

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

RECKSON ASSOCIATES REALTY CORP

Form 8-K

May 24, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report: May 23, 2002

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

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

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

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

1-13762  
(Commission File Number)

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

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99.1 Reckson Associates Realty Corp. Annual Shareholders' Meeting  
Presentation

ITEM 9. REGULATION FD DISCLOSURE

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

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

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SIGNATURES

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

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Michael Maturo

-----  
Michael Maturo  
Executive Vice President  
and Chief Financial Officer

RECKSON OPERATING PARTNERSHIP, L.P.

By: Reckson Associates Realty Corp.,  
its General Partner

By: /s/ Michael Maturo

-----  
Michael Maturo  
Executive Vice President  
and Chief Financial Officer

Date: May 23, 2002

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

Annual Meeting of Shareholders  
May 23, 2002

RECKSON ASSOCIATES REALTY CORP

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### COMPANY OVERVIEW

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

### PREMIER PORTFOLIO

[Pictures Omitted]

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

Note: Information as of March 31, 2002

(a) Excluding properties under development

### PORTFOLIO COMPOSITION

[Graphics Omitted]

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Net Operating Income (a)  
-----

By Region  
-----

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

By Property Type  
-----

Office	86%
Industrial	14%

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

### TENANT DIVERSIFICATION

[Graphic Omitted]

100 Largest Tenants Represent 53% of Revenue

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

### LOCAL EXPERTISE SUPPORTED BY CENTRAL SERVICES

Organizational Chart:  
-----

Corporate Central Services  
-----

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

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- o Westchester Division
- o New Jersey Division

### Central Services:

-----

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

### OFFICE MARKET OVERVIEW

[Graphics Omitted]

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

Source: Cushman & Wakefield Class A Office Statistics

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

OFFICE MARKET OVERVIEW

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[Graphics Omitted]

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

Source: Cushman & Wakefield Class A Office Statistics

LIMITED NEW SUPPLY IN RECKSON'S MARKETS

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

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

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

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

(b) Excludes The Hudson Waterfront

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

### FACTORS IMPACTING SUPPLY & Demand

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

### 2001 RECAP

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

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## 2002 OBJECTIVES

- I. Intensify Focus on Fundamentals
  - Remain well occupied
  - Increase same property NOI
  - Stabilize development projects
  
- II. Maximize Long-Term Net Asset Value
  - Execute internal growth
  - Pursue value-added investment opportunities
  - Pursue strategic investments that enhance franchise
  - Maximize value of development pipeline
  - Dispose of targeted non-strategic assets
  - Opportunistically repurchase shares
  
- III. Maintain Financial Flexibility

By executing on our strategy we will maximize shareholder value

## 2002 OBJECTIVES

### I. INTENSIFY FOCUS ON FUNDAMENTALS

#### Maintain High Occupancy Rates

[Graphics Omitted]

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

Note: Excludes properties under development

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



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PORTFOLIO PERFORMANCE  
Same Property NOI Growth

[Graphics Omitted]

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

TOTAL PORTFOLIO

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

OFFICE PORTFOLIO

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

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

(b) Excludes termination fees

PORTFOLIO PERFORMANCE

[Graphics Omitted]

FIRST QUARTER 2002 SAME SPACE AVERAGE RENT GROWTH (a)

OFFICE RENT GROWTH: 22.8%

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

INDUSTRIAL/R&D Rent Growth: 16.7%

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

o Renewed 91.1% of Expiring Square Footage

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

(a) Represents leases executed during the first quarter

### LEASE EXPIRATIONS

4.7% of Portfolio Square Feet Expiring in 2002

[Graphics Omitted]

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

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

### LEASE EXPIRATION COMPARISON

2002 and 2003 Office Portfolio

[Graphics Omitted]

Expiring Rents vs. Reckson Forecast Rents

As of March 31, 2002

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

Cash

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

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

VALUE CREATION

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

[Graphic Omitted]

(in millions)

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

VALUE CREATION ACTIVITY UPDATE

Redevelopment

[Picture Omitted]

103 JFK Parkway  
Short Hills, New Jersey

Executed Lease with Dun & Bradstreet for 100% of Property

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

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

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

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

[Picture Omitted]

Ground-Up Development:

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

Stacking Plan - 277,500 Sq. Ft.

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

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

2002 OBJECTIVES

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## II. MAXIMIZE LONG-TERM NET ASSET VALUE

### INTERNAL GROWTH POTENTIAL

[Graphics Omitted]

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

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

### CURRENT INVESTMENT PARAMETERS

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

### INVESTMENT OPPORTUNITIES

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

CAPITAL RECYCLING PROGRAM  
 \$682 Million Slated for Program

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

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

2002 OBJECTIVES

III. MAINTAIN FINANCIAL FLEXIBILITY

FINANCIAL RATIOS

(in millions except ratios)

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

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

DEBT SCHEDULE

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





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- o Well-Positioned to Maximize Shareholder Value

### FORWARD-LOOKING STATEMENTS

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

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

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RECKSON