in our consolidated results.

Construction Expenses

The increase in construction expenses correlates with the higher volume of construction projects as described above in Construction Revenue.

Real Estate Taxes

The increase in real estate taxes is primarily attributable to the acquisition of the four non-controlled properties upon the completion of the Offering and related formation transactions on October 7, 2013, which increased real estate taxes by \$10.1 million. The remaining increase was primarily attributable to an aggregate increase of \$0.3 million at 250 West 57th Street, 1359 Broadway, One Grand Central Place and 1542 Third Avenue.

Formation Transaction Expenses

Formation transaction expenses decreased by \$1.7 million, or 100.0%, due to the completion of the formation transactions in 2013.

Depreciation and Amortization

The increase in depreciation and amortization is primarily attributable to the acquisition of the four non-controlled properties upon the completion of the Offering and related formation transactions on October 7, 2013, which increased depreciation and amortization by \$14.9 million. The remaining increase in depreciation and amortization is primarily the result of improvements made at the Empire State Building and One Grand Central Place.

Interest Expense

Interest expense (including amortization of deferred financing costs and debt premiums) increased by \$0.1 million, or 1.0%, to \$14.3 million for the three months ended March 31, 2014 from \$14.2 million for the three months ended March 31, 2013. The increase is due to the acquisition, offset by lower interest rates on the secured term and credit facility.

Liquidity and Capital Resources

At March 31, 2014, we had approximately \$44.7 million available in cash and cash equivalents and there was \$444.3 million available under our secured revolving credit facility.

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 stockholders and 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 Code to distribute to our stockholders, on an

annual basis, at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. We expect to make quarterly distributions to our 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 and cash generated from our operating activities, mortgage financings and unused borrowing capacity under our secured revolving and term 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, and available borrowing capacity under our loans and secured revolving and term 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 (including potentially the option properties), redevelopments and capital expenditures through our cash flows from operations, our secured revolving and term 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 improvements 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.

As of March 31, 2014, we had approximately \$1.2 billion of total consolidated indebtedness outstanding, with a weighted average interest rate of 4.55% and a weighted average maturity of 2.9 years. We have approximately \$196.5 million of debt maturing in 2014 and approximately \$90.0 million maturing in 2015. Given our current liquidity, including availability under our secured revolving credit facility, and the low leverage financing of our 2014 and 2015 balloon maturities, we believe we will be able to refinance those maturities.

Secured Revolving and Term Credit Facility

Our secured revolving and term credit facility has a maximum aggregate original principal amount of up to \$800.0 million. Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) acted as joint lead arranger and joint bookrunner, Bank of America, N.A. (“Bank of America”), an affiliate of Merrill Lynch, acts as administrative agent and Goldman Sachs Bank USA, an affiliate of Goldman Sachs & Co., acts as syndication agent, joint lead arranger and joint bookrunner, with respect to the revolving credit and term loan facilities, which are collectively referred to herein as the secured revolving and term credit facility. The secured revolving and term credit facility is comprised of a term loan A and a term loan B, which are referred to herein as the term loan, and a revolving credit facility, which is referred to herein as the revolving credit facility, in the maximum original principal amount of the difference between \$800.0 million and the original balance under the term loan. The secured revolving and term credit facility contains an accordion feature that will allow us to increase the maximum aggregate principal amount to \$1.25 billion under specified circumstances. We expect to use the secured revolving and term credit facility to, among other things, fund capital expenditures and tenant improvements and leasing commissions, potential acquisitions, development and redevelopment of real estate properties, general corporate matters and working capital. As of March 31, 2014, the outstanding balance on the secured revolving and term credit facility was \$325.0 million.

We and certain of our subsidiaries are guarantors of the secured revolving and term credit facility and pledged specified equity interests in our subsidiaries as collateral for our obligations under the secured revolving and term credit facility. We refer to us, our operating partnership and our subsidiaries who will be guarantors collectively as the loan parties.

Availability. The amount available to us under the secured revolving and term credit facility is based on adjusted net operating income from all of the borrowing base properties, and subject to parameters that reference a minimum debt service coverage ratio and an assumed amortization term and interest rate.

Interest. Amounts outstanding under the term loan bear interest at a floating rate equal to, at our election, (x) a Eurodollar rate, plus a spread ranging from 1.00% to 2.00% depending upon our leverage ratio and credit rating

which, at March 31, 2014, was 1.35%; or (y) a base rate, plus a spread ranging from 0.00% to 1.00% depending upon our leverage ratio and credit rating which, at March 31, 2014, was 0.35%. Amounts outstanding under the revolving credit facility bear interest at a floating rate equal to, at our election, (x) a Eurodollar rate, plus a spread ranging from 0.925% to 1.70% depending upon our leverage ratio and credit rating which, at March 31, 2014, was 1.20%; or (y) a base rate, plus a spread ranging from 0.00% to 0.70% depending upon our leverage ratio and credit rating which, at March 31, 2014, was 0.20%. In addition, the revolving credit facility permits us to borrow at competitive bid rates determined in accordance with the

procedures described in the revolving credit facility.

Fees. We paid certain customary fees and expense reimbursements.

Maturity. The term loan has a term of five years and the revolving credit facility has an initial term of four years. We have the option to extend the initial term of the revolving credit facility for an additional one-year period, subject to certain conditions, including the payment of an extension fee equal to 0.20% of the then-outstanding commitments under the revolving credit facility.

Financial Covenants. The secured revolving and term credit facility includes the following financial covenants: (i) maximum leverage ratio of total indebtedness to total asset value of the loan parties and their consolidated subsidiaries will not exceed 60%, (ii) consolidated secured indebtedness (excluding the secured revolving and term credit facility) will not exceed 40% of total asset value, (iii) tangible net worth will not be less than the sum of 80% of tangible net worth at the closing of the secured revolving and term credit facility plus 75% of net equity proceeds received by us after the closing date (other than proceeds received by us in connection with any dividend reinvestment program), (iv) adjusted EBITDA (as defined in the secured revolving and term credit facility) to consolidated fixed charges will not be less than 1.50x, (v) consolidated variable rate debt will not exceed 25% of total asset value and (vi) consolidated secured recourse indebtedness (excluding the secured revolving and term credit facility) will not exceed 10% of total asset value. Subject to certain customary exceptions and excluding dividends and distributions payable solely in our common stock, we are restricted from paying dividends or other distributions in excess of the greater of (x) 95% of funds from operations (as defined in the secured revolving and term credit facility) and (y) the amount of dividends and other distributions we are required to pay in order to maintain our qualification as a REIT and (other than during an event of default) to avoid the payment of federal or state income or excise tax; provided, that if certain events of default exist, we may be precluded from paying any dividends or other distributions. As of March 31, 2014, we were in compliance with the covenants:

| Financial covenant | Required | March 31, 2014 | |
|---------------------------------------|-----------|----------------|---|
| Maximum total leverage | < 60% | 31.8 | % |
| Maximum secured debt | < 40% | 23.2 | % |
| Minimum fixed charge coverage | > 1.5x | 2.8x | |
| Maximum variable rate indebtedness | < 25% | 9.8 | % |
| Maximum secured recourse indebtedness | < 10% | — | % |
| Minimum tangible net worth | \$689,800 | \$802,500 | |

Other Covenants. In addition, the secured revolving and term credit facility contains customary covenants, including limitations on liens, investment, debt, fundamental changes, transactions with affiliates and requires us to provide certain customary financial reports.

Events of Default. The secured revolving and term credit facility contains 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 defined in the secured revolving and term credit facility).

Mortgage debt and other loans

As of March 31, 2014, we had mortgage debt outstanding of \$878.6 million. There were no borrowings or repayments during the three months ended March 31, 2014, except for monthly principal amortization payments.

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, however, we initially intend to maintain a level of indebtedness consistent with our plan to seek an investment grade credit rating. 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 table summarizes our tenant improvement costs, leasing commission costs and our capital expenditures for our 18 properties as if they were consolidated for each of the periods presented (dollars in thousands, except per square foot amounts):

Office Properties⁽¹⁾

| | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2014 | 2013 |
| Total New Leases, Expansions, and Renewals | | |
| Number of leases signed ⁽²⁾ | 49 | 46 |
| Total square feet | 190,966 | 185,975 |
| Leasing commission costs ⁽³⁾ | \$2,816 | \$1,733 |
| Tenant improvement costs ⁽³⁾ | 10,208 | 9,397 |
| Total leasing commissions and tenant improvement costs ⁽³⁾ | \$13,024 | \$11,130 |
| Leasing commission costs per square foot ⁽³⁾ | \$14.75 | \$9.32 |
| Tenant improvement costs per square foot ⁽³⁾ | 53.46 | 50.53 |
| Total leasing commissions and tenant improvement costs per square foot ⁽³⁾ | \$68.21 | \$59.85 |

Retail Properties⁽⁴⁾

| | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2014 | 2013 |
| Total New Leases, Expansions, and Renewals | | |
| Number of leases signed ⁽²⁾ | 1 | 3 |
| Total Square Feet | 353 | 5,335 |
| Leasing commission costs ⁽³⁾ | \$6 | \$589 |
| Tenant improvement costs ⁽³⁾ | — | 74 |
| Total leasing commissions and tenant improvement costs ⁽³⁾ | \$6 | \$663 |
| Leasing commission costs per square foot ⁽³⁾ | \$18.05 | \$110.37 |
| Tenant improvement costs per square foot ⁽³⁾ | — | 13.96 |
| Total leasing commissions and tenant improvement costs per square foot ⁽³⁾ | \$18.05 | \$124.33 |

(1) Excludes an aggregate of 419,812 rentable square feet of retail space in our Manhattan office properties. Includes the Empire State Building broadcasting licenses and observatory operations.

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

(3) 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.

(4) Includes an aggregate of 419,812 rentable square feet of retail space in our Manhattan office properties. Excludes the Empire State Building broadcasting licenses and observatory operations.

| | Three Months Ended March 31, | |
|-------------------------------------|------------------------------|----------|
| | 2014 | 2013 |
| Total Portfolio | | |
| Capital expenditures ⁽¹⁾ | \$12,343 | \$10,432 |

Includes all capital expenditures, excluding tenant improvements and leasing commission costs, which are (1) primarily attributable to the redevelopment and repositioning program conducted at our Manhattan office properties.

As of March 31, 2014, we expect to incur additional costs relating to obligations under signed new leases of approximately \$62.0 million during the 12 months ending March 31, 2015. This consists of approximately \$61.1 million for tenant improvements and other improvements related to new leases and approximately \$0.9 million on leasing commissions

expected to be incurred in the 12 months ending March 31, 2015. We intend to fund the tenant improvements and leasing commission costs through a combination of operating cash flow and borrowings under the secured revolving and term credit facility.

Capital expenditures are considered part of both our short-term and long-term liquidity requirements. We currently estimate that between \$100.0 million and \$140.0 million of capital is needed beyond 2013 to complete substantially the redevelopment program at our Manhattan office properties, which we expect to occur by the end of 2016 due to the size and scope of our remaining work and our desire to minimize tenant disruptions. However, these estimates are based on current budgets and are subject to change. We intend to fund the capital improvements to complete the redevelopment and repositioning program through a combination of operating cash flow and borrowings under the secured revolving and term credit facility.

Contractual Obligations

The following table summarizes the amounts due in connection with our contractual obligations described below for the years ending December 31, 2014 (assuming all debt obligations as of March 31, 2014 were outstanding as of January 1, 2014) through 2018 and thereafter (amounts in thousands).

| | Year Ended December 31 | | | | | | Total |
|---|------------------------|-----------|-----------|-----------|-----------|------------|-------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | |
| Mortgages and other debt ⁽¹⁾ | | | | | | | |
| Interest expense | \$51,329 | \$38,701 | \$32,878 | \$22,905 | \$4,927 | \$— | \$150,740 |
| Amortization | 15,058 | 10,036 | 7,918 | 5,393 | 306 | — | 38,711 |
| Principal repayment | 193,407 | 88,445 | 91,572 | 380,761 | 403,441 | — | 1,157,626 |
| Ground lease | 108 | 108 | 108 | 108 | 108 | 2,655 | 3,195 |
| Tenant improvement and leasing commission costs | 60,990 | 960 | — | — | — | — | 61,950 |
| Total | \$320,892 | \$138,250 | \$132,476 | \$409,167 | \$408,782 | \$2,655 | \$1,412,222 |

(1) Assumes no extension options are exercised.

Off-Balance Sheet Arrangements

As of March 31, 2014, we did not have any off-balance sheet arrangements.

Distribution Policy

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

Before we pay any distribution, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and obligations to make payments of principal and interest, if any. However, under some circumstances, we may be required to use cash reserves, incur debt or liquidate assets at rates or times that we regard as unfavorable or make a taxable distribution of our shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% nondeductible excise tax in that year.

Cash Flows

Comparison of Three Months Ended March 31, 2014 to the Three Months Ended March 31, 2013

Net cash. Cash on hand was \$44.7 million and \$105.6 million, respectively, as of March 31, 2014 and 2013.

Operating activities. Net cash provided by operating activities decreased by \$19.3 million to \$23.9 million for the three months ended March 31, 2014 compared to \$43.2 million for the three months ended March 31, 2013. For the three

months ended March 31, 2013, our predecessor received \$24.2 million of additional rent associated with the operating lease agreement with Empire State Building Company, L.L.C. Due to the acquisition of Empire State Building Company, L.L.C. in October 2013, there was no such receipt in the three months ended March 31, 2014.

Investing activities. Net cash used in investing activities increased by \$2.2 million to \$15.0 million for the three months ended March 31, 2014 compared to \$12.8 million for the three months ended March 31, 2013.

Financing activities. Net cash (used in) provided by financing activities decreased by \$48.5 million to (\$24.9 million) for the three months ended March 31, 2014 compared to \$23.6 million for the three months ended March 31, 2013.

The decrease is primarily due to \$50.0 million in net borrowings in the three months ended March 31, 2013 in connection with the renovation program at the Empire State Building.

Net Operating Income

Our financial reports include a discussion of property net operating income, or NOI. NOI is a non-GAAP financial measure of performance. NOI is used by investors and our management to evaluate and compare the performance of our properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by; (i) the cost of funds of the property owner, (ii) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP, (iii) acquisition expenses and formation transaction expenses, 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 net operating income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital which may have changed or may change in the future.

Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our office or retail properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed, purchases or sales. We believe that eliminating these costs from net income is useful because the resulting measure captures the actual revenue, generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income which further limits its usefulness. NOI is a measure of the operating performance of our properties but does not measure 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 entitled measures and, accordingly, our NOI may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

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

| | Three Months Ended March 31, | |
|--|------------------------------|-----------------|
| | 2014 | 2013 |
| | The Company | The Predecessor |
| | (unaudited) | |
| Net income | \$ 11,231 | \$ 1,930 |
| Add: | | |
| Marketing, general and administrative expenses | 8,675 | 6,325 |
| Total depreciation and amortization ⁽¹⁾ | 30,115 | 13,938 |
| Interest expense ⁽²⁾ | 14,337 | 15,182 |
| Construction expenses | 14,283 | 6,260 |
| Formation transaction expenses ⁽³⁾ | — | 1,695 |
| Less: | | |
| Construction revenue | (14,963 |) (6,182 |
| Third-party management and other fees | (611 |) (2,657 |
| Net operating income | \$ 63,067 | \$ 36,491 |
| | | |
| Other Net Operating Income Data | | |
| Straight-line rental revenue | \$ 12,580 | \$ 845 |
| Net increase in rental revenue from the amortization of above- and below-market lease assets and liabilities | \$ 1,885 | \$ — |
| Amortization of acquired below-market ground lease | \$ 426 | \$ — |
| Ground rent earned from non-controlled entities | \$ — | \$ 6,056 |
| Management fees from non-controlled entities | \$ — | \$ 820 |

(1) Includes adjustment for proportionate share of depreciation and amortization expense relating to non-controlled entities of \$1,782 for the three months ended March 31, 2013.

(2) Includes adjustment for proportionate share of interest expense related to non-controlled entities of \$986 for the three months ended March 31, 2013.

(3) Includes external offering costs incurred that are not directly attributable to the consent solicitation of investors in the existing entities and this offering.

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 writedowns of investments in depreciable real estate and investments in in-substance real estate investments, gains or losses from debt restructurings and sales of depreciable operating properties, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs), less distributions to non-controlling interests and gains/losses from discontinued operations and after adjustments for unconsolidated partnerships and joint ventures. FFO is a widely recognized non-GAAP financial measure for REITs that we believe, when considered with financial statements determined in accordance with GAAP, is useful to investors in understanding financial performance and providing a relevant basis for comparison among REITS. In addition, FFO is useful to investors as it captures features particular to real estate performance by recognizing that real estate has generally appreciated over time or maintains residual value to a much greater extent than do other depreciable assets. Investors should review FFO, along with GAAP net income, when trying to understand an equity REIT's operating performance. We present FFO because we consider it an important supplemental measure of our operating performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that 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 its 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.

Core Funds From Operations ("Core FFO")

Core FFO adds back to traditionally defined FFO the following items associated with the Offering and related formation transactions: gain on consolidation of non-controlled entities, acquisition expenses, severance expenses and retirement equity compensation expenses. We present Core FFO because we consider it an important supplemental measure of its operating performance in that it excludes items associated with the Offering and related formation transactions. There can be no assurance that Core FFO presented by us 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.

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

| | Three Months Ended March 31, | |
|--|------------------------------|-------------|
| | 2014 | 2013 |
| | Company | Predecessor |
| | (unaudited) | |
| Net income | \$11,231 | \$1,930 |
| Real estate depreciation and amortization ⁽¹⁾ | 30,052 | 13,860 |
| Funds from operations | \$41,283 | \$15,790 |
| Weighted average shares and Operating Partnership Units | | |
| Basic | 245,779 | |
| Diluted | 245,821 | |
| FFO per share | | |
| Basic | \$0.17 | |
| Diluted | \$0.17 | |

(1) Includes adjustment for proportionate share of real estate depreciation and amortization expense relating to non-controlled entities of \$1,742 for the three months ended March 31, 2013.

Distribution to Equity Holders

Distributions and dividends have been made to equity holders for the three months ended March 31, 2014 are as follows (amounts in thousands):

| | |
|-----------------------------|----------|
| Period ended March 31, 2014 | \$20,901 |
| Inflation | |

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

Seasonality

We do not consider our business to be subject to material seasonal fluctuations, except that our observatory business is subject to tourism trends and weather, and therefore does experience some seasonality. During the past ten years of our annual observatory revenue, approximately 16% to 18% was realized in the first quarter, 26.0% to 28.0% was realized in the second quarter, 31.0% to 33.0% was realized in the third quarter and 23.0% to 25.0% was realized in the fourth quarter.

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. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. One of the principal market risks facing us is interest rate risk on our floating rate indebtedness. As of March 31, 2014, our floating rate mortgage debt represented 7.6% of our total enterprise value. This floating rate debt included \$325.0 million of borrowings under the secured revolving and term credit facility.

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. Our primary objectives when undertaking hedging transactions and derivative positions will be to reduce our floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. This in turn will reduce the risk that the variability of cash flows will impose on floating rate debt.

However, we can provide no assurances that our efforts to manage interest rate volatility will successfully mitigate the risks of such volatility on our portfolio. We are not subject to foreign currency risk.

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

As of March 31, 2014, we had total outstanding floating rate mortgage debt obligations of \$372.7 million. Based on our variable balances, interest expense would have increased by approximately \$3.7 million for the period ended March 31, 2014, if short-term interest rates had been 1% higher. As of March 31, 2014, the weighted average interest rate on the \$830.9 million of fixed-rate indebtedness outstanding was 5.78% per annum, each with maturities at various dates through April 5, 2018.

As of March 31, 2014, the fair value of our outstanding debt was approximately \$1.2 billion, which was approximately \$10.9 million more than the historical book value as of such date. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

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 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.

As of March 31, 2014, 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 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 Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the

time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No changes to our internal control over financial reporting 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 Note 9 to the Notes to Condensed Consolidated Financial Statements for a description of legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled "Risk Factors" beginning on page 11 of our December 31, 2013 Annual Report on Form 10-K. Please review the Risk Factors set forth in our December 31, 2013 Annual Report on Form 10-K.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The information under the heading "Exhibit Index" below is incorporated herein by reference.

Exhibit Index

| Exhibit No. | Description |
|-------------|---|
| 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 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. |
| 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 Chief 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 |
| 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 |

Notes:

* Filed herewith.